
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Cross-Harbour (Holdings) Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, to the licensed securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Notice to Australian Shareholders: This Offer is made to Shareholders with registered addresses in Australia ("Australian Shareholders") in reliance on ASIC Corporations (Unsolicited Offers — Foreign Bids) Instrument 2015/1070. This Composite Document may not include information required by Division 5A of Part 7.9 of the Corporations Act 2001 (Cth), which regulates the making of unsolicited offers to purchase securities in Australia, and which requires that such offers set out in a clear, concise and effective manner certain information. Any Australian Shareholder in doubt as to whether or not to accept the Offer should seek professional advice.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.



ROSE DYNAMICS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

THE CROSS-HARBOUR (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

**COMPOSITE DOCUMENT RELATING TO
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)**

Financial Adviser to the Offeror



Haitong International Capital Limited

Independent Financial Adviser to the Independent Board Committee



Capitalized terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Haitong International Securities containing, among other things, details of the terms of the Offer is set out on pages 6 to 16 of this Composite Document. A letter from the Board is set out on pages 17 to 22 of this Composite Document. A letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptance of the Offer is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 25 to 57 of this Composite Document.

The procedures for acceptance and settlement of the Offer is set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 23 November 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "7. Overseas Holders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Holder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due by such Overseas Holder in respect of such jurisdiction. Each Overseas Holder is advised to seek professional advice on deciding whether or not to accept the Offer.

23 October 2020

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and is subject to changes. Any changes to the expected timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all the time and date references contained in this Composite Document refer to Hong Kong time and dates.

Events	Time & Date
Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement of the Offer (<i>Note 1</i>)	Friday, 23 October 2020
First Closing Date (<i>Notes 3 and 7</i>)	Monday, 23 November 2020
Latest time and date for acceptance of the Offer on the First Closing Date (<i>Notes 2 and 7</i>)	by 4:00 p.m. on Monday, 23 November 2020
Announcement of the results of the Offer as at the First Closing Date to be posted on the website of the Stock Exchange	by 7:00 p.m. on Monday, 23 November 2020
Latest date for posting of remittances in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the First Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) (<i>Notes 4 and 7</i>)	Thursday, 26 November 2020
Final Closing Date if the Offer becomes or is declared unconditional on the First Closing Date (<i>Notes 3, 5 and 7</i>)	Monday, 7 December 2020
Latest time and date for the Offer remaining open for acceptances on the Final Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) (<i>Notes 5 and 7</i>)	by 4:00 p.m. on Monday, 7 December 2020

EXPECTED TIMETABLE

Announcement of the results of the Offer as at
the Final Closing Date to be posted on the website
of the Stock Exchange by 7:00 p.m. on
Monday, 7 December 2020

Latest date for posting of remittances in respect of
valid acceptances received under the Offer on or
before 4:00 p.m. on the Final Closing Date,
being the latest date on which the Offer remain
open for acceptances assuming the Offer becomes or
is declared unconditional in all respects on the First Closing
Date (*Notes 4 and 7*) Thursday, 10 December 2020

Latest time and date by which the Offer can become
or be declared unconditional as to acceptances (*Note 6*) by 7:00 p.m. on
Tuesday, 22 December 2020

Notes:

- (1) The Offer, which is conditional, is made on the date of posting of this Composite Document, and is open for acceptance on and from 23 October 2020, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period.
- (2) Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (3) The Offer will initially remain open for acceptances until 4:00 p.m. on 23 November 2020 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer. As the Offer will, in addition to compliance with the Takeovers Code, also be made in the United States pursuant to the applicable U.S. tender offer rules, the Offer must remain open for at least 20 U.S. business days following the Despatch Date. Accordingly, if the Offer is declared unconditional in all respects on or before Monday, 9 November, 2020, then the Final Closing Date would be on (but no earlier than) the First Closing Date.
- (4) Subject to the Offer becoming unconditional, 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 accepting Independent Shareholder(s) (to the address specified on the relevant Independent Shareholder's Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within three (3) Business Days following the later of (i) the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects.

EXPECTED TIMETABLE

- (5) In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or are at that time unconditional, that the Offer will remain open until further notice.
- (6) In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on 22 December 2020, being the 60th day after the day on which this Composite Document was posted. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on 22 December 2020 unless extended with the consent of the Executive and in accordance with the Takeovers Code.
- (7) If there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning":
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the posting of remittances will remain on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day and the posting of remittances will be rescheduled on the following Business Day.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

IMPORTANT NOTICE

NOTICE TO U.S. HOLDERS OF COMPANY SHARES

The Offer is being made for the securities of a company incorporated in Hong Kong with limited liability and is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this Composite Document may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Offer will be made in the United States pursuant to the applicable U.S. tender offer rules and otherwise in accordance with the requirements of the SFO and the Takeovers Code. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror and the Company are located in a country outside the United States and some or all of their officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “intend”, “plan”, “seek”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context requires otherwise, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisation”	authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Offer or its implementation
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	the First Closing Date or the Final Closing Date (as the case maybe)
“Company”	The Cross-Harbour (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 32)
“Composite Document”	this composite document combining the offer document and offeree board circular in respect of the Offer jointly issued by or on behalf of the Offeror and the Company in accordance with the Takeovers Code, containing, amongst other things, detailed terms of the Offer and the Form of Acceptance, as may be revised or supplemented as appropriate
“Condition”	the condition(s) of the Offer, as set out in the paragraph headed “Conditions of the Offer” in the “Letter from Haitong International Securities” in this Composite Document
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	a facility in the amount of HK\$2,540,000,000 granted by Haitong International Securities in favour of the Offeror which is secured by a charge over the Shares that will be acquired by the Offeror under the Offer

DEFINITIONS

“Final Closing Date”	the date which is the 14th day after (i) the date on which the Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the later, provided that the Offer will be open for acceptance for at least 20 U.S. business days following the despatch of the Composite Document
“First Closing Date”	23 November 2020, being the date stated in this Composite Document as the first closing day of the Offer, or such later date as may be extended by the Offeror in accordance with the Takeovers Code
“Form of Acceptance”	the form of acceptance and transfer of the Offer Share(s) in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“Haitong International Capital”	Haitong International Capital Limited, the financial adviser of the Offeror and parties acting in concert with it in respect of the Offer, and is a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities
“Haitong International Securities”	Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC Nominees Limited”	a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Ng, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven, established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and Offeror Concert Parties

DEFINITIONS

“Irrevocable Confirmations”	the irrevocable confirmations, acknowledgements and undertakings given by each of Mr. Wong, Mr. Ng and Ms. Leung 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
“Joint Announcement”	the announcement dated 17 September 2020 regarding the Offer jointly issued by the Company and the Offeror
“Last Trading Day”	14 September 2020, being the last trading day of the Shares prior to the halt of trading in the Shares pending the publication of the Joint Announcement
“Latest Practicable Date”	20 October 2020, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Chung Kiu, (i) Chairman and an Executive Director and (ii) the ultimate beneficial owner and the sole director of the Offeror
“Mr. Ng”	Mr. Ng Kwok Fu, an independent non-executive Director
“Mr. Wong”	Mr. Wong Chi Keung, an executive Director
“Ms. Leung”	Ms. Leung Wai Ling Wendy, the spouse of Mr. Ng
“Offer”	the voluntary conditional general cash offer made by Haitong International Securities on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from 17 September 2020, being the date of publication of the Joint Announcement until the Closing Date or such other later date as revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code
“Offer Price”	the price per Offer Share at which the Offer is made, being HK\$14 per Offer Share
“Offer Share(s)”	Share(s), other than those already owned by or to be acquired by the Offeror or any of the Offeror Concert Parties, being 287,792,092 Shares as at the Latest Practicable Date

DEFINITIONS

“Offeror”	Rose Dynamics Limited, a company incorporated in the BVI with limited liability, which is directly wholly-owned by Windsor Dynasty, which in turn is directly wholly-owned by Mr. Cheung
“Offeror Concert Parties”	parties who are either acting in concert and/or are presumed under the Takeovers Code to be acting in concert with the Offeror in relation to the Company who, as at the Latest Practicable Date, including but not limited to (i) Mr. Cheung, (ii) Windsor Dynasty and (iii) the Directors (together with their respective close relatives, related trusts and companies controlled by such Directors, their respective close relatives and related trusts)
“Overseas Holder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“public”	has the meaning ascribed to it under the Listing Rules
“Registrar”	Tricor Tengis Limited, the share registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Offer
“Relevant Period”	the period from 17 March 2020, being the date falling six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	issued ordinary share(s) in the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 21 May 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia

DEFINITIONS

“Windsor Dynasty” Windsor Dynasty Limited, a company incorporated in the BVI with limited liability, which is directly wholly-owned by Mr. Cheung and is the direct shareholder of the Offeror

“%” per cent.



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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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

LETTER FROM HAITONG INTERNATIONAL SECURITIES

- (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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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

LETTER FROM THE BOARD



THE CROSS-HARBOUR (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

Executive Directors:

Mr. Cheung Chung Kiu (*Chairman*)
Mr. Yeung Hin Chung, John
Mr. Yuen Wing Shing
Mr. Wong Chi Keung
Mr. Leung Wai Fai
Ms. Tung Wai Lan, Iris

Registered Office:

25th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Ng Kwok Fu
Mr. Luk Yu King, James
Mr. Leung Yu Ming, Steven

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 OF 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 those defined in this Composite Document.

LETTER FROM THE BOARD

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offer; (ii) a letter from Haitong International Securities containing, among other things, details of the Offer; (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; and (iv) a letter from Optima Capital containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee of the Company, comprising all independent non-executive Directors, namely Mr. Ng, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven, has been established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

In addition, Optima Capital, with the approval of the Independent Board Committee, has been appointed as the independent financial adviser, to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

3. 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).

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.

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.

LETTER FROM THE BOARD

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. 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.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Shareholding structure of the Company

The following table 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 (Note 2)	17,474	0.01
Sub-total	84,896,114	22.78
Public Shareholders	287,792,092	77.22
Total number of Offer Shares (Note 3)	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.

LETTER FROM THE BOARD

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.

4. INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries, associates and a joint venture are motoring school operations, treasury management and securities investment, tunnel operations and electronic toll collection.

The Group's motoring school operations are currently conducted through Alpha Hero Limited (a 70% owned subsidiary of the Group) and its subsidiaries (collectively "AHG") in various locations in Hong Kong, one of which is located in Nam Sang Wai, Yuen Long ("Yuen Long Driving School"). The lot, at which the Yuen Long Driving School is located, is within an area zoned by the Town Planning Board "Other Specified Use" annotated "Comprehensive Development to include Wetland Restoration Area" (in short "OU(CDWRA)") under the prevailing approved Nam Sang Wai Outline Zoning Plan No. S/YL-NSW/8 ("Application Site"). The Yuen Long Driving School has been operating in the Application Site since 1994 under a planning permission for temporary driving school and ancillary uses, which was first granted in 1992 and renewed from time to time with the current one to expire in 2022. In 2011, the Town Planning Board advised AHG to relocate the Yuen Long Driving School to other suitable locations in order to minimize the interface issues with future residential developments in that area and facilitate the implementation of "OU(CDWRA)" zone. Following such advice from the Town Planning Board, AHG has taken steps to identify other suitable replacement sites. Upon considering, among other factors, that no other suitable site has so far been considered appropriate for relocating the Yuen Long Driving School, an application for amendment of plan has been made to the Town Planning Board for a long-term establishment of the Yuen Long Driving School in the Application Site with wetland restoration proposal, which will involve the rezoning of the Application Site as an OU(CDWRA) sub-zone and introducing "driving school" as a permitted use to the designated OU(CDWRA) sub-zone. The application will be considered by the Town Planning Board at its meeting tentatively scheduled to take place on 18 December 2020.

On the other hand, as far as the Directors are aware, there had been no attempts made by other developers to the Town Planning Board for undertaking residential development covering the Application Site since the acquisition of the Application Site by the Group in 1992, except for a recent application to the Town Planning Board made by a developer in 2020 for undertaking residential development at the Nam Sang Wai area covering the Application Site. Such application would be considered by the Town Planning Board at its meeting to be held tentatively on 6 November 2020. The Company had filed an objection to the application. As the said application had received more than six thousand comments (most of them are negative) from the public, the Company considers that the chances of a successful redevelopment plan involving the Application Site would be remote. As at the Latest Practicable Date, there had not been any discussions or negotiations between the Company and the Hong Kong Government (including the Town Planning Board) regarding the potential conversion of use of the Application Site operating as driving school to other uses.

Further information of the Group has been set out in "Appendix II — Financial information of the Group" and "Appendix III — General information of the Group" to this Composite Document.

LETTER FROM THE BOARD

5. INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “4. Information of the Offeror” in the “Letter from Haitong International Securities” and “Appendix IV — General information of the Offeror” to this Composite Document.

6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “5. Intention of the Offeror in relation to the Group” in the “Letter from Haitong International Securities” to this Composite Document. The Board is pleased with the Offeror’s intention in respect of the Group that 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.

7. TAXATION ADVICE

Your attention is drawn to the paragraph headed “2. The Offer — Taxation advice” in the “Letter from Haitong International Securities” to this Composite Document.

Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from 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.

8. PUBLIC FLOAT

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, 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

LETTER FROM THE BOARD

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.

9. 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.

10. RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 23 to 24 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer; and (ii) the “Letter from Optima Capital” on pages 25 to 57 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

You are also advised to read the “Letter from Haitong International Securities” on pages 6 to 16 of this Composite Document, the further terms of the Offer and procedures of acceptance and settlement set out in Appendix I of this Composite Document and the accompanying Form of Acceptance in respect of the terms and acceptance and settlement procedures of the Offer.

Yours faithfully,
By order of the Board of
The Cross-Harbour (Holdings) Limited
Yeung Hin Chung, John
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



THE CROSS-HARBOUR (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

23 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**THE VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
ON BEHALF OF
ROSE DYNAMICS LIMITED
TO ACQUIRE ALL OF 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)**

We refer to the composite document combining the offer document and offeree board circular dated 23 October 2020 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer.

Optima Capital has been appointed, with our approval, as the independent financial adviser to advise us in respect of the Offer and its terms and conditions. Your attention is drawn to the “Letter from Optima Capital” set out on pages 25 to 57 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We draw your attention to the “Letter from Haitong International Securities” set out on pages 6 to 16 of the Composite Document which contains, inter alia, information about the Offer, the “Letter from the Board” set out on pages 17 to 22 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from Optima Capital, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Independent Shareholders are recommended to read the full text of the “Letter from Optima Capital” in the Composite Document. Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Offer, and are strongly advised that the Independent Shareholder’s decision to realize or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
The Independent Board Committee
The Cross-Harbour (Holdings) Limited

Mr. Ng Kwok Fu

Mr. Luk Yu King, James
Independent Non-executive Directors

Mr. Leung Yu Ming, Steven

LETTER FROM OPTIMA CAPITAL

The following is the text of the letter from Optima Capital containing its advice to the Independent Board Committee relating to the Offer, which is prepared for the purpose of incorporation in this Composite Document.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

23 October 2020

To the Independent Board Committee

Dear Sirs,

**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)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Company to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the composite offer and response document jointly issued by the Offeror and the Company dated 23 October 2020 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ng Kwok Fu, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven, who have no direct or indirect interest in the Offer, has been established by the Company in accordance with Rule 2.1 of the Takeovers Code to make recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. We, Optima Capital, have been appointed by the Company as the independent financial adviser in accordance with Rule 2.4 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer. Our appointment has been approved by the Independent Board Committee.

LETTER FROM OPTIMA CAPITAL

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. We are therefore considered eligible to give independent advice in respect of the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were provided and expressed, and continue to be true, accurate and complete in all material respects up to the Latest Practicable Date. We have reviewed, among other things, (i) the Joint Announcement; (ii) the Composite Document; (iii) the annual reports of the Company for the three years ended 31 December 2017 (the “**2017 Annual Report**”), 2018 (the “**2018 Annual Report**”) and 2019 (the “**2019 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”); and (v) other information obtained from the public domain. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Offeror or the associates of any of them, nor have we carried out any independent verification of the information supplied. Should there be any subsequent material changes in such information during the Offer Period, the Company will inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders shall also be informed as soon as practicable when there are any material changes to the information contained or referred to in this letter and our opinion after the Latest Practicable Date and throughout the Offer Period.

In relation to the Offer, we have not considered the tax implications on the Independent Shareholders of the acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in an doubt, should consult their own professional advisers.

LETTER FROM OPTIMA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Terms and conditions of the Offer

The Offer is being made by Haitong International Securities on behalf of the Offeror on the following basis:

For each Offer Share HK\$14 in cash

The Offer is being extended to all Shareholders other than the Offeror and the Offeror Concert Parties.

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. Should any future 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 such dividend if the record date in respect of which is fixed for a date falling before the Closing Date, and the dividend declared would not reduce the Offer Price.

The Offer is subject to the satisfaction of the Conditions as described in the letter from Haitong International Securities contained in the Composite Document. In particular, the Offer is subject to 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. The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions other than the Condition relating to minimum level of acceptances as described above. In respect of other Conditions, the Offeror is not aware of any Authorisations or consents which are required, and any other matter that would constitute a breach of such Conditions.

Further details on the terms and conditions of the Offer, including the procedures for acceptance, are set out in the letter from Haitong International Securities contained in the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance.

LETTER FROM OPTIMA CAPITAL

2. Principal businesses of the Group

The principal activities of the Group include (i) operation of driver training centres (the “**Motoring School Operation**”); (ii) operation of tunnels (the “**Tunnel Operation**”); (iii) investments in and management of financial assets (the “**Treasury Management Business**”); and (iv) operation of an electronic toll collection system and provision of telematics service (the “**Electronic Toll Operation**”).

Set out below is the breakdown of segment revenue of the Group for each of the three financial years ended 31 December 2017 (“**FY2017**”), 2018 (“**FY2018**”) and 2019 (“**FY2019**”) and the six months ended 30 June 2019 (“**HY2019**”) and 30 June 2020 (“**HY2020**”) (collectively, the “**Track Record Period**”):

	FY2017 <i>(Audited)</i> <i>HK\$'000</i>	FY2018 <i>(Audited)</i> <i>HK\$'000</i>	FY2019 <i>(Audited)</i> <i>HK\$'000</i>	HY2019 <i>(Unaudited)</i> <i>HK\$'000</i>	HY2020 <i>(Unaudited)</i> <i>HK\$'000</i>
Motoring School Operation	402,714	440,027	465,345	219,154	222,582
Tunnel Operation	2,500	2,500	2,500	1,250	1,250
Treasury Management Business	40,670	182,696	211,258	110,259	144,612
Electronic Toll Operation	<u>13,801</u>	<u>13,801</u>	<u>12,945</u>	<u>2,145</u>	<u>1,834</u>
Total segment revenue	459,685	639,024	692,048	332,808	370,278
Unallocated head office and corporate revenue	<u>1,906</u>	<u>1,913</u>	<u>3,889</u>	<u>963</u>	<u>4,462</u>
Total revenue	<u>461,591</u>	<u>640,937</u>	<u>695,937</u>	<u>333,771</u>	<u>374,740</u>

2.1 Motoring School Operation

The Motoring School Operation is conducted through the Group’s 70%-owned subsidiary, namely Alpha Hero Limited (“**AH**”, together with its subsidiaries, “**AHG**”). The financial results of AHG are consolidated into the financial statements of the Group. The remaining 30% interest in AH is held by Wilson Parking International Holdings Limited. Revenue generated from the Motoring School Operation represented a majority part of the Group’s total revenue and accounted for approximately 87.2%, 68.7%, 66.9% and 59.4% of the Group’s total revenue for FY2017, FY2018, FY2019 and HY2020 respectively.

LETTER FROM OPTIMA CAPITAL

The commencement of the Motoring School Operation can be traced back to 1983 with the establishment of the Hong Kong School of Motoring, which is the first government designated driving school in Hong Kong. In addition to new learners' courses and driving improvement programs for individual learners, AHG also provides corporations with tailor-made driving courses for fleet drivers such as delivery crew and airport logistic crew, as well as China drivers' training. Currently, there are four driving schools in Hong Kong under the Motoring School Operation which are situated in Siu Lek Yuen (the "**Siu Lek Yuen Driving School**"), Yuen Long (the "**Yuen Long Driving School**"), Ap Lei Chau (the "**Ap Lei Chau Driving School**") and Kwun Tong (the "**New Kwun Tong Driving School**") respectively. AHG also operates the A1 driving school and the driving improvement school. Set out below is the breakdown of revenue generated by the Motoring School Operation during the Track Record Period:

	FY2017	FY2018	FY2019	HY2019	HY2020
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Siu Lek Yuen Driving School	184,710	179,774	203,715	96,312	86,735
Yuen Long Driving School	112,807	124,396	115,328	56,687	51,321
Ap Lei Chau Driving School	68,939	86,674	85,210	40,070	41,471
New Kwun Tong Driving School	—	—	8,003	—	18,638
Other income	36,258	49,183	53,089	26,085	24,417
	<u>402,714</u>	<u>440,027</u>	<u>465,345</u>	<u>219,154</u>	<u>222,582</u>

The Siu Lek Yuen Driving School, the Ap Lei Chau Driving School and the New Kwun Tong Driving School are operating at sites leased from the Hong Kong Government, while the site for operating the Yuen Long Driving School at Nam Sang Wai was acquired by AHG in 1992. In addition, AHG also acquired properties for use as driving training centres, sales outlets and classrooms. As at 30 June 2020, AHG owned seven properties located in various locations in Hong Kong for the aforesaid purposes.

As at 30 June 2020, AHG had a team of around 370 driving instructors and a fleet of around 610 training vehicles, including private cars, light goods vehicles, medium goods vehicles, motorcycles, buses, skid cars, skid bikes and articulated vehicles.

LETTER FROM OPTIMA CAPITAL

2.2 Tunnel Operation

The Tunnel Operation during the Track Record Period comprised the operations of two tunnels in Hong Kong, namely the Tate's Cairn Tunnel ("TCT") and the Western Harbour Tunnel ("WHT"). The operation of TCT was carried out through Tate's Cairn Tunnel Company Limited ("TCTCL"), a 39.5%-owned associate of the Group, under a 30-year franchise granted by the Hong Kong Government. The franchise expired in July 2018 and TCTCL was voluntarily wound up subsequent thereto in 2020. The operation of WHT is being carried out through Western Harbour Tunnel Company Limited ("WHTCL"), a 50%-owned associate of the Group, under a 30-year franchise granted by the Hong Kong Government which will be expiring in August 2023. The revenue recorded by the Group under the Tunnel Operation segment during the Track Record Period represented service fees for the provision of certain general management services by the Group to TCTCL and WHTCL. Despite the immaterial amount of revenue under this segment, the Tunnel Operation is the largest profit contributor to the Group during the Track Record Period as the Group shared profits from these associated companies through equity method (please refer to the paragraph headed "Historical financial results of the Group" below for further details).

WHT is a dual 3-lane immersed tube tunnel and is the third road tunnel to cross Victoria Harbour, linking Yau Ma Tei in West Kowloon with Sai Ying Pun on the Hong Kong Island. It was constructed by WHTCL under a build-operate-transfer model proposed by the Hong Kong Government. The project agreement was entered into in 1993 and the construction of WHT was completed in April 1997 at a total cost of around HK\$7 billion. Upon the expiry of the franchise in August 2023, the ownership of WHT will be transferred to the Hong Kong Government, while WHTCL will remain as an associate of the Company.

2.3 Treasury Management Business

The Treasury Management Business involves investing and financing activities and management of investments in financial assets, including fund investment units, listed and unlisted equity and debt securities, interest-bearing instruments and cash and bank balances. The investment objective for the Treasury Management Business is to increase the value of its investments so as to enhance returns for the Shareholders. Through maintaining a mix of different types of investment instruments in its portfolio comprising listed and unlisted equity and debt securities, interest-bearing instruments and fund investments, the Group seeks not only to enhance its source of revenue in order to mitigate the risks of losing income from any one particular source, but also to achieve consistent risk adjusted returns by maximising total yields and capital appreciation and minimising risks in its investment portfolio.

Revenue generated from the Treasury Management Business mainly represented interest income from debt securities, interest-bearing instruments and bank deposits, and dividend income from equity securities, which accounted for approximately 8.8%, 28.5%, 30.4% and 38.6% of the Group's total revenue for FY2017, FY2018, FY2019 and HY2020 respectively. According to the Group's accounting policies, the financial assets are either stated at fair value (for equity securities, listed debt securities and unlisted fund investments) or at amortised cost (for unlisted debt securities and interest-bearing instruments). Fair value adjustments of these financial assets will be accounted for through profit or loss or other comprehensive income, subject to the Group's classification of the nature of the financial assets.

LETTER FROM OPTIMA CAPITAL

As at 30 June 2020, the Group had bank deposits and cash of approximately HK\$2,135.7 million and other investments in financial assets of approximately HK\$4,971.8 million, the breakdown of which is set out below:

	<i>HK\$ million</i>	<i>% to total</i>
<i>Financial assets measured at fair value through other comprehensive income</i>		
- Listed equity securities	619.2	12.5
- Listed debt securities	752.5	15.1
 <i>Financial assets measured at fair value through profit or loss</i>		
- Listed equity securities	1,258.4	25.3
- Listed debt securities	392.4	7.9
- Unlisted fund investments	1,149.6	23.1
- Unlisted equity security	132.9	2.7
 <i>Financial assets measured at amortised cost</i>		
- Unlisted debt security	65.0	1.3
- Interest-bearing instruments	601.8	12.1
	4,971.8	100.0

As at 30 June 2020, the Group had listed and unlisted equity securities of approximately HK\$2,010.5 million in aggregate, representing approximately 40.5% of the total investment portfolio of the Group. Among the equity securities, the Group held (i) 22,902,000 shares of, or approximately 0.18% interests in, China Evergrande Group (stock code: 3333.HK) (“**China Evergrande**”) with fair value of approximately HK\$458.0 million, representing approximately 9.2% of the total investment portfolio of the Group; and (ii) 54,255,000 shares of, or approximately 0.63% interests in, China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Limited) (stock code: 708) (“**Evergrande Vehicle**”) with fair value of approximately HK\$563.2 million, representing approximately 11.3% of the total investment portfolio of the Group. Other than these two listed securities, the Group also held 20 other listed and unlisted equity securities with an aggregate fair value of approximately HK\$989.3 million, representing approximately 20.0% of the total investment portfolio of the Group, covering various industry sectors including finance, property, natural resources, industrial and infrastructure, and retail.

As at 30 June 2020, the Group held listed and unlisted debt securities of approximately HK\$1,209.9 million in aggregate, representing approximately 24.3% of the total investment portfolio of the Group. These debt securities comprised a total of nine listed bonds and one unlisted bond with coupon rates ranging from 6.35% to 12% per annum, and they were mainly issued by companies listed on the Stock Exchange or their subsidiaries (including a subsidiary of China Evergrande) primarily operating in the PRC and the United Kingdom real estate sector.

LETTER FROM OPTIMA CAPITAL

The Group also invested in various unlisted funds with focuses on different industry sectors, regions and asset types. Among the fund investments, as at 30 June 2020, the Group held about 41,805 class A shares of, or 25% interests in, the Diversified Absolute Return Fund (“**DARF**”) with fair value of approximately HK\$465.5 million, representing approximately 9.4% of the total investment portfolio of the Group. Apart from DARF, the Group also held investments in a total of eight unlisted funds with an aggregate fair value of approximately HK\$684.1 million, representing approximately 13.7% of the total investment portfolio of the Group. The underlying investments of these funds include listed and unlisted equity instruments, structured financing products and venture capital deals in various regions including but not limited to the PRC and Hong Kong, covering various industry sectors including biopharmaceuticals, biotechnology, healthcare and related services, technology and e-commerce.

In addition to the above investments, the Group also invested in a total of seven interest-bearing instruments with aggregate outstanding amount (net of provision for impairment losses) of approximately HK\$601.8 million as at 30 June 2020, representing approximately 12.1% of the total investment portfolio of the Group. These instruments bear interests ranging from 10% to 12% per annum and are maturing in 2020 and 2021.

2.4 Electronic Toll Operation

The Electronic Toll Operation is undertaken by Autotoll (BVI) Limited (“**Autotoll**”), a jointly controlled entity which is owned as to 50% by The Autopass Company Limited (a 70%-owned subsidiary of the Group) and as to the remaining 50% by Electronic Toll Systems Limited. As such, the Group has an effective interest of 35% in Autotoll. During the Track Record Period, the Group accounted for its investment in Autotoll as a joint venture and shared the profit from Autotoll through equity method. The revenue of the Electronic Toll Operation segment during the Track Record Period represented fee income generated from the provision of certain general management and administrative services by the Group to Autotoll.

Autotoll is a provider of intelligent transport system (“**ITS**”) in the transport and logistics industries in Hong Kong. It has been managing and operating the electronic toll collection (“**ETC**”) system in Hong Kong since 1992 and the revenue generated therefrom accounted for approximately 44.3% to 65.9% of the total revenue of Autotoll during the Track Record Period. It also offers comprehensive logistics support services such as the provision of global positioning system (“**GPS**”) service through the launch of telematics service platform in August 2004. The non-ETC business accounted for approximately 34.1% to 55.7% of the total revenue of Autotoll during the Track Record Period.

As at 30 June 2020, there were 61 auto-toll lanes in operation at 12 toll roads and tunnels in Hong Kong. The total number of tags in circulation for the ETC service was about 357,400 and the number of subscribers for the GPS service was about 13,100 at the end of June 2020.

LETTER FROM OPTIMA CAPITAL

3. Historical financial results of the Group

Set out below is a summary of the financial results of the Group during the Track Record Period extracted from the annual reports and interim report of the Company:

	FY2017	FY2018	FY2019	HY2019	HY2020
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total revenue	461,591	640,937	695,937	333,771	374,740
Other revenue	25	26	26	13	13
Other gains/(losses) — net	605,306	(390,724)	(45,375)	43,332	(155,836)
Direct costs and operating expenses	(178,142)	(199,420)	(214,295)	(124,726)	(127,146)
Selling and marketing costs	(30,655)	(29,282)	(32,366)	(14,183)	(16,597)
Administrative and corporate expenses	(152,634)	(176,681)	(218,629)	(58,181)	(52,162)
(Provision)/reversal of impairment losses on financial assets	—	(5,970)	(17,779)	352	(22,753)
Profit/(loss) from operations	705,491	(161,114)	167,519	180,378	259
Finance costs	(40)	(52)	(4,576)	(2,273)	(1,747)
Share of profit of associates	596,244	609,028	616,536	297,546	201,929
Share of profit of a joint venture	13,429	14,895	16,154	10,587	19,788
Profit before taxation	1,315,124	462,757	795,633	486,238	220,229
Income tax (expenses)/credit	(87,882)	32,710	(24,706)	(11,268)	(12,173)
Profit for the year	<u>1,227,242</u>	<u>495,467</u>	<u>770,927</u>	<u>474,970</u>	<u>208,056</u>
Attributable to:					
The Shareholders	1,180,048	447,391	727,306	455,361	184,347
Non-controlling interests	47,194	48,076	43,621	19,609	23,709
	<u>1,227,242</u>	<u>495,467</u>	<u>770,927</u>	<u>474,970</u>	<u>208,056</u>
Earnings per Share (HK\$)	<u>3.17</u>	<u>1.2</u>	<u>1.95</u>	<u>1.22</u>	<u>0.49</u>

LETTER FROM OPTIMA CAPITAL

3.1 Total revenue

Total revenue of the Group represented principally (i) course fee from the Motoring School Operation; (ii) income from the Treasury Management Business comprising interest income from debt securities and interest-bearing instruments, dividend income from equity securities and interest income from bank deposits; and (iii) management service fees charged to the associated companies and joint venture of the Group.

FY2017 versus FY2018

Total revenue increased from approximately HK\$461.6 million in FY2017 to approximately HK\$640.9 million in FY2018, which was mainly due to (i) the increase in income from the Motoring School Operation by approximately 9.3% from approximately HK\$402.7 million in FY2017 to approximately HK\$440.0 million in FY2018 as a result of the increase in demand for driving lessons and the number of driving lessons delivered; (ii) the increase in dividend income from equity instruments by approximately 610.9% from approximately HK\$15.6 million in FY2017 to approximately HK\$110.9 million in FY2018 which was mainly attributable to the dividend income of approximately HK\$71.5 million received from Tai United Holdings Limited (stock code: 718.HK) (“**Tai United**”) in FY2018; and (iii) the increase in interest income from debt securities by approximately 404.6% from approximately HK\$8.7 million in FY2017 to approximately HK\$43.9 million in FY2018 as a result of additional interest income from fixed-rate bonds purchased during FY2018.

FY2018 versus FY2019

Total revenue increased from approximately HK\$640.9 million in FY2018 to approximately HK\$695.9 million in FY2019 which was mainly due to (a) the increase in income from the Motoring School Operation by approximately 5.8% from approximately HK\$440.0 million in FY2018 to approximately HK\$465.3 million in FY2019 as a result of the increase in demand for driving lessons and the number of driving lessons delivered; and (ii) the increase in interest income from debt securities by approximately 129.6% from approximately HK\$43.9 million in FY2018 to approximately HK\$100.8 million in FY2019 as a result of full year impact of purchases of fixed-rate bonds made in FY2018.

HY2019 versus HY2020

Total revenue increased from approximately HK\$333.8 million in HY2019 to approximately HK\$374.7 million in HY2020 which was mainly due to the increase in interest income from interest-bearing instruments by approximately 181.2% from approximately HK\$15.4 million in HY2019 to approximately HK\$43.3 million in HY2020.

LETTER FROM OPTIMA CAPITAL

3.2 *Other gains or losses*

Other gains or losses mainly represented fair value changes of the unlisted fund investments and listed debt or equity instruments.

FY2017 versus FY2018

The Group recorded other losses of approximately HK\$390.7 million in FY2018 as compared to other gains of approximately HK\$605.3 million in FY2017. The other losses in FY2018 were mainly attributable to (i) fair value loss of approximately HK\$102.2 million on the investment in the shares of China Evergrande; (ii) fair value loss of approximately HK\$159.6 million on the investment in the shares of Tai United; and (iii) fair value loss of approximately HK\$223.4 million on the investment in the shares of Freeman Fintech Corporation Limited (stock code: 279.HK) (“**Freeman Fintech**”), while the other gains in FY2017 were mainly attributable to the fair value gains of approximately HK\$646.1 million from the investment in the shares of China Evergrande.

FY2018 versus FY2019

The other losses recorded by the Group decreased from approximately HK\$390.7 million in FY2018 to approximately HK\$45.4 million in FY2019. The other losses in FY2019 were mainly attributable to fair value loss of approximately HK\$52.0 million on unlisted fund investments and approximately HK\$20.4 million on listed securities. The other losses in FY2018 were mainly attributable to the fair value loss of China Evergrande, Tai United and Freeman Fintech as discussed above.

HY2019 versus HY2020

The Group recorded other losses of approximately HK\$155.8 million for HY2020 as compared to other gains of approximately HK\$43.3 million for HY2019. The other losses in HY2020 were mainly attributable to fair value losses of approximately HK\$110 million on the investment in the shares of China Dili Group (stock code: 1387.HK) and approximately HK\$36.6 million on the investment in the shares of China Evergrande. The other gains in HY2019 were mainly attributable to the fair value gain of approximately HK\$33.5 million on the investment in listed debt securities and approximately HK\$9.4 million on the investment in listed equity securities.

3.3 *Direct costs and operating expenses*

Direct costs and operating expenses mainly represented direct costs and operating expenses related to the Motoring School Operation such as staff cost for the training instructors, depreciation of rights-of-use assets relating to leased premises of the driving schools and depreciation expenses for the training vehicles. As advised by the Management, the increase in such expenses from approximately HK\$178.1 million in FY2017 to approximately HK\$199.4 million in FY2018 and further to approximately HK\$214.3 million in FY2019 was largely in line with the growth in business during this period. No material fluctuation in such expenses was noted in HY2020 as compared with those in HY2019.

LETTER FROM OPTIMA CAPITAL

3.4 Administrative and corporate expenses

Administrative and corporate expenses mainly represented administrative expenses relating to head office including general staff costs, directors' remunerations, depreciation of right-of-use assets relating to leased offices and other corporate costs. Such expenses increased from approximately HK\$152.6 million in FY2017 to approximately HK\$176.7 million in FY2018 and further to approximately HK\$218.6 million in FY2019, mainly due to lease expenses relating to the Motoring School Operation. No material fluctuation in such expenses was noted in HY2020 as compared with those in HY2019.

3.5 Share of profit of associates

The Group's share of profit of associates referred to the share of profits of WHTCL and TCTCL respectively.

FY2017 versus FY2018

The Group's share of profit of associates for FY2018 comprised profit from TCTCL and WHTCL of approximately HK\$56.4 million and HK\$552.6 million respectively. Profit sharing from WHTCL increased from approximately HK\$514.9 million in FY2017 as a result of the increase in throughput of WHT and the implementation of toll increase effective from 27 May 2018. Profit sharing from TCTCL in FY2018 was less than that in FY2017 due to the expiry of the franchise for operating the TCT in July 2018.

FY2018 versus FY2019

The Group's share of profit of associates increased slightly to approximately HK\$616.5 million in FY2019 and was mainly attributable to the increase in profit sharing of WHTCL as a result of approximately 8.4% increase in toll revenue contributed by the increase in throughput of WHT and the implementation of toll increase effective from 1 June 2019.

HY2019 versus HY2020

The Group's share of profit of associates decreased to approximately HK\$201.9 million in HY2020 as compared to approximately HK\$297.5 million in HY2019 and was due to the significant drop of toll revenue by approximately 24.8% to approximately HK\$724.1 million in HY2020 as compared to approximately HK\$963.4 million in HY2019. Despite the implementation of toll increase effective from 1 June 2019, the traffic of WHT dropped significantly by approximately 30.3% as a result of the negative impact brought by the COVID-19 pandemic and thus negatively impacted the revenue and profitability of WHTCL.

LETTER FROM OPTIMA CAPITAL

3.6 Share of profit of a joint venture

The Group's share of profit of a joint venture referred to the share of profit from Autotoll, which increased moderately during the Track Record Period from approximately HK\$13.4 million in FY2017 to approximately HK\$16.2 million in FY2019 mainly as a result of an increase in administration fee income of ETC operation and increase in income from provision of intelligent transport system solutions.

The share of profit from Autotoll in HY2020 amounted to approximately HK\$19.8 million, representing an increase of approximately 86.9% as compared to that in HY2019, which was mainly due to the increase in administration fee income of ETC operation and project income earned by Autotoll.

3.7 Profit for the year/period attributable to the Shareholders

The Group recorded profit attributable to Shareholders of approximately HK\$1,180.0 million for FY2017, HK\$447.4 million for FY2018, HK\$727.3 million for FY2019 and HK\$184.3 million for HY2020 respectively. The following table summarises the segmental results of the Group during the Track Record Period:

	FY2017	FY2018	FY2019	HY2019	HY2020
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Motoring School Operation	158,452	161,216	141,546	64,318	68,908
Tunnel Operation	598,744	611,527	619,036	298,794	203,179
Electronic Toll Operation	27,003	28,471	28,867	12,732	21,508
Treasury Management Business	645,923	(214,653)	144,136	151,951	(35,003)
	<u>1,430,122</u>	<u>586,561</u>	<u>933,585</u>	<u>527,795</u>	<u>258,592</u>
Segment profit before taxation					
Other revenue	25	26	26	13	13
Unallocated head office and corporate income and expenses	(115,023)	(123,830)	(137,978)	(41,570)	(38,376)
	<u>(115,023)</u>	<u>(123,830)</u>	<u>(137,978)</u>	<u>(41,570)</u>	<u>(38,376)</u>
Profit before taxation	<u>1,315,124</u>	<u>462,757</u>	<u>795,633</u>	<u>486,238</u>	<u>220,229</u>

It can be shown in the table above that the performance of the Motoring School Operation and the Electronic Toll Operation was stable throughout the Track Record Period. Notwithstanding a drop in profit contribution in HY2020, the Tunnel Operation remained the main profit contributor of the Group, accounting for approximately 45.5%, 132.2%, 77.8% and 92.3% of the profit attributable to Shareholders for FY2017, FY2018, FY2019 and HY2020 respectively. Excluding the share of profit from the Tunnel Operation, the Group would have recorded a loss for FY2018. The fluctuations in the financial results of the Group were largely due to the less consistent performance of the Treasury Management Business which was subject to a larger extent to market volatility than the other operating segments of the Group.

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4. Historical dividend payout

The Company has a consistent track record of paying dividends for over a decade. The following table summarises the dividend payout of the Company during the Track Record Period:

	FY2017	FY2018	FY2019	HY2019	HY2020
Dividend per Share (HK\$)	0.38	0.40	0.42	0.12	0.12
Dividend payout ratio ^(Note 1)	12.0%	33.3%	21.5%	9.8%	24.5%
Dividend yield ^(Note 2)	2.95%	3.44%	3.47%	1.09%	1.09%

Notes:

1. Dividend payout ratio is calculated by dividing dividend per Share by earnings per Share for the relevant year or period.
2. Dividend yield is calculated by dividing the dividend per Share by the year/period end closing price of the Shares for the relevant year or period.

As shown above, the Company's dividend payout ratio was about 12.0% for FY2017, 33.3% for FY2018 and 21.5% for FY2019. The interim dividend per Share for HY2020 remained the same at HK\$0.12 per Share as for HY2019.

The Offer Price of HK\$14.0 per Share translates to a dividend yield of approximately 2.86% based on the average dividend of HK\$0.40 per Share for FY2017, FY2018 and FY2019.

LETTER FROM OPTIMA CAPITAL

5. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2019 and 30 June 2020 extracted from the annual report and interim report of the Company:

	31 December 2019 <i>(Audited)</i> <i>HK\$'000</i>	30 June 2020 <i>(Unaudited)</i> <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	414,193	381,009
Interests in associates	714,835	573,777
Interest in a joint venture	108,949	128,768
Other financial assets	2,312,796	2,742,236
Deposits for acquisition of tangible assets	6,240	138
Deferred tax assets	4,964	5,504
	<u>3,561,977</u>	<u>3,831,432</u>
Current assets		
Inventories	712	720
Other financial assets	2,479,236	2,229,542
Trade, other receivables, deposits and prepayments	101,341	107,856
Amount due from a joint venture	9,000	—
Taxation recoverable	5,597	—
Dividend receivable	105,356	57,350
Bank deposits and cash	1,926,867	2,135,725
	<u>4,628,109</u>	<u>4,531,193</u>
Total assets	<u>8,190,086</u>	<u>8,362,625</u>
Current liabilities		
Trade and other payables	108,581	60,621
Contract liabilities	363,011	426,528
Lease liabilities	55,192	54,060
Taxation payable	39,430	12,511
Dividend payable	646	25,571
	<u>566,860</u>	<u>579,291</u>
Non-current liabilities		
Lease liabilities	116,481	89,004
Deferred tax liabilities	3,924	3,029
	<u>120,405</u>	<u>92,033</u>
Total liabilities	<u>687,265</u>	<u>671,324</u>
Total equity	<u>7,502,821</u>	<u>7,691,301</u>
Attributable to:		
The Shareholders	7,343,940	7,526,072
Non-controlling interests	158,881	165,229
	<u>7,502,821</u>	<u>7,691,301</u>

LETTER FROM OPTIMA CAPITAL

5.1 Assets

As at 30 June 2020, total assets of the Group amounted to approximately HK\$8,362.6 million. Major components of the total assets include (i) other financial assets (including unlisted fund investments, listed and unlisted equity and debt securities and interest-bearing instruments) of approximately HK\$4,971.8 million, representing approximately 59.5% of the total assets; (ii) bank deposits and cash of approximately HK\$2,135.7 million, representing approximately 25.5% of the total assets; (iii) interest in associates (being the carrying value of the Group's investment in WHTCL) of approximately HK\$573.8 million, representing approximately 6.9% of the total assets; (iv) interest in a joint venture (being the carrying value of the Group's investment in Autotoll) of approximately HK\$128.8 million, representing approximately 1.5% of the total assets; and (v) property, plant and equipment (mainly represented the leasehold land at Nam Sang Wai, eight self-owned properties, right-of-use assets relating to the sites for the Siu Lek Yuen Driving School, the Ap Lei Chau Driving School and the New Kwun Tong Driving School, motor vehicles, furniture, fixtures and equipment and leasehold improvement used for the Motoring School Operation) of approximately HK\$381.0 million, representing approximately 4.6% of the total assets.

The aggregate value of the other financial assets increased by approximately HK\$179.7 million as at 30 June 2020 as compared to that as at 31 December 2019 which was attributable to the net effect of (i) the acquisitions of financial assets including listed and unlisted debt securities, unlisted fund investments, interest-bearing instruments and an unlisted equity security of approximately HK\$827.7 million; (ii) the disposal of financial assets including unlisted fund investments, unlisted debt security and interest-bearing instruments of approximately HK\$578.7 million; and (iii) the net fair value loss on the portfolio of approximately HK\$69.2 million during HY2020.

Interests in associates decreased from approximately HK\$714.8 million as at 31 December 2019 to approximately HK\$573.8 million as at 30 June 2020 and was mainly due to the dividend payout of WHTCL during HY2020 of approximately HK\$343.0 million which exceeded the share of profit of WHTCL of approximately HK\$201.9 million.

There was no material change in bank deposits and cash position and the property, plant and equipment of the Group as at 30 June 2020 as compared to that as at 31 December 2019. As at 30 June 2020, the Group owned a 70% interest in the leasehold land in Nam Sang Wai, details of which are further discussed in paragraph 6.1 headed "Motoring School Operation" below, and seven properties which are shops or office area located in Tsuen Wan, Cheung Sha Wan, Mongkok, To Kwa Wan and Causeway Bay for the Motoring School Operation. In addition, the Group owned an apartment in Conventional Plaza Apartments for business accommodation purpose. These leasehold land and properties are mainly for own use in the Motoring School Operation which were recognised at costs in the accounts of the Group.

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5.2 *Liabilities*

As at 30 June 2020, total liabilities of the Group amounted to approximately HK\$671.3 million, which mainly consisted of (i) contract liabilities (being driving course fees received in advance) of approximately HK\$426.5 million, representing approximately 63.5% of the total liabilities; (ii) lease liabilities, which mainly represented the future lease payments for the remaining lease terms of the leased premises for the driving schools of approximately HK\$143.1 million, representing approximately 21.3% of the total liabilities; and (iii) trade and other payables of approximately HK\$60.6 million, representing approximately 9.0% of total liabilities. As advised by the Management, the increase in contract liabilities was mainly attributable to the increase in the number of enrolments for driving courses. Such contract liabilities will gradually be recognised as revenue of the Group when the driving lessons are delivered and will not require any cash outlay from the Group to settle such contract liabilities. The decrease in lease liabilities was mainly due to the settlement of lease payments during HY2020.

The Group did not have any debts or bank loans or material contingent liabilities as at 30 June 2020. The commitments of the Group represented capital commitments of approximately HK\$31.9 million to unlisted fund investments.

5.3 *Equity attributable to Shareholders*

Equity attributable to the Shareholders increased from approximately HK\$7,343.9 million as at 31 December 2019 to approximately HK\$7,526.1 million as at 30 June 2020. The increase was mainly attributable to (i) profits generated for HY2020 attributable to the Shareholders of approximately HK\$184.3 million; and (ii) the increase in fair value of financial assets measured at fair value through other comprehensive income of approximately HK\$109.6 million.

Based on 372,688,206 Shares in issue as at 30 June 2020, the equity per Share attributable to the Shareholders (“NAV”) as at 30 June 2020 was approximately HK\$20.19.

6. **Prospects of the businesses of the Group**

6.1 *Motoring School Operation*

During the Track Record Period, the enrolment number for driving courses of the Motoring School Operation recorded moderate growth in FY2019 and HY2020. The enrollment number for both FY2017 and FY2018 was about 27,800 which increased to about 33,400 in FY2019. The enrollment number for HY2020 was about 21,300, representing about 64% of that in FY2019. As advised by the Management, the increase was mainly due to the commencement of operation of the New Kwun Tong Driving School in August 2019 as well as the increase in demand for motorcycle training courses particularly in HY2020. The Management expects that the business of the Motoring School Operation will remain stable with no significant growth impetus, as the increasing demand for delivery services in Hong Kong may possibly create demand for motorcycle training, balancing off other negative factors such as economic downturn and competition from other driving schools and individual driving instructors.

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As disclosed in paragraph 2 headed “Principal businesses of the Group” above, the Siu Lek Yuen Driving School, the Ap Lei Chau Driving School and the New Kwun Tong Driving School are operating on sites leased from and designated as driving school by the Hong Kong Government. We have discussed with the Management and understand that the Hong Kong Government introduced in 2018 the grant of lease of site for the operation of driving school through open tender. Since the commencement of the operation of the Siu Lek Yuen Driving School, its lease had been successfully renewed for consecutive periods till the expiry of its last lease in May 2018, with the present lease granted consecutively to AHG through open tender until February 2023. The lease of the Ap Lei Chau Driving School has also been successfully renewed for consecutive periods since commencement of its operation and its present lease will expire in August 2021. AHG submitted tender for its consecutive lease upon expiry of the present lease and as at the Latest Practicable Date, AHG had been awarded the tender for the consecutive lease of the Ap Lei Chau Driving School up to August 2023. The present lease of the New Kwun Tong Driving School, being its first lease, was granted through open tender until July 2023. The Management will submit tender for the leases of sites for the operations of driving schools whenever they are invited.

On the other hand, as mentioned in the letter from the Board, the lot, at which the Yuen Long Driving School is located, is within an area zoned by the Town Planning Board “Other Specified Use” annotated “Comprehensive Development to include Wetland Restoration Area” (in short “OU(CDWRA)”) under the prevailing approved Nam Sang Wai Outline Zoning Plan No. S/YL-NSW/8 (the “**Application Site**”). The Yuen Long Driving School has been operating in the Application Site since 1994 under a planning permission for temporary driving school and ancillary uses, which was first granted in 1992 and renewed from time to time with the current one to expire in 2022. In 2011, the Town Planning Board advised AHG to relocate the Yuen Long Driving School to other suitable locations in order to minimize the interface issues with future residential developments in that area and facilitate the implementation of “OU(CDWRA)” zone. Following such advice from the Town Planning Board, AHG has taken steps to identify other suitable replacement sites. Upon considering, among other factors, that no other suitable site has so far been considered appropriate for relocating the Yuen Long Driving School, an application for amendment of plan has been made to the Town Planning Board for a long-term establishment of the Yuen Long Driving School in the Application Site with wetland restoration proposal, which will involve the rezoning of the Application Site as an OU(CDWRA) sub-zone and introducing “driving school” as a permitted use to the designated OU(CDWRA) sub-zone. The application will be considered by the Town Planning Board at its meeting tentatively scheduled to take place on 18 December 2020.

On the other hand, as far as the Directors are aware, there had been no attempts made by other developers to the Town Planning Board for undertaking residential development covering the Application Site since the acquisition of the Application Site by the Group in 1992, except for a recent application to the Town Planning Board made by a developer in 2020 for undertaking residential development at the Nam Sang Wai area covering the Application Site. Such application would be considered by the Town Planning Board at its meeting to be held tentatively on 6 November 2020. The Company had filed an objection to the application. As the said application had received more than six thousand comments (most of them are negative) from the public, the Company considers that the chances of a successful redevelopment plan involving the Application Site would be remote. As at the Latest Practicable Date, there had not been any discussions or negotiations between the Company and the Hong Kong Government (including the Town Planning Board) regarding the potential conversion of use of the Application Site operating as driving school to other uses.

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Due to the extensive land requirement for off-street driving training, it would be difficult for AHG to locate other sites for the Motoring School Operation. If the leases and/or designation of any of the driving schools is not granted or renewed or any redevelopment plan is to be implemented concerning the area at which the Yuen Long Driving School is located and no available sites could be identified in place of the existing sites, the operation of the relevant driving school may be temporarily suspended or ceased, which will adversely affect the Motoring School Operation.

6.2 Tunnel Operation

As mentioned in the 2019 Annual Report, WHT has been under-utilised due to the lower tolls at the other cross-harbour tunnels and poor connecting roads leading to and from WHT. Set out below is the vehicular flow through the three cross-harbour tunnels (including WHT) in recent years:

Year/ Month	Cross Harbour Tunnel	Eastern Harbour Crossing	WHT	Market share of WHT ^(Note)
2015	42,238,498	27,546,065	23,843,658	25.5%
2016	41,972,669	27,730,541	24,677,967	26.1%
2017	41,527,796	28,173,747	24,666,847	26.1%
2018	41,040,724	28,485,605	25,214,599	26.6%
2019	38,937,866	28,823,264	25,469,064	27.3%
2019/01	3,532,352	2,497,313	2,227,618	27.0%
2019/02	3,139,242	2,122,429	1,766,140	25.1%
2019/03	3,546,161	2,513,407	2,322,834	27.7%
2019/04	3,370,805	2,269,819	2,055,635	26.7%
2019/05	3,483,557	2,439,186	2,204,555	27.1%
2019/06	3,305,516	2,341,850	1,998,448	26.1%
2019/07	3,389,551	2,355,763	2,003,698	25.9%
2019/08	3,323,507	2,357,398	1,983,538	25.9%
2019/09	3,327,810	2,396,918	2,043,655	26.3%
2019/10	3,391,594	2,436,660	2,122,927	26.7%
2019/11	1,794,173	2,730,211	2,672,642	37.1%
2019/12	3,333,598	2,362,310	2,067,374	26.6%
2020/01	3,348,971	2,337,247	1,938,110	25.4%
2020/02	2,976,241	1,888,880	1,213,834	20.0%
2020/03	3,213,876	2,071,378	1,346,502	20.3%
2020/04	2,991,559	1,905,713	1,144,434	18.9%
2020/05	3,291,946	2,263,105	1,484,515	21.1%
2020/06	3,308,682	2,375,463	1,685,246	22.9%

Source: The Transport Department of Hong Kong

Note: The market share of WHT is calculated by dividing the vehicular flow of WHT by the sum of the vehicular flow of the Cross Harbour Tunnel, the Eastern Harbour Crossing and WHT.

LETTER FROM OPTIMA CAPITAL

As shown in the above table, WHT consistently maintained a market share of about 25% to 27% in previous years, except for the month of November 2019 where a higher market share was recorded, possibly due to the closure of the Cross Harbour Tunnel momentarily during the occurrence of social events. The total vehicular flow at WHT dropped in HY2020 as compared to the corresponding period in 2019, and the market share of WHT also dropped to around 19% to 23% for the months of February to June 2020. As advised by the Management, the drop in vehicular flow was mainly attributable to the outbreak of the COVID-19 pandemic and the associated social distancing measures implemented by the Hong Kong Government. As there was an overall drop in road traffic during this period, users tended to switch to use the other two cross-harbour tunnels with lower tolls than WHT, resulting in a drop in market share of WHT during HY2020.

As mentioned in the 2019 Annual Report, various traffic improvement works recently completed or to be completed are expected to attract more traffic through WHT. For instance, the opening of the Central-Wanchai bypass in February 2019 connecting WHT with the Island Eastern Corridor makes the travelling from Island East to WHT quicker and easier. Route 4 was also rerouted through the new underground tunnel to the bypass relieving traffic around Gloucester Road and Connaught Road and as a result the traffic at WHT's Central exit becomes smoother. Construction of a carriageway connecting Nga Cheung Road to southbound toll plaza of WHT is expected to be completed in 2020, which will make access easier to WHT from West Kowloon area. The Hong Kong Government is planning to improve the junction from Man Cheung Street underpass and Rumsey Street flyover, and works would be completed in 2020. The continuing development of West Kowloon Cultural District and opening of various arts and cultural venues is expected to further attract more traffic to West Kowloon area and contribute to WHT's traffic in the future.

Having considered the above and the historical financial results of WHT, the Management is of the view that the adverse impact brought by the COVID-19 pandemic on WHT is short term. When the vehicular flow resumes to normal following the gradual easing down of the COVID-19 pandemic and with the completion of various improvement works in the areas connecting the WHT, WHT is expected to regain its market share to the previous level and the Tunnel Operation remains to be a stable profit contributor to the Group until the expiry of the franchise in August 2023. We concur with the Management's view in this regard.

6.3 Treasury Management Business

The performance of the Treasury Management Business is subject to various risk factors, including but not limited to political, economic, technology and financial risks that are specific to individual industry sectors and investee companies of the Group's investment portfolio. As discussed in the paragraph headed "Historical financial results of the Group" above, the performance of the Treasury Management Business had been erratic during the Track Record Period. While the Treasury Management Business had contributed substantial revenue to the Group during the Track Record Period in the form of interest and dividend income, the business also affected the overall financial performance of the Group as a result of the fluctuations in the fair value of the investment portfolio held by the Group. The future performance of the Treasury Management Business is less predictable than the other business segments of the Group.

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6.4 Electronic Toll Operation

As regards the operation of ETC, the number of tag subscription saw a moderate net growth in recent years, from 332,609 as at 31 December 2017 to 357,462 as at 30 June 2020. Nevertheless, the introduction of the “stop-and-go” e-payment system since 2017 which allows drivers to pay tolls by Octopus or contactless credit cards has become a competitor to the ETC service of Autotoll and the Management expects that the demand for autotoll services may be adversely affected.

As mentioned in the 2019 Annual Report, the Transport Department of Hong Kong published a smart mobility roadmap for Hong Kong in July 2019, which includes in-vehicle units (“**IVU**”) and free-flow tolling system (“**FFTS**”) smart mobility initiatives. An IVU is a tag enabled with radio frequency identification technology for a vehicle to receive real-time traffic information and used to facilitate the new electronic tolling system (i.e. FFTS). FFTS will be implemented by phases at government tolled tunnels and roads and eventually replace the current ETC system. As advised by the Management, the FFTS project is divided into four parts for tendering. As at the Latest Practicable Date, Autotoll had submitted tender for the backend system of FFTS, the result of which is yet to be known. Autotoll also intends to submit tenders for other two systems of FFTS when they are open for tendering.

Taking into account the uniqueness of the business nature, we are of the view that the operation of ETC is a steady business with some competition from other electronic means of payment. The growth of the Electronic Toll Operation appears to rest with the ability of Autotoll to successfully tender for contracts for new smart mobility initiatives or any other new tolling system proposed to be implemented by the Hong Kong Government, which is uncertain at the moment.

6.5 Our view

In summary, we note that the businesses of the Motoring School Operation, the Tunnel Operation and the Electronic Toll Operation are stable and consistently generated positive results despite the short term impact of the COVID-19 pandemic to the Tunnel Operation. Yet, as discussed above, there are challenges and uncertainties pertaining to each of these businesses. In particular, we are mindful that the franchise for the Tunnel Operation, being the main profit contributor to the Group, will expire in August 2023. There was no indication as at the Latest Practicable Date that the franchise may be extended. Following the expiry of the franchise, WHT will be transferred to the Hong Kong Government. As advised by the Management, the treatment of the interests in WHTCL upon expiry of the franchise for operating WHT in August 2023 would be similar to that of TCTCL which will remain as an associate of the Group until it is eventually dissolved. As there will be no tunnel operations after the expiry of the franchise, WHTCL will cease to generate profit contribution to the Group thereafter, which would significantly and adversely affect the profitability of the Group. Based on the current conditions of the assets for the operation of WHT, the Management does not expect any additional material costs would be incurred and borne by the Group when the ownership of WHT is transferred to the Hong Kong Government.

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In addition, the overall financial performance of the Group during the Track Record Period has been affected by the fluctuating performance of the Treasury Management Business. The Treasury Management Business has been experiencing significant market volatility recently and the outlook for investment market in general is gloomy given the impact of COVID-19 and the increasing political tension globally. The Directors are of the view, with which we concur, that the rapid changes in domestic and external environment could bring unexpected risks to the Treasury Management Business and to the Group as a whole.

7. Information on the Offeror and intention of the Offeror

7.1 Background of the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. It is directly and wholly owned by Windsor Dynasty which is in turn wholly and beneficially 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.

7.2 Intention of the Offeror

As disclosed in the letter from Haitong International Securities contained in the Composite Document, as at the Latest Practicable Date, the Offeror had 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.

7.3 Maintaining 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 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 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.

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8. Evaluation of the Offer Price

8.1 Comparison of the Offer Price against historical Share prices

The Offer Price of HK\$14 represents:

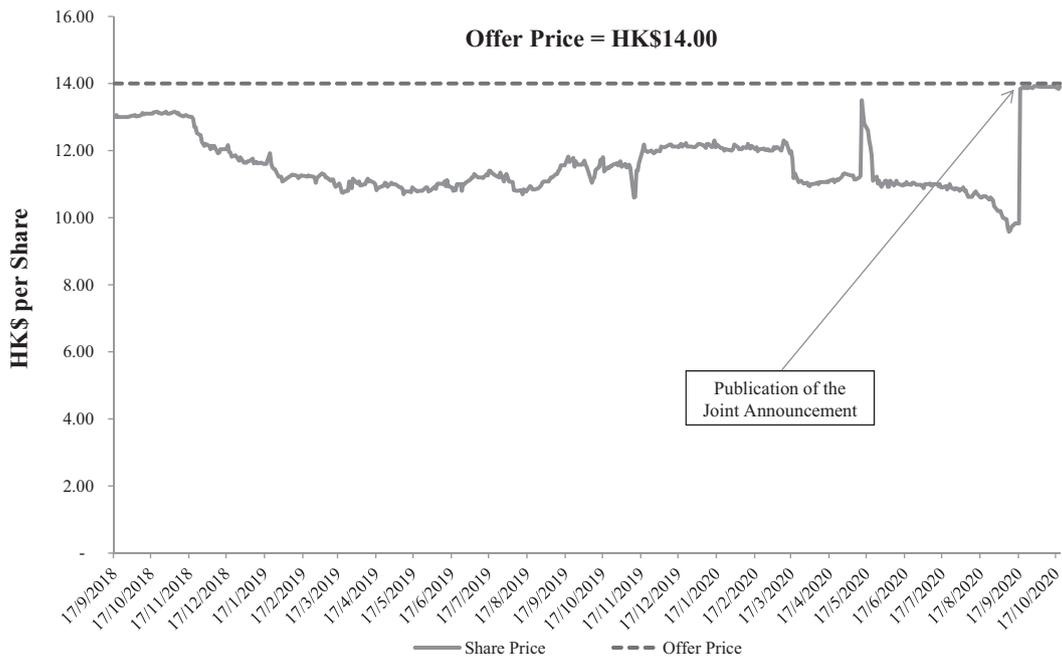
- (i) a premium of approximately 0.7% over the closing price of HK\$13.9 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 42.4% over the closing price of HK\$9.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium 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 five trading days immediately prior to and including the Last Trading Day;
- (iv) 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 ten trading days immediately prior to and including the Last Trading Day;
- (v) 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;
- (vi) a premium of approximately 28.3% over the average closing price of approximately HK\$10.91 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 90 trading days immediately prior to and including the Last Trading Day; and
- (vii) a premium of approximately 23.6% over the average closing price of approximately HK\$11.33 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 trading days immediately prior to and including the Last Trading Day.

As shown above, the Offer Price represents substantial premium over the closing prices of the Shares prior to the Joint Announcement. As further discussed below, the Offer Price is higher than the closing price of the Shares for the entire two-year period before the Last Trading Day which ranged from HK\$9.58 to HK\$13.50 per Share.

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8.2 Historical price trend of the Shares

The chart below depicts the closing price of the Shares traded on the Stock Exchange from 17 September 2018, being the date falling two years preceding the date of the Joint Announcement, up to and including the Last Trading Day (the “**Review Period**”) and from 18 September 2020 (being the first trading day after the publication of the Joint Announcement) up to the Latest Practicable Date. We consider the Review Period is appropriate for our analysis of the historical Share price performance as it covers a sufficiently long period reflecting the financial results announced by the Company from time to time as well as smoothing out the distortions which may have been caused by short term volatility in the overall stock market.



Source: The website of the Stock Exchange and Bloomberg

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The closing price of the Shares was about HK\$13 from 17 September 2018 to 19 November 2018, and gradually dropped to below HK\$11 on 15 March 2019. Since then and until mid-November 2019, the closing price of the Shares fluctuated within a narrow range of around HK\$11 and reached a temporary bottom of HK\$10.6 on 11 November 2019. During the period from 11 November 2019 to 12 May 2020, the closing price of the Shares fluctuated within a range between HK\$10.6 and HK\$12.3. We note that on 11 May 2020, the Company announced that there was a Shareholder stating its intention to propose two individuals for election in place of two retiring Directors standing for re-election at the annual general meeting held on 18 May 2020. Following such announcement, the closing price of the Shares saw a substantial jump from HK\$11.24 on 12 May 2020 to HK\$13.5 on 13 May 2020. We have enquired with the Management and understand that they were not aware of any reason for the aforesaid sudden surge in the closing price of the Shares. Such Share price increase was not sustained, with the Share price dropped and returned to a similar level before the aforesaid announcement and closed at HK\$11.10 on 22 May 2020. Since then, the closing price of the Shares showed a downward trend in general and reached the bottom during the Review Period before the Last Trading Day of HK\$9.58 on 9 September 2020. The Shares closed at HK\$9.83 on the Last Trading Day.

Trading in the Shares was suspended from 15 September 2020 to 17 September 2020 (both days inclusive) pending the publication of the Joint Announcement. Immediately thereafter, the closing price of the Shares surged to HK\$13.84 on 18 September 2020, which is the first trading day immediately following the Joint Announcement. Since then, the closing price of the Shares maintained in the range of HK\$13.89 to HK\$13.94 and closed at HK\$13.9 as at the Latest Practicable Date.

During the Review Period, the closing price of the Shares ranged between HK\$9.58 and HK\$13.50 and the average closing price of the Shares was approximately HK\$11.49. As shown in the chart above, the closing price of the Shares was consistently below the Offer Price throughout the whole Review Period. The Offer Price represents premia of approximately 46.1%, 3.7% and 21.8% over the lowest closing price, the highest closing price and the average closing price of the Shares during the Review Period respectively. In our opinion, the increase in the closing price of the Shares after the publication of the Joint Announcement was likely to be associated with the market response to the Offer. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise if the Offer closes, lapses or does not become unconditional for any reason.

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8.3 Liquidity of the Shares

The following table sets out the trading volume of the Shares during the period between the date falling one year preceding the date of the Joint Announcement up to and including the Latest Practicable Date:

	Number of trading days in the relevant month/period	Total trading volume for the month/period <small>(Note 1)</small>	Average daily trading volume for the month/period <small>(Note 2)</small>	Percentage of average daily trading volume to the total issued Shares as at the end of each month/period <small>(Note 3)</small>	Percentage of average daily trading volume to the total number of Shares held by public Shareholders as at the end of each month/period <small>(Note 4)</small>
2019					
From 16 September to 30 September	11	661,556	60,141	0.0161%	0.0187%
October	21	936,109	44,576	0.0120%	0.0138%
November	21	31,772,303	1,512,966	0.4060%	0.5167%
December	20	6,471,775	323,588	0.0868%	0.1123%
2020					
January	20	1,286,645	64,332	0.0173%	0.0224%
February	20	1,239,539	61,976	0.0166%	0.0215%
March	22	3,008,807	136,763	0.0367%	0.0475%
April	19	2,395,540	126,081	0.0338%	0.0438%
May	20	2,927,852	146,392	0.0393%	0.0509%
June	21	1,136,550	54,121	0.0145%	0.0188%
July	22	1,046,750	47,579	0.0128%	0.0165%
August	21	473,162	22,531	0.0060%	0.0078%
From 1 September to the Last Trading Day	10	437,398	43,739	0.0117%	0.0152%
From the first trading day following the Joint Announcement to the Latest Practicable Date	20	10,834,744	541,737	0.1454%	0.1882%
Average				0.061%	0.078%

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Notes:

1. Total trading volume is expressed in terms of number of Shares traded.
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period excluding any trading days on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
3. Based on 372,688,206 Shares in issue as at the end of each month/period or at the Latest Practicable Date.
4. The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by the Offeror and the Offeror Concert Parties as at the end of each month/period or at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume ranged from 22,531 Shares to 1,512,966 Shares, representing approximately 0.006% to 0.406% of the total number of Shares in issue as at the end of the respective month/period, and approximately 0.0078% to 0.5167% of the total number of Shares held by public Shareholders as at the end of the respective month/period. We note that the trading volume during November 2019 was exceptionally high, which, as disclosed in Stock Exchange official website, was related to the acquisition by the Offeror of 29,343,000 Shares in the market. As a result of such acquisition, the shareholding interest of the Offeror in the Company increased from approximately 13.47% to 21.35%. There was an increase in average daily trading volume during the period after the publication of the Joint Announcement to the Latest Practicable Date, representing approximately 0.1454% of the total issued Shares and 0.1882% of the public float.

We are of the view that the liquidity of the Shares during the one-year period preceding the date of the Joint Announcement had been thin. In this light, the Independent Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares.

8.4 Comparison of Offer Price against net asset value per Share

The Offer Price represents:

- (i) a discount of approximately 29.0% to the audited consolidated NAV of approximately HK\$19.71 per Share as at 31 December 2019 (which was calculated by dividing the audited consolidated NAV as at 31 December 2019 of approximately HK\$7,343,940,000 by 372,688,206 issued Shares); and
- (ii) a discount of approximately 30.7% to the unaudited consolidated NAV of approximately HK\$20.19 per Share as at 30 June 2020 (which was calculated by dividing the unaudited consolidated NAV as at 30 June 2020 of approximately HK\$7,526,072,000 by 372,688,206 issued Shares).

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In assessing the Offer Price against the NAV as at 30 June 2020, we have considered the following factors:

- (i) historical trading price vis-à-vis NAV — we note that the Shares had been consistently traded at discounts to the NAV for a prolonged period of time, with discounts ranging from 12.5% to 50.0% in the past 10 years. In particular, the discounts to NAV at which the Shares were traded throughout the Track Record Period as shown below indicate that the trading price of the Shares does not have correlation to the growth of the NAV:

Year/period end	NAV per Share <small>(Note 1)</small> <i>HK\$</i>	Average closing Share price <small>(Note 2)</small> <i>HK\$</i>	Discount to NAV per Share <small>(Note 3)</small> <i>%</i>
31 December 2017	16.97	13.12	22.7%
30 June 2018	16.62	12.22	26.5%
31 December 2018	18.50	10.99	40.6%
30 June 2019	19.24	11.80	38.7%
31 December 2019	19.71	11.09	43.7%
30 June 2020	20.19	10.10 ^(Note 4)	50.0%

Source: The website of the Stock Exchange and Bloomberg

Notes:

1. Being the audited/unaudited consolidated NAV as at the respective year/period end date as extracted from the respective annual/interim results announcement published by the Company.
2. Representing the average closing Share price during the period from the trading day following the publication by the Company of its audited annual results or unaudited interim results (as the case may be) to the trading day on which the subsequent unaudited interim results or audited annual results (as the case may be) were published.
3. Representing the discount of the average closing Share price to the NAV per Share as at the respective year/period end date.
4. Representing the average closing Share price during the period from 27 August 2020, being the trading day following the publication by the Company of its unaudited 2020 interim results, to the Last Trading Day.

This indicates that investors might not have valued the Shares based solely on the underlying value of the Group's assets;

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- (ii) composition of the assets of the Group — as discussed in the paragraph headed “Financial position of the Group” above, the assets of the Group comprised a substantial portfolio of investments in financial assets (accounting for approximately 59.5% of the total assets) and other assets including bank deposits and cash (accounting for 25.5% of the total assets), investments in associates and joint venture (accounting for approximately 8.4% of the total assets), and property, plant and equipment (accounting for approximately 4.6% of the total assets);
- (iii) recent fair value changes of the investment portfolio — in view of the significant size and contribution of the financial assets to the Group’s total assets and that a substantial amount of the financial assets are carried at their fair value in the Group’s accounts, we have requested the Management to provide an update of the investment portfolio and their latest fair value changes subsequent to 30 June 2020. We note that based on the fair value of the investments as at 31 August 2020, there was a net fair value gain of approximately HK\$970.2 million over the fair value as at 30 June 2020, principally associated with the rise in share price of Evergrande Vehicle. Taking into account such fair value change, the NAV could have amounted to approximately HK\$8,496.3 million (equivalent to approximately HK\$22.8 per Share), and the Offer Price would represent a discount of approximately 38.6% to such NAV. Nevertheless, significant fluctuations in market prices of certain of the Group’s equity investments including China Evergrande and Evergrande Vehicle were seen in September 2020. Substantial drops in the respective share price of China Evergrande and Evergrande Vehicle were noted on 25 September 2020, with the fair value of the Group’s investments in these equities recorded decreases of about 23.8% and 39.1% respectively as compared to their fair value as at 31 August 2020, slashing off substantially the aforesaid unrealised gain in fair value recorded during June to August 2020. Although the share prices of China Evergrande and Evergrande Vehicle rebounded on 28 September 2020, there is no certainty about the future price performance of these shares or other investments in financial assets held by the Group. The NAV is in our view subject to high degree of market volatility and it would not be appropriate to take into account unrealised fair value changes in the assessment of the Offer Price, as further discussed below;
- (iv) size and nature of the investment portfolio — approximately 39.2% of the investment portfolio of other financial assets as at 30 June 2020 are unlisted equity and debt securities, interest-bearing instruments and unlisted fund investments with no readily available market. While the remaining 60.8% of the investment portfolio of other financial assets are listed securities, the ability to realise such investments in the market is dependent on market conditions as well as the liquidity of and market appetite for the particular listed security. Given the substantial size of the entire investment portfolio and having reviewed the liquidity of individual listed equity security in comparison to the holdings of the Group in that listed equity security, we consider it unlikely that the Company would be able to liquidate the entire investment portfolio within a short period of time and without suffering costs and discounts to their fair value as stated in the Group’s financial statements, and such fair value does not necessarily represent the cash value that the Group may be able to receive from realisation of the investments; and
- (v) businesses of the Group — we note that it is the intention of the Offeror to continue with the existing businesses of the Group and maintain the listing status of the Company. Certain of the Group’s assets such as property, plant and equipment and interests in associates and joint venture are stated at their respectively carrying values in the financial statements. It would not be practicable for the Group to realise such assets without causing disruption to or incurring extra costs for the continuation of the businesses of the Group.

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Taking into account the above, we consider that the NAV per Share does not fairly represent the cash value that the Company may actually distribute or return to the Shareholders while the Company will continue to operate as a going concern or be put under a liquidation scenario. In particular, the Shares had not been traded at a price level close to or above the NAV for a prolonged period of time which implies that the market might not have valued the Shares solely with reference to the NAV and Independent Shareholders may not be able to realise their investments in the Shares through an on-market transaction at a price equal or similar to the NAV. Accordingly, in assessing the Offer Price, it would only be appropriate to consider the discount represented by the Offer Price to the NAV in conjunction with other factors including but not limited to the financial performance and business prospects of the Group, the future intention of the Offeror about the Group and, more particularly, the comparison of the Offer Price to the historical and prevailing Share prices, which are more relevant from the perspective of Independent Shareholders in considering the return from their investments in the Shares.

8.5 Comparison against comparable companies

We have considered assessing the Offer Price by making reference to market valuation of companies listed in Hong Kong which are principally engaged in businesses similar to those of the Group. However, we have not been able to identify any listed companies in Hong Kong which are principally engaged in either of the Motoring School Operation, the Tunnel Operation or the Electronic Toll Operation. The other shareholders of AH (the holding company of the Motoring School Operation), WHTCL (the holding company of the Tunnel Operation) and Autotoll (the holding company of the Electronic Toll Operation) are associated companies/subsidiaries of companies listed in Hong Kong. Based on the published financial reports of these companies, they are sizeable conglomerates with the Motoring School Operation, Tunnel Operation and Electronic Toll Operation representing immaterial parts to their overall business scales, and their other businesses are dissimilar to those of the Group. Accordingly, we consider it not appropriate to treat these listed conglomerates as comparable companies to the Company or to perform any analysis of the Offer Price with reference to the market valuation of such companies. In the absence of any appropriate comparable companies, we have focused our analysis of the Offer Price on the share price and trading performance and underlying fundamentals of the Company as discussed above.

8.6 Comparison against takeover precedents

For the purpose of our analysis of the Offer Price, we have also identified recent takeover precedents in the market from the website of the Stock Exchange (the “**Precedents**”) based on the following criteria: (i) the company subject to the offer is publicly listed on the Stock Exchange; (ii) the relevant offer is a voluntary general offer (excluding privatisation proposals); (iii) the relevant offer price involves cash consideration only; and (iv) the takeover proposal was first announced during the period from 17 September 2019, being the date falling one year preceding the date of the Joint Announcement, up to and including the Latest Practicable Date. The list of Precedents set out below is exhaustive based on the aforesaid criteria and is considered sufficient to provide a fair and representative sample to be taken as a general reference of the prevailing market practices in relation to the terms of the Offer.

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Date of announcement	Company name and stock code	Offer price/ initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the		
				average closing price per share for the last five trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
17 July 2020	CST Group Limited (stock code: 985)	0.028	12.0	16.7	21.7	25.4
14 May 2020	The Sincere Company, Limited (stock code: 244)	0.3806	8.7	20.4	24.0	38.3
15 March 2020	Easy Repay Finance & Investment Limited (stock code: 8079)	0.29	(27.5)	(22.3)	(20.1)	(20.1)
21 February 2020	Lai Fung Holdings Limited (stock code: 1125.HK)	8.99	(7.6)	(8.8)	(9.3)	(6.8)
3 February 2020	ICO Group Limited (stock code: 1460)	0.05	25.0	17.9	14.4	7.2
8 January 2020	AV Concepts Holdings Limited (stock code: 595)	0.35	12.9	14.0	20.1	27.2
		<i>Average</i>	3.9	6.3	8.5	11.9
		<i>Median</i>	10.4	15.3	17.3	16.3
		<i>Maximum</i>	25.0	20.4	24.0	38.3
		<i>Minimum</i>	(27.5)	(22.3)	(20.1)	(20.1)
17 September 2020	The Offer	14.00	42.4	44.5	41.6	34.9

Source: The website of the Stock Exchange and Bloomberg

As illustrated in the table above, the premia of the Offer Price over the closing price of the Shares on the last trading day and the average closing prices of the Shares for the five, 10 and 30 consecutive trading days were approximately 42.4%, 44.5%, 41.6% and 34.9% respectively, which are significantly higher than the maximum premium as well as the average premium of the Precedents.

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CONCLUSION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular,

- (i) the Offer Price exceeds the historical closing prices of the Shares throughout the two-year period before the Joint Announcement, which ranged from HK\$9.58 to HK\$13.50 per Share. It also represented significant premium over the prevailing market price of the Shares — 42.4% over the closing price of the Shares as at the Last Trading Day, and 44.5%, 34.9%, 28.3% and 23.6% over the average closing price of the Shares during the 5-day, 30-day, 90-day and 180-day periods prior to and including the Last Trading Day. The increase in Share price after the Joint Announcement is in our view likely to be associated with the Offer and there is no assurance that such level of Share price can be sustained if the Offer closes or lapses;
- (ii) the liquidity of the Shares were in general very thin, with average trading volume representing less than 0.06% and 0.07% of the total issued share capital and public float of the Shares respectively. Such low liquidity renders it difficult for Independent Shareholders to dispose of their Shares in the market without exerting downward pressure on the Share price;
- (iii) despite the businesses of the Group had been profitable in the past, there are challenges and uncertainties lying ahead of the Group. The franchise for the Tunnel Operation, being the main profit contributor to the Group, will expire in 2023 and there is no indication that the franchise may be extended. The business of the Motoring School Operation had been stable but no significant growth impetus is seen. The Electronic Toll Operation, though had been performing stably, is expected to see increasing competition from other electronic means of payment. There is no certainty that Autotoll will be awarded any of the tenders for FFTS or any other new tolling system proposed to be implemented by the Hong Kong Government to provide a new revenue source for the Electronic Toll Operation. The Treasury Management Business is experiencing significant market volatility recently and the outlook of the investment market in general is gloomy given the impact of COVID-19 and increasing political tension globally;
- (iv) the Offeror had indicated that it does not intend to make any major changes to the businesses of the Group following the Offer;
- (v) the Group has a consistent dividend payout record over a long period of time. Nevertheless, in light of the expiry of the franchise for WHT which historically contributed a substantial amount of profit and generated substantial dividend and cashflow to the Group, there is uncertainty that the Company is able to declare dividend payout in a similar ratio as it maintained before. Those Independent Shareholders who look for stable recurring income may consider reinvesting the proceeds from accepting the Offer to other public utilities company listed on the Stock Exchange which provide similar dividend yield to that implied by the Offer Price of approximately 2.86% based on the historical average dividend payout of the Company;
- (vi) although the Offer Price represents a discount of approximately 30.7% to the NAV as at 30 June 2020, such NAV comprised principally investments in listed and unlisted equity, debt and funds. In light of the size of the entire investment portfolio, the liquidity of the individual listed equity security in comparison to the holdings of the Group in that listed equity security, the recent volatility in the stock market affecting the marketability of the listed investments in the portfolio

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and certain of the investments are unlisted with no readily available market, it would be impracticable for the Company to immediately liquidate the portfolio without suffering a discount to their carrying value, not to mention the time and costs which may be incurred in connection with the liquidation. There is also no assurance that the proceeds, if any, so realised would be made available to the Shareholders as dividend, as the Company will continue to operate as a going concern and require capital to fund its ongoing operations. The ability of the Company to declare dividend is dependent on the financial position and future cashflow requirements of its businesses and other factors to be considered by the Board; and

- (vii) the Offer on the other hand provides an option with certainty for the Independent Shareholders to receive a cash consideration of HK\$14 per Share which represents a substantial premium over historical and prevailing market prices if they wish to exit their investment in the Shares,

we consider the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Independent Shareholders should note that the closing price of the Shares as at the Latest Practicable Date is lower than the Offer Price of HK\$14 per Offer Share and the Shares were consistently trading at a level below the NAV. There is no guarantee that the Shares will be traded at a price level comparable to the NAV in the future. Independent Shareholders who wish to realise all or part of their investments in the Company are reminded to carefully and closely monitor the market price and the liquidity of the Shares during and before the end of the Offer Period and consider to sell in the open market instead of accepting the Offer if the net proceeds of such sale after deducting all transaction costs are more than the net amount to be received under the Offer. Independent Shareholders should also note that the Offeror has stated that it does not intend to make any major changes to the businesses of the Group following the Offer. Those Independent Shareholders who are attracted to the future prospects and performance of the businesses of the Group may consider retaining all or part of their investments in the Shares.

The procedures for accepting the Offer are set out in Appendix I to the Composite Document as well as the accompanying Form of Acceptance. The latest time and date for acceptance of the Offer is 4:00 p.m. on 7 December 2020. Independent Shareholders are urged to read carefully the Composite Document and its appendices and act according to the timetable if they wish to accept the Offer.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Beatrice Lung
Managing Director, Corporate Finance

Ms. Beatrice Lung is a responsible officer of Optima Capital and a licensed person registered with the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of financial advisory and independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. PROCEDURES FOR ACCEPTANCE

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the 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 your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant 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), by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the 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 your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your 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) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant 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) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant 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) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/ registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your 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) or that it/ they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Haitong International Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement 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) will be given.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

2. SETTLEMENT OF THE OFFER

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within three (3) Business Days following the later of (i) the date of receipt by the Registrar of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes and is declared unconditional in all respects.
- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised, extended, or has expired.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer has been received;
- (ii) held, controlled or directed by the Offeror or the Offeror Concert Parties before the Offer Period;
and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and/or the Offeror Concert Parties.

The announcement must include details of any relevant securities (as defined under the Takeovers Code) in the Company which the Offeror and the Offeror Concert Parties have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

5. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the Condition set out in the “Letter from Haitong International Securities” in this Composite Document. Acceptance of the Offer tendered by Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (a) and (b) below:

- (a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its consent after 21 days from the First Closing Date (being, 23 November 2020) and if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar;
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “4. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

6. 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.

7. OVERSEAS HOLDERS

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 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.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

8. NOMINEE REGISTRATION

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

9. 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.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and 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 any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders, who have accepted the Offer by ordinary post at their own risk as soon as possible but in any event within 10 days after the Offer has lapsed.
- (c) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (d) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (e) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (f) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Haitong International Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (g) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and any 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.
- (h) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (i) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (j) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, which are extracted from the annual reports of the Company for the three financial years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020 respectively.

	At 30 June 2020	For the years ended 31 December		
	<i>(unaudited)</i>	2019	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	374,740	695,937	640,937	461,591
Other net (losses)/gains and income	(155,823)	(45,349)	(390,698)	605,331
Direct costs and operating expenses	(127,146)	(214,295)	(199,420)	(178,142)
Selling and marketing expenses	(16,597)	(32,366)	(29,282)	(30,655)
Administrative and corporate expenses	(52,162)	(218,629)	(176,681)	(152,634)
Impairment losses on financial assets	(22,753)	(17,779)	(5,970)	—
Finance costs	(1,747)	(4,576)	(52)	(40)
Share of profits of associates	201,929	616,536	609,028	596,244
Share of profits of a joint venture	19,788	16,154	14,895	13,429
Profit before taxation	220,229	795,633	462,757	1,315,124
Income tax	(12,173)	(24,706)	32,710	(87,882)
Profit for the year/period	<u>208,056</u>	<u>770,927</u>	<u>495,467</u>	<u>1,227,242</u>
Attributable to:				
Equity shareholders of the Company	184,347	727,306	447,391	1,180,048
Non-controlling interests	23,709	43,621	48,076	47,194
Profit for the year/period	<u>208,056</u>	<u>770,927</u>	<u>495,467</u>	<u>1,227,242</u>
Dividends payable to equity shareholders of the Company	<u>44,722</u>	<u>156,529</u>	<u>149,075</u>	<u>141,622</u>
Earnings per share attributable to equity shareholders of the Company	<u>HK\$0.49</u>	<u>HK\$1.95</u>	<u>HK\$1.20</u>	<u>HK\$3.17</u>
Dividend per share	<u>HK\$0.12</u>	<u>HK\$0.42</u>	<u>HK\$0.40</u>	<u>HK\$0.38</u>

	At 30 June 2020 <i>(unaudited)</i> HK\$'000	For the years ended 31 December		
		2019	2018	2017
		HK\$'000	HK\$'000	HK\$'000
Profit for the year/period	208,056	770,927	495,467	1,227,242
Other comprehensive income for the year/period				
<i>Items that will not be reclassified to profit or loss:</i>				
- Financial assets measured at fair value through other comprehensive income (non-recycling)				
- Change in fair value of equity securities recognized during the year/period	126,475	(141,052)	306,473	—
<i>Items that will be reclassified subsequently to profit or loss:</i>				
- Financial assets measured at fair value through other comprehensive income (recycling)				
- Net changes in fair value of debt securities recognized during the year/period	(16,907)	10,714	(41,413)	—
- Available-for-sale securities: net movement in the investment revaluation reserve	—	—	—	295,903
- Share of other comprehensive income/(loss) of a joint venture:				
- Exchange differences on translation of Financial statements of overseas subsidiary in joint venture	32	(130)	(166)	293
Total comprehensive income for the year/period	<u>317,656</u>	<u>640,459</u>	<u>760,361</u>	<u>1,523,438</u>
Attributable to:				
Equity shareholders of the Company	293,938	596,877	712,335	1,476,156
Non-controlling interests	<u>23,718</u>	<u>43,582</u>	<u>48,026</u>	<u>47,282</u>
Profit for the year/period	<u>317,656</u>	<u>640,459</u>	<u>760,361</u>	<u>1,523,438</u>

The auditor of the Company, KPMG, did not issue any modified opinion, emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the three years ended 31 December 2017, 2018 and 2019.

2. FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”) and (ii) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 (the “**2020 Interim Financial Statements**”), together with the relevant notes to the relevant published accounts and significant accounting policies which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements and the 2020 Interim Financial Statements have been published in the reports as follows:

- (a) the condensed consolidated financial statements of the Company for the six months ended 30 June 2020 (including all accompanying notes) are set out from pages 2 to 26 of the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), which was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.crossharbour.com.hk>), and is accessible via the following hyperlink: (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0908/2020090800414.pdf>); and
- (b) the consolidated financial statements of the Company for the year ended 31 December 2019 (including all accompanying notes) are set out from pages 56 to 125 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.crossharbour.com.hk>), and is accessible via the following hyperlink: (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0409/2020040900382.pdf>).

The 2019 Financial Statements and 2020 Interim Financial Statements (but not any other parts of the 2019 Annual Report and 2020 Interim Report, in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. MATERIAL CHANGE

The Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of the Group for the period commencing on 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

- as disclosed in the interim report of the Company for the six months ended 30 June 2020 (“**2020 Interim Report**”), the average daily throughput of the Western Harbour Tunnel (“**WHT**”) for the first half of 2020 decreased by 30.3% to 48,421 vehicle journeys as compared to 69,476 vehicle journeys recorded in the corresponding period in the preceding year and the market share decreased to about 22% for the current period. In view of the third wave of COVID-19 in Hong Kong and possible further tightening of social distancing measures, the traffic and toll revenue of WHT may continue to be adversely affected; and

- as further disclosed in the 2020 Interim Report, the aggregate value of the investment portfolio of the Group increased to approximately HK\$4,971.8 million, representing approximately 59.45% of the consolidated total assets of the Group as at 30 June 2020, as compared to approximately HK\$4,792.0 million as at 31 December 2019. The change resulted from the combined effects of purchase and disposal of financial assets and fair value changes of the investments during the period. Subsequent to 30 June 2020, significant fluctuations in the market prices of certain of the Group's listed equity securities were seen. As at the Latest Practicable Date, there was a net fair value gain of approximately HK\$544.1 million for the listed equity securities over their fair values as at 30 June 2020. The fair values of the Group's investments will continue to be subject to market volatility and unpredictable movements in the relevant market prices of such financial assets until they are realised, and any such changes in fair value may or may not have an impact on the financial position or outlook of the Group.

4. INDEBTEDNESS

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had lease liabilities of HK\$142.4 million.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at 31 July 2020, the Group did not had any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offeror or any of the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinion expressed by the sole director of the Offeror in his capacity as the director of the Offeror or any of the Offeror Concert Parties), have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the following Directors had interests in the Shares or underlying Shares (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code:

Name	Capacity and nature of interests	Number of Shares	Approximate percentage of the total issued Shares as at the Latest Practicable Date
Mr. Cheung (<i>Note 1</i>)	Interest of controlled corporation	84,572,621 (L)	22.69%
Mr. Wong	Beneficial owner	306,019 (L)	0.08%
Mr. Ng (<i>Note 2</i>)	Beneficial owner Interest of spouse	17,474 (L)	0.01%

Note:

- The Offeror was the beneficial owner of 84,572,621 Shares and was a wholly owned subsidiary of Windsor Dynasty, which was in turn wholly owned by Mr. Cheung. By virtue of the SFO, Mr. Cheung was deemed to be interested in the 84,572,621 Shares held by the Offeror.
- Mr. Ng was the legal and beneficial owner of 9,708 Shares and his spouse, Ms. Leung, was the legal and beneficial owner of 7,766 Shares. By virtue of the SFO, Mr. Ng was deemed to be interested in the 7,766 Shares held by Ms. Leung.
- The letter “L” denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, save for Mr. Wong and Mr. Ng, there was no Director who had shareholdings in the Company, therefore, no such Director had indicated the intention to accept or reject the Offer.

(b) Substantial Shareholders

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and Takeovers Code and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity and nature of interests	Number of Shares	Approximate percentage of the total issued Shares as at the Latest Practicable Date
The Offeror (<i>Note 1</i>)	Beneficial owner	84,572,621 (L)	22.69%
Windsor Dynasty (<i>Note 1</i>)	Interest of controlled corporation	84,572,621 (L)	22.69%

Notes:

1. The Offeror was the beneficial owner of 84,572,621 Shares and was a wholly owned subsidiary of Windsor Dynasty. By virtue of the SFO, Windsor Dynasty was deemed to be interested in the 84,572,621 Shares held by the Offeror.
2. The letter "L" denotes a long position in the Shares.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had an interests or a short position as Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and the Takeovers Code and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

(a) Interests in the Offeror

As at the Latest Practicable Date, save for the Offeror which is indirectly wholly owned by Mr. Cheung, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(b) Other Interests

As at the Latest Practicable Date, save as disclosed in sections 2(a) and (b) above:

- (a) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (b) none of a subsidiary of the Company, a pension fund of the Group, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of Shares;
- (c) save for Mr. Cheung's interest in 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 was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (d) no Shares or any convertible securities, warrants, options or derivatives in respect of Shares were managed on a discretionary basis by fund managers connected with Company;
- (e) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (f) save for the Irrevocable Confirmations, there was no understanding, arrangement or agreement or special deal between any Shareholder on one hand and the Company, its subsidiaries or associate companies on the other hand.

3. DEALINGS DISCLOSURE

During the Relevant Period, (i) none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and (ii) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

During the Offer Period and ending on the Latest Practicable Date:

- (i) none of a subsidiary of the Company, a pension fund of the Group, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (ii) no person who had an arrangement referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (iii) no fund manager connected with the Company, who manages funds on a discretionary basis, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

4. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

Authorised:	<i>HK\$</i>
1,000,000,000 Shares of HK\$1 each	1,000,000,000
Issued and fully paid up:	
372,688,206 Shares of HK\$1 each	372,688,206

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares are listed on the Main Board of the Stock Exchange and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 December 2019 (being the date on which its latest published audited consolidated financial statements were prepared) and up to and including the Latest Practicable Date, no Shares have been issued by the Company.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or other conversion rights affecting the Shares.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company or any of its subsidiaries or associates had not entered into service contracts with the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months prior to the commencement of the Offer Period; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The Group had not, within the two years immediately preceding the date of commencement of the Offer Period and up to the Latest Practicable Date, entered into any contract (not being contract in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries), which is or may be material.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been engaged by the Company and who has been named in this Composite Document or who has given its opinion or advice, which is contained in this Composite Document:

Name	Qualification
Optima Capital	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which they appear herein.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<http://www.crossharbour.com.hk>); and (iii) at the registered office of the Company at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours (from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 4:30 p.m.), Monday to Friday (except public holidays), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2017, 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;

- (d) the letter from the Board, the text of which is set out on pages 17 to 22 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Composite Document;
- (f) the letter from Optima Capital, the text of which is set out on pages 25 to 57 of this Composite Document;
- (g) the written consent as referred to in the section headed “Qualification and Consent of Expert” in this appendix; and
- (h) this Composite Document.

10. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the existing Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, save for Mr. Cheung’s interest in the Facility, 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 and all such ancillary documents relating to the Facility, there were no material contracts that have been entered into by the Offeror in which any Directors has a material personal interest.
- (d) The registered office of the Company is situated at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (e) The share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (f) The principal place of business of Optima Capital is Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (g) The English language text of this Composite Document and the Form of Acceptance shall prevail over the Chinese language text.

1. RESPONSIBILITY STATEMENT

The Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of its knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties owned an aggregate of 84,896,114 Shares, representing approximately 22.78% of the total issued Shares. Save for the above, the Offeror and the Offeror Concert Parties did not have any interest in any Shares, warrants, options, derivatives or securities carrying conversion of subscription rights into Shares.

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and the Offeror Concert Parties were as follows:

Name of Offeror / Offeror Concert Parties	Capacity and nature of interests	Number of Shares	Approximate percentage of the total issued Shares as at the Latest Practicable Date
The Offeror (<i>Note 1</i>)	Beneficial owner	84,572,621 (L)	22.69%
Windsor Dynasty (<i>Note 1</i>)	Interest of controlled corporation	84,572,621 (L)	22.69%
Mr. Cheung (<i>Note 1</i>)	Interest of controlled corporation	84,572,621 (L)	22.69%
Mr. Wong	Beneficial owner	306,019 (L)	0.08%
Mr. Ng and Ms. Leung (<i>Note 2</i>)	Beneficial owner Interest of spouse	17,474 (L)	0.01%

Notes:

- The Offeror was the beneficial owner of 84,572,621 Shares and was a wholly owned subsidiary of Windsor Dynasty, which was in turned wholly owned by Mr. Cheung. By virtue of the SFO, each of Windsor Dynasty and Mr. Cheung was deemed to be interested in the 84,572,621 Shares held by the Offeror.
- Mr. Ng and his spouse, Ms. Leung, are the legal and beneficial owner of 9,708 Shares and 7,766 Shares respectively.
- The letter "L" denotes a long position in the Shares.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

- (i) save for as disclosed in the paragraph headed “2. Disclosure of Interests” in this appendix IV, none of the Offeror or the Offeror Concert Parties (i) owned or controlled any Shares or any, convertible securities, warrants, options or derivatives in respect of Shares; or (ii) had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period;
- (ii) other than the security deed executed by the Offeror in favour of Haitong International Securities (which, subject to the security deed, had no interest in any Shares) over the Offer Shares that will be acquired by the Offeror under the Offer as security for the Facility, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (iii) no person/party had irrevocably committed himself/herself/itself to accept or reject the Offer;
- (iv) there was 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 which existed between the Offeror, the Offeror Concert Parties and any person, or between any other associate of the Offeror and any other person;
- (v) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vi) no benefit (other than statutory or pre-existing contractual compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (vii) save for the Irrevocable Confirmations, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and the Offeror Concert Parties and any Director, recent Director, Shareholders or recent Shareholders which had any connection with or dependence on the Offer;
- (viii) there was no agreement or arrangement to which the Offeror 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; and
- (ix) save for the Irrevocable Confirmations, there was no understanding, arrangement or agreement or special deal between any Shareholder on one hand and the Offeror and/or the Offeror Concert Parties on the other hand.

4. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has given its letter and advice which is contained in this Composite Document:

Name	Qualification
Haitong International Capital	A licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities
Haitong International Securities	A licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities

Each of Haitong International Capital and Haitong International Securities has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which its appear herein.

5. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
31 March 2020	10.96
29 April 2020	11.32
29 May 2020	10.92
30 June 2020	10.98
31 July 2020	10.8
31 August 2020	10.2
Last Trading Day (14 September 2020)	9.83
30 September 2020	13.92
Latest Practicable Date	13.9

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$13.94 per Share on 6 October 2020 and 15 October 2020, respectively; and
- (ii) the lowest closing price of the Share as quoted on the Stock Exchange was HK\$9.58 per Share on 9 September 2020.

6. MISCELLANEOUS

- (a) The principal members of the Offeror's Concert Parties are Windsor Dynasty and Mr. Cheung.
- (b) The correspondence address of the Offeror, Windsor Dynasty and Mr. Cheung is 33rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (c) The sole director of each of the Offeror and Windsor Dynasty is Mr. Cheung.
- (d) The main business address of Haitong International Securities is situated at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (e) In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<http://www.crossharbour.com.hk>); and (iii) at the registered office of the Company at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours (from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 4:30 p.m.), Monday to Friday (except public holidays), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Haitong International Securities, the text of which is set out on pages 6 to 16 of this Composite Document; and
- (c) the written consents as referred to in the section headed "Qualifications and Consents of Experts" in this appendix.