



7 December 2018

*To the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
EMPEROR CAPITAL LIMITED  
ON BEHALF OF CHINA CENTURY HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHERISH HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY CHINA CENTURY HOLDINGS LIMITED AND PARTIES ACTING  
IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement. The Company was informed by the Vendor that on 19 October 2018 (after trading hours), the Vendor, the Guarantors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell the Sale Shares, being 397,865,000 Shares in aggregate, representing approximately 51.82% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement, at a consideration of HK\$254,999,635.80 in aggregate, equivalent to HK\$0.64092 per Sale Share. Completion of the Sale and Purchase Agreement took place on 22 October 2018.

Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 397,865,000 Shares in aggregate, representing approximately 51.82% of the entire issued share capital of the Company.

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

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information of the Offeror and its intention regarding the Group and its employees. Further details on the terms and the procedures for acceptance of the Offer 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 “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

## **THE OFFER**

### **Principal terms of the Offer**

Emperor Capital, on behalf of the Offeror, hereby makes the Offer to acquire all the Offer Shares on the terms set out in this Composite Document on the following basis:

For each Offer Share ..... HK\$0.641 in cash

The Offer Price of HK\$0.641 per Offer Share is equal to (after rounding up) the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm’s length negotiations between the Offeror and the Vendor. The Offer is unconditional in all respects.

The Offer will be 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 free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, i.e. the date of despatch of this Composite Document.

### **The Offer Price**

The Offer Price of HK\$0.641 per Offer Share represents:

- (i) a premium of approximately 12.46% over the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on 19 October 2018, being the Last Trading Day;
- (ii) a premium of approximately 39.35% over the average closing price of HK\$0.460 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 40.26% over the average closing price of HK\$0.457 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 35.81% over the average closing price of approximately HK\$0.472 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 0.16% over the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- (vi) a premium of approximately 198.14% over the audited consolidated net asset value of the Group of approximately HK\$0.215 per Share as at 31 March 2018 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets of approximately HK\$164,732,000 as at 31 March 2018 and 767,750,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a premium of approximately 217.33% over the unaudited consolidated net asset value of the Group of approximately HK\$0.202 per Share as at 30 September 2018, calculated based on the Group's unaudited consolidated net assets of approximately HK\$154,997,000 as at 30 September 2018 and 767,750,000 Shares in issue as at the Latest Practicable Date.

### **Highest and lowest Share prices**

During the Relevant Period, the highest closing price of the Shares was HK\$0.72 per Share as quoted on the Stock Exchange on 15 May 2018 and the lowest closing price of the Shares was HK\$0.425 per Share as quoted on the Stock Exchange on 11 October 2018 and 16 October 2018 respectively.

### **Value of the Offer**

Excluding 397,865,000 Shares held by the Offeror and parties acting in concert with it, the number of Shares subject to the Offer is 369,885,000.

Based on the Offer Price of HK\$0.641 per Offer Share for 369,885,000 Offer Shares, the Offer is valued at HK\$237,096,285.00.

The Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

### **Financial resources available to the Offeror**

The Offeror has paid the consideration under the Sale and Purchase Agreement from its own resources and by the Facility. The Offeror intends to fund the consideration payable under the Offer in full by the Facility. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility will not depend to any significant extent on the business of the Group.

Pursuant to the arrangement of the Facility, amongst others, the Offeror has pledged all its shareholding of 397,865,000 Shares and such additional Shares which the Offeror may have acquired pursuant to the Offer or from time to time in favour of Emperor Securities.

The Facility would be available to satisfy full acceptance of the Offer and would not be affected by the underlying value of the Shares during the Offer Period. However, after the close of the Offer, if the market price of the Shares drops below HK\$0.36 per Share and the

Offeror fails to repay such amount of the outstanding indebtedness of the Facility as requested by Emperor Securities within three business days, it constitutes event of default which Emperor Securities has the right to call for immediate repayment of the Facility.

Emperor Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

#### **Dealing and interest in the Company's securities**

Save for the acquisition of the Sale Shares and the share charges executed pursuant to the Facility, the Offeror and parties acting in concert with it had not dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

#### **Effect of accepting the Offer**

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, charges and Encumbrance and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

#### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event, within seven Business Days following the date on which the duly completed Form of Acceptance and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent or the Registrar) to render each such acceptance complete and valid.

#### **Hong Kong stamp duty**

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

## **Taxation advice**

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, parties acting in concert with the Offeror, the Company, Emperor Capital, Emperor Securities, Astrum, the Registrar and 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.

## **Overseas Shareholders**

The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek professional advice. Persons who are residents, citizens or nationals of jurisdiction outside Hong Kong should keep themselves informed about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such overseas jurisdiction.

Any acceptance by any Overseas Shareholders and the beneficial owners of any Overseas Shareholders of the Offer will be deemed to constitute a representation and a warranty from such Overseas Shareholders to the Offeror that all applicable local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws and requirements. Overseas Shareholders should consult their own professional advisers if in doubt. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

## **INFORMATION ON THE GROUP**

The Group principally engages in provision of site formation works as a subcontractor in Hong Kong. The site formations works undertaken by the Group generally include (a) general earthworks (including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development); (b) tunnel excavation works (including rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures); (c) foundation works (including excavation and lateral support works and associated structural works for construction of pile caps for commercial and residential building projects); and (d) road and drainage works.

Details of the information on the Group are set out in the “Letter from the Board” in this Composite Document.

## **INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in British Virgin Islands, the shares of which are owned as to 40% by China Medival, 30% by World Communication and 30% by Xianghua International. China Medival, World Communication and Xianghua International are wholly-owned by Mr. Zhang, Mr. Cao and Mr. Li respectively. Therefore, Mr. Zhang, Mr. Cao and Mr. Li are the ultimate beneficial owners of the Offeror and their biographical details are set out in the paragraph headed "Proposed change of Board composition" below. As at the Latest practicable Date, Mr. Zhang is the sole director of the Offeror. The Offeror, China Medival, World Communication and Xianghua International are investment holding companies.

Despite not having relevant experience in the business of the Group, Mr. Zhang, Mr. Cao and Mr. Li consider that investing in the Company could diversify and widen the investment portfolio of the Offeror.

Prior to Completion, each of the Offeror and its ultimate beneficial owners was Independent Third Party.

## **FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

Upon Completion, the Offeror became a controlling Shareholder. The Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group (save for changes in the composition of the Board) and dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

The Offeror will, following the close of the Offer, conduct a review of the operations of the Group in order to formulate a long-term strategy for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the results of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any such investment or business opportunities.

As at the Latest Practicable Date, the Offeror has no intention to enter nor has entered into any agreement, arrangement or understanding to (a) acquire and/or develop any new business; and (b) dispose of or downsize the existing businesses and/or any material operating assets of the Company.

### **Proposed change of Board composition**

As at the Latest Practicable Date, the Board is made up of six Directors, comprising three executive Directors, being Mr. Tang, Mr. Kwok and Ms. Choi; and three independent non-executive Directors, being Mr. Cheung Wai Lun Jacky, Mr. Lee Chi Ming and Mr. Tang Chi Wai.

It is intended that, save for Mr. Cheung Wai Lun Jacky, Mr. Lee Chi Ming and Mr. Tang Chi Wai, who are existing independent non-executive Directors, other Directors will resign with effect from the earliest time permitted under the Takeovers Code. The Offeror intends to nominate new Directors to the Board with effect from no earlier than the date of despatch of this Composite Document.

The Offeror currently intends to nominate four proposed new members to the Board, namely Mr. Zhang, Mr. Li, and Mr. Cao Jun as executive Directors, and Mr. Cao as the non-executive Director. Such appointment will only take effect after the date of despatch of this Composite Document in accordance with the requirements of the Takeovers Code and further announcement(s) will be made upon any changes to the composition of the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

Set out below are the biographic details of the nominees for appointment as Directors. Further details required by Rule 13.51(2) of the Listing Rules will be announced as and when appropriate:

#### **Executive Directors**

**Mr. Zhang**, who beneficially owns 40% of the Offeror and is the sole director of China Medival, aged 39, has been appointed as the director of China Century Group Limited (中國世紀集團有限公司) since 15 October 2018, a private company incorporated in Hong Kong principally engaged in securities investment, and executive director of Century Investment Holding Group (Shenzhen) Limited\* (世紀投資控股集團(深圳)有限公司) since 27 October 2015, a private company established in the PRC which is principally engaged in the business of investment and corporate management consulting. On 12 March 2015, Mr. Zhang was appointed as a non-executive director of King Force Group Holdings Limited (stock code: 8315) and was then re-designated as an executive director on 21 April 2015 until his resignation on 27 November 2015. Mr. Zhang graduated from Beijing Institute of Business (北京工商學院) with a bachelor degree in business administration in July 2006.

**Mr. Li**, who beneficially owns 30% of the Offeror and is the sole director of Xianghua International, aged 44, has been appointed as the chairman of the board of Chengdu Iris Tourism Group Limited\* (成都艾瑞絲旅遊集團有限公司) since 1 December 2017, a company principally engaged in the business of tourism development, hotel management and food and beverages, and the director of International Daily News Inc\* (美國國際日報報業集團) since May 2017, a company principally engaged in the sales of newspapers through vendors and vending machines.

**Mr. Cao Jun**, aged 52, is currently the co-chair of the Chinese Overseas Artists Association and the co-chairman of the advisory board of the Nassau Museum of Art. Mr. Cao Jun has been appointed as a distinguished professor at the Research Institute of Traditional Chinese Painting of the School of Continuing Education of Renmin University of China (中國人民大學) since June 2017. Mr. Cao Jun graduated from The Shandong Institute of Mining and Technology\* (山東礦業學院) with a bachelor's degree in mining engineering in July 1989.

\* For identification purpose only

## **Non-executive Director**

**Mr. Cao**, who beneficially owns 30% of the Offeror and is the sole director of World Communication, aged 29, has been appointed as the chairman of Shenzhen City Tianyi Qiyuan Cultural Communication Limited\* (深圳市天一起源文化傳播有限公司) since 20 February 2016, a company principally engaged in the business of advertisement, corporate management consulting and events management. Mr. Cao obtained a diploma in administrative management from Central South University (中南大學) in January 2013 by way of distant learning.

## **COMPULSORY ACQUISITION**

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

## **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the 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) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company's total number of issued Shares held by the public, the sole director of the Offeror and the new Directors to be appointed to the Board by the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offer to ensure that at least 25% of the total number of issued Shares will be held by the public.

## **ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the 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.

## **DISCLOSURE OF DEALINGS**

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code, including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) of the Company and the Offeror are hereby

\* For identification purpose only



reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code. The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **GENERAL**

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


Attention of the Overseas Shareholders is drawn to the paragraph headed “Overseas Shareholders” under the section headed “THE OFFER” in this letter and Appendix I to this Composite Document.

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 Shareholder whose name appears first in the register of members of the Company. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Astrum, the Registrar or any of their respective directors or professional advisers or any other parties 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.

## **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” 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  
**Emperor Capital Limited**

A handwritten signature in black ink, appearing to read 'Louisa Choi', with a large, stylized circular flourish at the beginning.

**Louisa Choi**  
*Director*