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**THIS RESPONSE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this Response Document 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 **Royal China International Holdings Limited**, you should at once hand this Response Document to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**Royal China International Holdings Limited**

**皇中國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

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

**Independent Financial Adviser to the Independent Board Committee**



**Celestial Capital Limited**

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Capitalised terms used on this cover shall have the same meanings as those defined in this Response Document unless the content requires otherwise.

A letter from the Board is set out on pages 5 to 10 of this Response Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 11 to 12 of this Response Document.

A letter from Celestial Capital containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 13 to 28 of this Response Document.

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## DEFINITIONS

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*In this Response Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Announcements”	together the Offer Announcement and the Response Announcement
“associate”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Celestial Capital” or “Independent Financial Adviser”	Celestial Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO, and the independent financial adviser to advise the Independent Board Committee in respect of the Offer
“Closing Date”	26 September 2018, or if the Offer is extended, any subsequent closing date of the Offer as may be announced by the Offeror and approved by the Executive in accordance with the Takeovers Code
“Company”	Royal China International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares are listed on the Main Board of the Stock Exchange with the stock code 1683
“Director(s)”	the director(s) of the Company, from time to time
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	a loan facility in the amount of HK\$120,000,000 granted by Guotai Junan Securities in favour of the Offeror, which is guaranteed by Mr. Leong and secured by the charge of the Sale Shares and the Offer Shares to be acquired by the Offeror pursuant to the Offer
“Group”	the Company and its subsidiaries
“Guotai Junan Capital”	Guotai Junan Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO

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## DEFINITIONS

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“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors (other than those independent non-executive Directors nominated by the Offeror), namely Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing, established for the purpose of advising the Independent Shareholders in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror, Mr. Leong and Ms. Chew and parties acting in concert with any of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	20 July 2018, being the last trading day for the Shares immediately prior to the publication of the Offer Announcement
“Latest Practicable Date”	31 August 2018, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Leong”	Mr. LEONG Hing Loong Rudoff
“Ms. Chew”	Ms. CHEW Christina Mooi Chong
“Offer Announcement”	the announcement dated 1 August 2018 and made by the Offeror setting out details of the Offer
“Offer Document”	the offer document dated 27 August 2018 and issued by or on behalf of the Offeror to all Shareholders in accordance with the Takeovers Code containing, <i>inter alia</i> , details of the Offer together with the relevant form of acceptance
“Offer Document LPD”	24 August 2018, being the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained therein
“Offeror”	Starcross Group Limited, a company incorporated in the British Virgin Islands, which is owned as to 75% by Mr. Leong and 25% by Ms. Chew

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## DEFINITIONS

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“Offer Period”	has the meaning given to it in the Takeovers Code, being the date of the Offer Announcement and will end on the Closing Date
“Offer Price”	the price at which the Offer being made, being HK\$0.90 per Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offer”	the unconditional mandatory cash general offer being made by Guotai Junan Securities on behalf of the Offeror for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code
“Overseas Shareholder(s)”	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
“Receivers”	Wong Teck Meng, Chan Pui Sze and Mak Hau Yin, all of Briscoe Wong Advisory Limited, the joint and several receivers over certain assets of the Vendor
“Relevant Period”	the period commencing from the date falling six months before 1 August 2018 (being the date of the Offer Announcement) up to and including the Latest Practicable Date
“Response Announcement”	the announcement of the Company dated 2 August 2018 in relation to the Offer
“Response Document”	this response document dated 4 September 2018 issued by the Company to the Shareholder in response of the Offer in accordance with the Takeovers Code
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 20 July 2018 entered into between the Vendor as vendor, the Offeror as purchaser and the Receivers as agents of the Vendor in respect of the sale and purchase of the Sale Shares by the Vendor to the Offeror (as amended by the supplemental agreement dated 27 July 2018)
“Sale and Purchase Completion”	the completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Sale Shares”	an aggregate of 375,000,000 Shares, beneficially owned by the Vendor
“SFC”	the Securities and Futures Commission

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shares”	the ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	a day when the Stock Exchange is open for trading in Hong Kong
“Vendor”	State Energy HK Limited (Receivers appointed pursuant to a share charge dated 12 February 2018 over the charged assets (as defined in the share charge) including the Sale Shares beneficially owned by State Energy HK Limited)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**Royal China International Holdings Limited**

**皇中國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

*Executive Directors:*

Mr. DENG Kui (*Chairman*)  
Mr. LEONG Hing Loong Rudoff  
Ms. CHEW Christina Mooi Chong (*Chief Executive Officer*)  
Mr. SHIH Steven Chun Ning

*Independent non-executive Directors:*

Mr. LEE Frank King-ting  
Mr. HO Hin Yip  
Mr. CHAN Kwong Ming Johnny  
Mr. LIU Gang  
Mr. YU Haizong  
Ms. AN Yiqing

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

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

4 September 2018

*To the Shareholders,*

Dear Sir or Madam,

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

**INTRODUCTION**

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

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## LETTER FROM THE BOARD

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

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

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

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

### **THE OFFER**

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

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

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

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

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

#### **The Offer**

For every Offer Share held . . . . . HK\$0.90 in cash

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

The Offer is unconditional in all respects.

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## LETTER FROM THE BOARD

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

### Further details of the Offer

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

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

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

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

### Notes:

1. The Offer, which is unconditional, is made on the date of posting of the Offer Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
2. In accordance with the Takeovers Code, the Company is required to post the Response Document within 14 days from the posting of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the closing date by the number of days in respect of which the delay in the posting of the Response Document is agreed.

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## LETTER FROM THE BOARD

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

### INFORMATION OF THE GROUP

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

### SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

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## LETTER FROM THE BOARD

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

**The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public at all times, or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **that there are insufficient Shares in public hands to maintain an orderly market,**

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

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

### **INTENTION OF THE OFFEROR**

The intention of the Offeror on the Group has been set out in the section headed “Offeror’s intention on the Group” in the Offer Document.

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

### **PROPOSED CHANGE OF BOARD COMPOSITION**

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

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

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

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

The Independent Board Committee, which comprises all the independent non-executive Directors (other than those independent non-executive Directors nominated by the Offeror), namely Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing, has been established to make a recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer. Mr. Leong, Ms. Chew and the Directors nominated by the Offeror are deemed to have a conflict of interests in the Offer and have been abstained from voting on the relevant Board resolutions in respect of this Response Document.

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

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

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

Yours faithfully,  
By order of the Board  
**Royal China International Holdings Limited**  
**DENG Kui**  
*Chairman*



**Royal China International Holdings Limited**

**皇中國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

4 September 2018

*To the Independent Shareholders,*

Dear Sir or Madam,

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

We refer to the Response Document dated 4 September 2018 issued by the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Response Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to give recommendations to the Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as they are concerned and as to the acceptance of the Offer. Celestial Capital has been appointed as the independent financial adviser to advise us in this respect. Detail of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the “Letter from the Independent Financial Adviser” on pages 13 to 28 of this Response Document.

We also wish to draw your attention to the “Letter from the Board” and the additional information set out in the appendices to the Response Document.

We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATIONS

Having considered the terms of the Offer and the advice from Celestial Capital, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we concur with the view of the Independent Financial Adviser and consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to accept the Offer.

We would also like to remind the Independent Shareholders who intend to accept the Offer to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Notwithstanding our recommendations, the Independent Shareholders are strongly advised that their decision to realise 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,

For and on behalf of the  
**Independent Board Committee**

**Mr. LIU Gang**

*Independent non-executive  
Director*

**Mr. YU Haizong**

*Independent non-executive  
Director*

**Ms. AN Yiqing**

*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Celestial Capital to the Independent Board Committee in relation to the Offer which has been prepared for the purpose of incorporation into this Response Document.*



**Celestial Capital Limited**  
21/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

4 September 2018

*To the Independent Board Committee*

Dear Sirs,

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

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer, details of which are set out in the Response Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

Reference is made to the Announcements. On 20 July 2018 (after trading hours), the Board was informed by the Offeror that the Vendor as vendor and the Offeror as purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to acquire the Sale Shares for a consideration of HK\$337,500,000 (equivalent to HK\$0.90 per Sale Share) in accordance with the terms and conditions of the Sale and Purchase Agreement. A supplemental agreement to the Sale and Purchase Agreement has been entered into on 27 July 2018. The Sale and Purchase Completion took place on 27 July 2018. The Sale Shares collectively represent 75% of the existing issued share capital of the Company as at the Latest Practicable Date. As such, the Offeror is required to make an unconditional mandatory cash general offer for the Offer Shares pursuant to Rule 26.1 of the Takeovers Code.

On 27 August 2018, the Offeror published the Offer Document which sets out, among other things, details of the principal terms of the Offer, information on the Offeror and the intention of the Offeror regarding the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors (other than those independent non-executive Directors nominated by the Offeror), namely Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing, has been established to make a recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer.

With the approval of the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, we, Celestial Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

We are independent from and not connected with the Company, the Offeror, any of their respective substantial shareholders, directors or chief executives, their respective associates, or any party acting, or presumed to be acting, in concert with any of them. As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company and the Offeror or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code to act as the Independent Financial Adviser. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and the Offeror or any of its substantial shareholders, directors or chief executives, their respective associates, or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in relation to the Offer.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the annual report of the Company for the year ended 30 September 2016 (the “**2016 Annual Report**”), the annual report of the Company for the fifteen months ended 31 December 2017 (the “**2017 Annual Report**”), the interim results announcement of the Company for the six months ended 30 June 2018 (the “**2018 Interim Results Announcement**”) and other information contained in the Offer Document and Response Document.

In addition, we have relied on the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. We have also relied on the information, facts and representations contained or referred to in the Response Document and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the Offer Period as soon as possible in accordance with the Takeovers Code. Independent Shareholders will be notified of any material changes of such information provided and our opinion, if any, as soon as possible throughout the Offer Period. We have also assumed that all statements of beliefs, opinions, expectations and intentions made by the Directors in the Response Document and/or the Offeror in the Offer Document were reasonably made after due enquiry and careful considerations, and will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided to us and the opinions expressed. We consider that the information we have received is sufficient for us

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group and the Offeror, nor carried out any independent verification of the information provided by the Company and/or the Directors and/or the management of the Group.

As set out in the responsibility statement in Appendix II to the Response Document, all the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement in the Response Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are dependent upon their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the Offer. Except for its inclusion in the Response Document, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Offer, we have considered the following principal factors and reasons:

#### 1. Information on the Group

##### (a) Historical financial performance

The Group is principally engaged in construction and ancillary services which include design, fitting-out, decoration, alteration and addition, construction and other related businesses, aviation and traveling services and financial services.

Set out below is a summary of the audited consolidated financial information of the Group for two financial years ended 30 September 2015 and 2016 (respectively referred to as the “**FY2015**” and the “**FY2016**”) (as extracted from the 2016 Annual Report) and the fifteen months ended 31 December 2017 (the “**2017 Fifteen-month Period**”) (as extracted from the 2017 Annual Report), and the unaudited consolidated financial information of the Group for the six months ended 30 June 2017 and 2018 (respectively referred to as the “**2017 Interim Period**” and the “**2018 Interim Period**”), as extracted from the 2018 Interim Results Announcement:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended 30 June		For the fifteen months ended 31 December	For the year ended 30 September	
	2018	2017	2017	2016	2015
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Revenue, comprising	139,621	43,669	157,397	116,021	159,527
(i) Construction and ancillary services	105,846	43,669	128,270	116,021	159,527
(ii) Aviation and traveling services	33,775	-	28,010	-	-
		(Note 1)		(Note 1)	(Note 1)
(iii) Financial services	-	-	1,117	-	-
		(Note 1)		(Note 1)	(Note 1)
Gross profit	21,425	13,370	51,139	47,645	60,238
Gross profit margin ("GP%")	15.3%	30.6%	32.5%	41.1%	37.8%
Segment result, comprising	9,647	-	24,736	33,532	-
		(Notes 1 & 2)			(Notes 1 & 2)
(i) Construction and ancillary services	7,407		20,416	33,532	
Segment result margin					
("Segment result margin")	7.0%		15.9%	28.9%	
(ii) Aviation and traveling services	3,543		8,152		
Segment result margin	10.5%		29.1%		
(iii) Financial services	(1,303)		(3,832)		
Segment result margin	N/A		N/A		
Segment result margin (overall)	6.9%		15.7%		
(Loss)/profit for the period/year	(9,423)	(5,582)	(9,272)	24,181	20,950
(Loss)/profit for the period/year attributable to:					
Owners of the Company	(10,169)	(5,582)	(10,193)	24,181	21,255
No-controlling interests	746	-	921	-	(305)

**Notes:**

- The aviation and traveling services and financial services segments commenced operation and contributed revenue to the Group since the second half of 2017.
- No segment results figures for the FY2015 and the 2017 Interim Period were published by the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During FY2015 and FY2016, the principal business of the Group was solely the provision of one-stop integrated interior design solutions including design, fit out and decoration as well as overall project management. The Company announced on 16 March 2017 that its financial year end date would be changed from 30 September to 31 December. Accordingly, the Company published its audited consolidated results for the 2017 Fifteen-month Period in the 2017 Annual Report. During the 2017 Fifteen-month Period, the Group began to provide aircraft management service, service for aircraft sales and aircraft leasing ancillary services and obtained an ordinary membership of Chinese Gold and Silver Exchange Society (“CGSE”), and there were three reporting segments reported in the 2017 Annual Report and 2018 Interim Results Announcement, namely, (i) construction and ancillary services segment; (ii) aviation and traveling services segment; and (iii) financial services segment.

(i) *Construction and ancillary services segment*

For the FY2015 and FY2016

The revenue and gross profit of the Group for the FY2016 decreased by approximately 27.3% and 20.9% to approximately HK\$116.0 million and HK\$47.6 million, as compared with approximately HK\$159.5 million and HK\$60.2 million for the FY2015, respectively. As set out in the 2016 Annual Report, the decrease in revenue was mainly due to, among others, the Hong Kong property market sentiment in 2016 turned amid and the possibility for increase in interest rates of the United States of America (“U.S.”) resulting in decline in the number of sizeable design, fit out and decoration projects in Hong Kong, being the key revenue driver of the Group in FY2016. The net profit attributable to the owners of the Company for the FY2016 was HK\$24.2 million, increased by approximately 13.8% from approximately HK\$21.3 million in FY2015. However, carving out the one-off initial public offering expenses of approximately HK\$14.8 million (which was charged to consolidated statement of profit or loss and other comprehensive income) in FY2015, the net profit attributable to the owners of the Company for the FY2016 recorded a significant decrease of 33.0% compared to the net profit attributable to the owners of the Company before one-off initial public offering expenses of approximately HK\$36.1 million in FY2015. The decrease was mainly due to the decrease in gross profit as explained in above.

For the 2017 Fifteen-month Period

The revenue of the Group for the 2017 Fifteen-month Period increased by approximately 35.7% to approximately HK\$157.4 million, as compared with approximately HK\$116.0 million recorded for the FY2016. As shown in the revenue breakdown in the table above, the revenue was substantially derived from the construction and ancillary services segment, accounting for approximately 81.5% of the total revenue, followed by the aviation and travelling services segment and financial services segment, accounting for approximately 17.8% and 0.7% of the total revenue respectively. As stated in the 2017 Annual Report, such increase in revenue was mainly due to the revenue contributed from new business segments of aviation and traveling and financial services as well as the effect of change of financial year end date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite the revenue growth, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$10.2 million for the 2017 Fifteen-month Period as compared with a net profit of approximately HK\$24.2 million for the FY2016. As stated in the 2017 Annual Report, such net loss for the 2017 Fifteen-month Period was mainly due to (i) the decrease in gross profit from construction and ancillary services segment; (ii) the increase of the administrative expenses; and (iii) the increase in operating expenses for preparing, setting up and operating new businesses of the Group.

Although the segment revenue generated from the construction and ancillary services segment for the 2017 Fifteen-month Period increased by approximately 10.6% to approximately HK\$128.3 million, as compared with approximately HK\$116.0 million recorded for the 12-month period in FY2016, the segment result of this segment for the 2017 Fifteen-month Period decreased by 39.1% to approximately HK\$20.4 million, as compared with that of approximately HK\$33.5 million for the FY2016. The segment result margin of this segment dropped from 28.9% for the FY2016 to 15.9% for the 2017 Fifteen-month Period. As advised by the Company, such decline was mainly due to the Group began to take up non-residential projects, which were of lower profit margin as compared with residential projects, in the fourth quarter of 2017.

For the 2018 Interim Period

The revenue of the Group for the 2018 Interim Period increased by approximately 219.7% to approximately HK\$139.6 million, as compared with approximately HK\$43.7 million recorded for the 2017 Interim Period. The construction and ancillary services segment and the aviation and traveling services segment contributed approximately 75.8% and 24.2% of the total revenue, respectively and no revenue was recorded for the financial services segment in the 2018 Interim Period.

Despite the revenue growth, the Group recorded a consolidated net loss attributable to the owners of the Company of approximately HK\$10.2 million for the 2018 Interim Period as compared with a net loss attributable to the owners of the Company of approximately HK\$5.6 million for 2017 Interim Period. As stated in the 2018 Interim Results Announcement, such net loss for the 2018 Interim Period was mainly due to the decrease in gross profit margin from construction and ancillary services business and the increase in operating expenses for preparing, setting up and operating new business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The segment result margin of the construction and ancillary services segment dropped further to approximately 7.0% for the 2018 Interim Period, from approximately 28.9% for the 12-month period in FY2016 and approximately 15.9% for the 2017 Fifteen-month Period. As advised by the Company, gross profit margin of non-residential projects was generally lower than that of residential project. The decline in segment result margin of this segment for the 2018 Interim Period compared to the previous years was mainly due to nearly 60% of revenue of this segment came from non-residential projects which generated lower gross profit margin than that of residential projects.

*(ii) Aviation and traveling services segment*

As stated in the 2017 Annual Report, in order to alleviate the possible impact from the uncertainty in Hong Kong property development industry on the segment of construction and ancillary services businesses, the Group has explored and developed new business segments including aviation and traveling services and financial services during the 2017 Fifteen-month Period. Aviation and traveling services segment has commenced operation and started to contribute revenue to the Group since the second half of 2017.

The aviation and traveling services business contributed revenue of approximately HK\$28.0 million in the second half of 2017 and approximately HK\$33.8 million for the 2018 Interim Period, representing approximately 17.8% and 24.2% of the Group's total revenue for the 2017 Fifteen-month Period and the 2018 Interim Period respectively.

Nevertheless, the segment result margin of the aviation and traveling services segment dropped to 10.5% in the first half of 2018, from 29.1% for the 2017 Fifteen-month Period.

*(iii) Financial services segment*

The Group's financial services segment comprised precious metal trading and financial advisory services, which commenced operation and started to contribute revenue to the Group since the second half of 2017. This segment recorded revenue of approximately HK\$1.1 million in aggregate, representing approximately 0.7% of the Group's total revenue in the 2017 Fifteen-month Period.

As stated in the 2018 Interim Results Announcement, no revenue was contributed by this segment during the 2018 Interim Period because the Group is in the stage of business planning.

**(b) Prospects of the Group**

As mentioned in the 2017 Annual Report, increasing competition from China's property developers for residential property development projects in Hong Kong has adversely affected the performance of Hong Kong based property developers which are the Group's major customers. Further, the Directors consider that the demands for construction and ancillary services may be adversely affected by the imposition of the residential property demand-

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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curbing measures by the Hong Kong Government (including the tightening of the mortgage for residential properties and sharp rise in property stamp duty to 15% adopted by Hong Kong Government) and the recent rise in the mortgage rate as a result of the interest rate hikes in the U.S.. As advised by the Company, any change in the economic conditions in Hong Kong or implementation of further demand-curbing measures by the Hong Kong Government may adversely affect the performance and prospect of the construction and ancillary services of the Group.

In respect of the aviation and traveling services segment, as stated in the 2018 Interim Results Announcement and further confirmed by the Company, all the aircraft agreements were terminated in July 2018 because of termination of aircraft leasing agreements between the Group's respective customer and its lessors. The Group is looking for potential customers for its aircraft management services. As confirmed by the Group, it has no agreement for provision aircraft management service, aircraft sales service or aircraft leasing ancillary services on hand as at the Latest Practicable Date.

Further, as stated in letter from the Guotai Junan Securities in the Offer Document and the letter from the Board in the Response Document, there will be changes in the Board composition with effect from the earliest time as permitted under the Takeovers Code. As confirmed by the Company, among the Outgoing Directors, Mr. Deng Kui and Mr. Liu Gang who have expertise in aviation business have tendered their resignations, while the remaining Directors (including those new Directors nominated by the Offeror, the biography of whom has been set out in the Offer Document) do not have experience in aviation and traveling services business.

In respect of the financial services segment, a subsidiary of the Company has obtained the licenses for regulated activities under SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO) on 14 March 2018. Nevertheless, as stated in the 2018 Interim Results Announcement, the Group is in the stage of planning these regulated activities and has never commenced such business during the 2018 Interim Period and the Group does not intend to conduct any of such regulated business until the approval grant by the SFC to the Offeror becoming a substantial shareholder of all members of the Group. As disclosed in the Letter from Guotai Junan Securities in the Offer Document, the Offeror has obtained the approval from the SFC to be a new substantial shareholder of such subsidiary on 24 August 2018, and intends that the Group may commence business in respect of the abovementioned regulated activities.

Moreover, it was disclosed in the Letter from Guotai Junan Securities in the Offer Document that the Offeror intends that the Group will continue to operate its existing business, namely construction and ancillary services and aviation and traveling service. After the close of the Offer, the Offeror will conduct a detailed review of the financial position and business operations of the Group in order to formulate a long-term strategy for the Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. As at the Offer Document LPD, the Offeror has not identified such investment or business opportunities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into consideration of (i) the historical financial performance of the Group's three business segments and the prospects of the Group; and (ii) the proposed change to the Board composition as discussed above, we are of the view that the Independent Shareholders should note the uncertainty in the future performance and development of the Group which will depend on the direction from the new Board on the overall strategic planning of the Group.

### 2. The Offer

#### (a) Principal terms of the Offer

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

For each Offer Share held . . . . . HK\$0.90 in cash

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

The Offer is unconditional in all respects.

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

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

#### (b) Comparison of value

The Offer Price of HK\$0.90 represents:

- (i) a premium of approximately 1.12% over the closing price of the Shares of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.90% over the average closing price of the Shares of approximately HK\$0.892 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (iii) a discount of approximately 1.10% to the average closing price of the Shares of approximately HK\$0.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

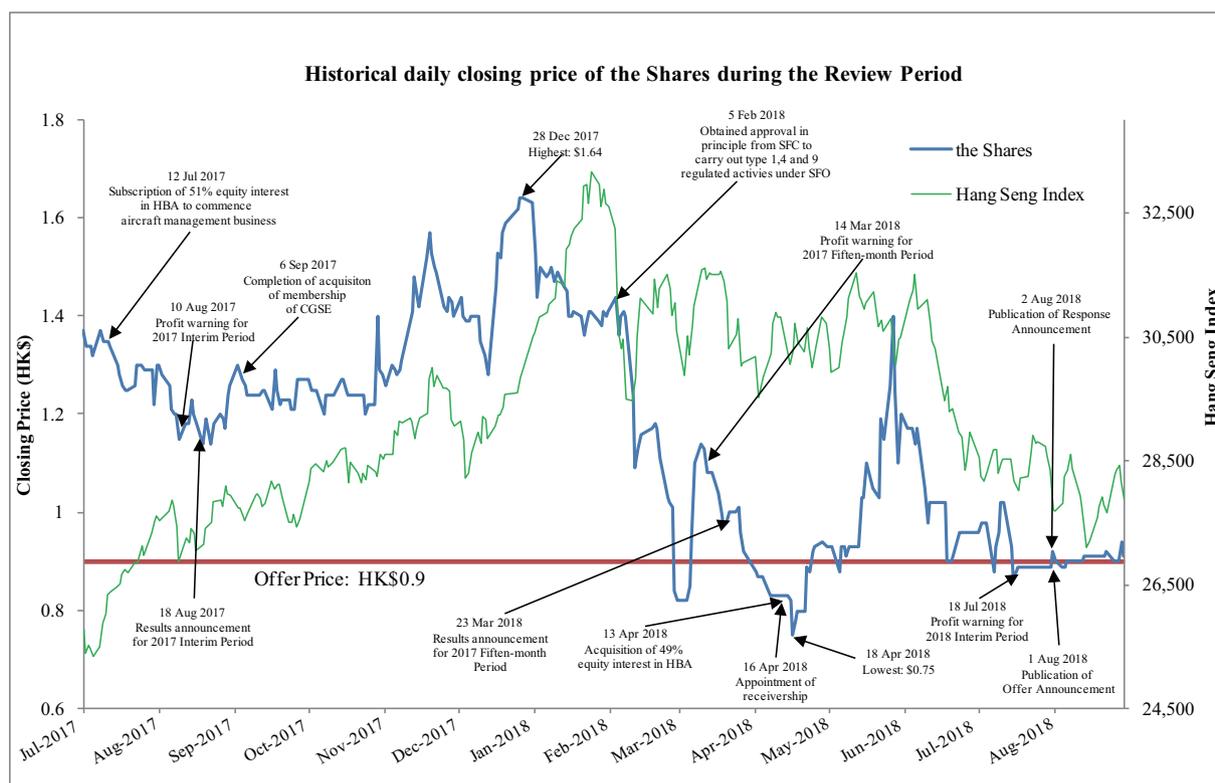
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) approximately 3.06 times to the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2017 of approximately HK\$0.294 per Share based on 500,000,000 Shares in issue as at the Offer Document LPD; and
- (v) approximately 3.26 times to the unaudited consolidated net asset value attributable to equity holders of the Company as at 30 June 2018 of approximately HK\$0.276 per Share based on 500,000,000 Shares in issue as at the Latest Practicable Date.

To assess the fairness and reasonableness of the Offer Price, we have analysed the Offer Price with reference to (i) the historical price performance of the Shares; (ii) the historical trading liquidity of the Shares; and (iii) the comparison with market comparables.

### (i) Historical price performance of the Shares

The chart below depicts the closing price level of the Shares as quoted on the Stock Exchange from 1 July 2017 to the Last Trading Day (both dates inclusive), being around 1-year period immediately preceding the Last Trading Day (the “**Pre-Announcement Period**”), and from 2 August 2018, being the first day of trading in the Shares after the publication of the Offer Announcement, to the Latest Practicable Date (both dates inclusive) (the “**Post-Announcement Period**”, together with the Pre-Announcement Period, collectively known as the “**Review Period**”):



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)), Bloomberg

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider the length of the Review Period to be reasonably sufficient to illustrate the relationship between the recent trend of the share price of the Shares and the Offer Price.

### Pre-Announcement Period

During the Pre-Announcement Period, the lowest and highest closing prices of the Shares were HK\$0.75 per Share recorded on 18 April 2018, being the second trading day after the publication of the announcement of the Company in relation to the appointment of receivership over certain Shares owned by the then controlling shareholders of the Company, and HK\$1.64 per Share recorded on 28 December 2017 despite no announcement (other than monthly returns) was made by the Company in that month.

As shown above, the closing price of the Shares was in an uptrend at the beginning of the Review Period and peaked at HK\$1.64 on 28 December 2017. Since then, the closing price had been decreasing and decreased to HK\$0.82 on 2 March 2018, which was followed by a sharp rebound to close at HK\$1.14 on 12 March 2018. Afterwards, however, the closing price of the Shares continued its downtrend and bottomed at HK\$0.75 on 18 April 2018. After reaching the lowest closing price in the Review Period, the Shares traded upward and reached HK\$1.40 on 29 May 2018. For the period from 29 May 2018 to the Last Trading Day, the Shares traded in a range from HK\$0.87 to HK\$1.40 and closed at HK\$0.89 on the Last Trading Day.

It is noted that the Share price was not entirely responsive to the financial performance or business development of the Group as published by the Company. As shown in the chart above, the price remained relatively steady or even dropped slightly after the Group announced its new business developments, in particular, (i) subscription of 51% equity interest in Himalaya Business Aviation Limited (“HBA”) to commence aircraft management business on 12 July 2017; (ii) completion of purchase of membership of CGSE for commencement of precious metal trading business on 6 September 2017; and (iii) obtaining in-principle approval from the SFC to carry out type 1, 4, and 9 regulated activities under the SFO on 5 February 2018. It is also noted that the Share price remained relatively steady after publication of profit warning announcement and results announcements for the 2017 Fifteen-month Period by the Company. There was even a slight increase in the Share price after the Company’s issue of profit warning announcement for the 2018 Interim Period on 18 July 2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Share price closed at over HK\$0.9 for most of the trading days during the Pre-Announcement Period. As shown in the chart above, the movement of the Share price was generally in line with the movement of the Hang Seng Index during the Review Period, except during the period from the beginning of January 2018 to the end of May 2018, during which the Share prices experienced two significant drops, first drop from HK\$1.41 on 8 February 2018 to HK\$0.82 on 2 March 2018 and second drop from HK\$1.14 on 12 March 2018 to HK\$0.75 on 18 April 2018, while the Hang Seng Index remained relatively stable between approximately 29,460 to approximately 31,601 during such period. The Hong Kong stock market is highly influenced by external factors, especially the U.S. and China. Since mid-2018, the Hong Kong stock market has been experiencing a downward trend following the U.S.'s interest rate hike and the trade war between China and the U.S. Given the weakening market sentiment as well as continuing loss-making of the Group's business, it remains uncertain whether the Share price can return to the higher level observed in the Pre-Announcement Period.

### Post-Announcement Period

On the first trading day, 2 August 2018, after publication of the Announcements, the Share price closed at HK\$0.92, up from HK\$0.89 before trading suspension pending publication of the Announcements. The price then closed at HK\$0.94 or below from 3 August 2018 to the Latest Practicable Date.

### (ii) *Historical trading liquidity of the Shares*

The table below sets out the total monthly trading volume of the Shares and the percentages of such average daily trading volume to the total issued Shares during the Review Period:

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Month/period	Total trading volume for the month/ period	Number of trading days	Average daily trading volume (Note 1)	Average daily trading volume over total number of Share in issue (Note 2)
	<i>Number of Shares</i>	<i>days</i>	<i>Number of Shares</i>	<i>%</i>
<b>2017</b>				
July	3,256,000	21	155,048	0.03
August	2,156,000	22	98,000	0.02
September	2,952,000	21	140,571	0.03
October	1,480,000	20	74,000	0.01
November	27,320,000	22	1,241,818	0.25
December	22,108,001	19	1,163,579	0.23
<b>2018</b>				
January	15,908,000	22	723,091	0.14
February	10,544,000	18	585,778	0.12
March	27,380,000	21	1,303,810	0.26
April	2,696,000	19	141,895	0.03
May	5,200,000	21	247,619	0.05
June	2,076,000	20	103,800	0.02
July	2,248,000	14	160,571	0.03
August (up to the Latest Practicable Date)	9,890,000	22	449,545	0.09

*Source: website of the Stock Exchange (www.hkex.com.hk)*

*Notes:*

1. 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.
2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued Shares at the end of each month or as at the Latest Practicable Date, as applicable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the average daily trading volume ranged from approximately 74,000 Shares to approximately 1,303,810 Shares, representing approximately 0.01% to 0.26% of the total number of Shares in issue as at the end of each respective month/period. The liquidity of the Shares was considered relatively thin throughout the Review Period. Given the inactive trading of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the market price of the Shares.

Having taken into consideration that (i) there is no assurance that the Share price will reach a level above the Offer Price after the close of the Offer; and (ii) the thin liquidity of the Shares as discussed above, we consider that the Offer provides an exit alternative at the Offer Price for the Independent Shareholders who would like to realise their investments in the Shares.

*(iii) Comparable analysis*

In further assessing the fairness and reasonableness of the Offer Price, we have sought to carry out comparable analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted valuation method including price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”). However, as the Group was loss making for the 2017 Fifteen-month Period, the P/E comparison is not applicable.

The P/B should be applied for the evaluation of companies engaging in capital-intensive businesses. Given the business model of the Group’s construction and ancillary services or aviation and traveling services is of service-based and asset-light as advised by the Company, we consider the P/B comparison between the Group and the Comparables would not be suitable.

As such, we consider that there is no comparable analysis that is indicative or relevant for comparing with the Offer Price.

Given the above, in particular, (i) the Offer Price represents (a) a premium over both the closing price of the Shares on the Last Trading Day and the 5-day average closing price up to and including the Last Trading Day and (b) approximately 3.26 times to the unaudited consolidated net asset value per Share attributable to equity holders of the Company as at 30 June 2018; (ii) the thin trading volume of the Shares over the Review Period and thus Independent Shareholders may not be able to dispose their Shares in the open market without depressing the price of the Shares; (iii) the Offer provides an exit alternative at the Offer Price for the Independent Shareholders who would like to realise their investments in the Shares; and (iv) there is no assurance that the Share price will reach a level above the Offer Price after the close of the Offer, we are of the view that the Offer Price is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Information on the Offeror and the Offeror's intention on the Group

#### (a) Background of the Offeror

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

As at the Offer Document LPD, Mr. Leong and Ms. Chew are the only directors and the only beneficial owners of the Offeror.

#### (b) Intentions of the Offeror on the Group

As stated in the Letter from Guotai Junan Securities in the Offer Document, it is the intention of the Offeror that, after the close of the Offer, the Group will continue to operate its existing business, namely construction and ancillary services and aviation and traveling businesses. A subsidiary of the Company is a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO), but it has never commenced any business. The Offeror has obtained the approval from the SFC to be a new substantial shareholder of such subsidiary on 24 August 2018, and intends that the Group may commence business in respect of the abovementioned regulated activities.

After the close of the Offer, the Offeror will conduct a detailed review of the financial position and business operations of the Group in order to formulate a long-term strategy for the Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. However, as at the Offer Document LPD, the Offeror has not identified such investment or business opportunities.

Further, the Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change to the Board composition as set out in the Offer Document) or to dispose of or re-allocate the Group's assets other than those in its ordinary course of business.

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the aforementioned principal factors and reasons, particularly with regard to:

- (i) the Group recorded net losses for both 2017 Fifteen-month Period and 2018 Interim Period;
- (ii) the declining segment result margin in the principal business segment, construction and ancillary services segment of the Group since FY2016;
- (iii) there are uncertainties in the prospects of the Group's business as explained in the paragraph headed "Prospects of the Group" above;
- (iv) the Offer Price represents (i) a premium over the closing price of the Shares on the Last Trading Day, the average closing price of the Shares for the last 5 consecutive Trading Days up to and including the Last Trading Day; and (ii) approximately 3.26 times to the unaudited consolidated net asset value attributable to equity holders of the Company as at 30 June 2018 based on 500,000,000 Shares in issue as at the Latest Practicable Date;
- (v) the Share price was not entirely responsive to the financial performance and business development of the Group during the Review Period and the relatively thin liquidity of the Shares throughout the Review Period, thus it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the market price of the Shares; and
- (vi) the Offer will provide an exit alternative if the Independent Shareholders wish to realise their investments in the Shares,

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

Independent Shareholders who wish to realise their investments in the Shares should monitor the performance of the Shares. Should the market price of the Shares exceeds the Offer Price, those Independent Shareholders who wish to accept the Offer should consider realising their investments in the open market if the net proceeds from such Shares exceed the net amount receivable under the Offer. However, those Independent Shareholders who are confident in the future prospects of the Group may, having regard to their own circumstances, consider retaining some or all of their interest in the Shares. Independent Shareholders should seek advice from their own professional advisers prior to making any investment decision.

Yours faithfully  
For and on behalf of  
**Celestial Capital Limited**  
**Carmen Chan**  
*Director*

*Ms. Carmen Chan is a licensed person and responsible officer of Celestial Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in the corporate finance industry.*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for the fifteen months ended 31 December 2017 and the financial years ended 30 September 2015 and 2016 as extracted from the annual report for the fifteen months ended 31 December 2017 (the “2017 Annual Report”) and the unaudited financial results of the Group for the six months ended 30 June 2018 as extracted from the interim results announcement of the Company dated 24 August 2018.

	For the fifteen months ended 31 December 2017 <i>HK\$'000</i> (Audited)	For the year ended 30 September 2016 <i>HK\$'000</i> (Audited)	For the year ended 30 September 2015 <i>HK\$'000</i> (Audited)	For the six months ended 30 June 2018 <i>HK\$'000</i> (Unaudited)
Revenue	157,397	116,021	159,527	139,621
Profit/(loss) before income tax	(6,290)	28,279	25,053	(8,213)
Taxation	(2,982)	(4,098)	(4,103)	(1,210)
Profit/(loss) for the period/year	(9,272)	24,181	20,950	(9,423)
Attributable to:				
Owners of the Company	(10,193)	24,181	21,255	(10,169)
Non-controlling interests	921	–	(305)	746

The Group had no exceptional or extraordinary items which were exceptional because of its size, nature or incidence for the fifteen months ended 31 December 2017 and the financial years ended 30 September 2015 and 2016. The auditor of the Company has expressed an unqualified audit opinion on each of the financial statements of the Group for the fifteen months ended 31 December 2017 and the financial years ended 30 September 2015 and 2016.

No qualified opinion had been given in the auditor’s reports issued by the auditor of the Company in respect of the audited financial statements for the fifteen months ended 31 December 2017 and the financial years ended 30 September 2015 and 2016.

**2. FINANCIAL INFORMATION OF THE COMPANY FOR THE FIFTEEN MONTHS ENDED 31 DECEMBER 2017**

The Company is required to set out or refer to in this Response Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the fifteen months ended 31 December 2017 (the “2017 Financial Statements”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2017 Financial Statements are set out from page 63 to page 150 in the 2017 Annual Report of the Company, which was published on 23 April 2018. The 2017 Annual Report is posted on the Company’s website at <http://www.royalchina.hk>. Please also see below a quick link to the 2017 Annual Report:

<http://www.royalchina.hk/wp-content/uploads/2018/04/LTN20180423312.pdf>

The 2017 Financial Statements are incorporated by reference into this Response Document and form part of this Response Document.

**3. UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF THE GROUP**

The unaudited consolidated financial results of the Group for the six months ended 30 June 2018 (the “2018 Interim Results”) have been published in the 2018 Interim Results announcement dated 24 August 2018. The 2018 Interim Results is posted on the Company’s website at <http://www.royalchina.hk>. Please also see below a quick link to the 2018 Interim Results:

<http://www.royalchina.hk/wp-content/uploads/2018/08/LTN20180824471.pdf>

The 2018 Interim Results are incorporated by reference into this Response Document and form part of this Response Document.

**4. INDEBTEDNESS**

As at the close of business on 31 July 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Response Document, the Group did not have any outstanding indebtedness.

Apart from the intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at 31 July 2018.

## 5. MATERIAL CHANGE

The Directors confirmed that as at the Latest Practicable Date, save as disclosed in the 2018 interim results announcement of the Company dated 24 August 2018 that

- (i) the Group recorded a consolidated net loss of approximately HK\$10.2 million for the six months ended 30 June 2018 as compared with a consolidated net loss of HK\$5.6 million for the six months ended 30 June 2017, mainly due to the decrease in gross profit margin from construction and ancillary services business and the increase in operating expenses for preparing, setting up and operating new business of the Group;
- (ii) on 14 March 2018, a subsidiary of the Company obtained the licenses for regulated activities under SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO). The Offeror has obtained the approval from the SFC to be a new substantial shareholder of such subsidiary on 24 August 2018, and intends that the Group may commence business in respect of the abovementioned regulated activities;
- (iii) the acquisition of 49% equity interest in Himalaya Business Aviation Limited (“**HBA**”), a non-wholly owned subsidiary of the Company principally engaged in business jet management business, by the Group from BAA Jet Management Limited (“**BAA**”) for a cash consideration of HK\$4,900,000 which was completed on 20 April 2018;
- (iv) the re-allocation of HK\$45 million of the proceeds from the Company’s Share offering in September 2015 to working capital for awarded, ongoing and future construction and ancillary services projects of HK\$25 million and to additional working capital and other general corporate purposes of HK\$20 million, details of which as set out in the announcement of the Company dated 13 April 2018; and
- (v) in July 2018, the aircraft management agreements of the Group were terminated and the Group is looking for potential customers for its aircraft management services.

there had been no material changes in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made, up to the Latest Practicable Date.

### 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading. The Directors only take responsibility for the correctness of the reproduction or presentation of the information relating to the Offer and the Offeror which is based on the Offer Document.

### 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date is as follows:

	<i>HK\$</i>
<i>Authorised</i>	
<u>1,000,000,000</u> Shares	<u>10,000,000.00</u>
<i>Issued and fully paid</i>	
<u>500,000,000</u> Shares	<u>5,000,000.00</u>

The Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2017, the date to which the latest annual audited financial statements of the Company were made up.

### 3. DISCLOSURE OF INTERESTS

#### (a) Interests in the Offeror

As at the Latest Practicable Date, save for the Offeror is owned as to 75% by Mr. Leong and as to 25% by Ms. Chew respectively, none of the Company nor any of its Directors had any interest in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror, and no such person (including the Company) had dealt in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

**(b) Directors' interests in the Shares**

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any interests in the Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Total number of Shares held</b>	<b>Percentage of interest in the Company</b>
Mr. Leong ( <i>Note</i> )	Interests of controlled corporation	375,000,000 (Long position)	75%
Ms. Chew ( <i>Note</i> )	Interests of spouse	375,000,000 (Long position)	75%

*Note:*

The Offeror is owned as to 75% by Mr. Leong and as to 25% by Ms. Chew respectively and Ms. Chew is the spouse of Mr. Leong. As such, each of Mr. Leong and Ms. Chew are deemed to have interests in the 375,000,000 Shares held by the Offeror.

**(c) Other interests**

As at the Latest Practicable Date:

- (i) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser);
- (ii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent.
- (iii) no person who owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had irrevocably committed himself/herself to accept or not to accept the Offer.
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (5) of the definition of associate under the Takeovers Code.
- (v) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company.

- (vi) save as disclosed above, none of the Directors had any interests in any Shares, convertible securities, warrants, options or other derivatives of the Company and none of the Directors intended, in respect of their own beneficial shareholdings, to accept the Offer.

#### **4. DEALING IN SECURITIES OF THE COMPANY**

- (a) During the Relevant Period, save for the entering into of the Sale and Purchase Agreement by the Offeror, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.
- (b) During the Relevant Period,
  - (i) the Company did not deal in any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;
  - (ii) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) had dealt in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;
  - (iii) save for the Sale and Purchase Agreement, no person, with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (5) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;
  - (iv) no fund managers connected with the Company had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company.

#### **5. LITIGATION**

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the date of the Announcement of the Company and the date of this Response Document and which are, or maybe, material:

- (i) On 9 May 2017, Asian Pacific Capital Company Limited as vendor and Right Power Ventures Limited, an indirect wholly-owned subsidiary of the Company as purchaser entered into the agreement relating the sales and purchase of the ordinary membership of the Chinese Gold & Silver Exchange Society. For details of the agreement relating the sales and purchase of the ordinary membership of the Chinese Gold & Silver Exchange Society, please refer to the announcement of the Company dated 9 May 2017;
- (ii) On 12 July 2017, Smart Empire Global Limited (“Smart Empire”), an indirect wholly-owned subsidiary of the Company, BAA Jet Management Limited (“BAA”), and Himalaya Business Aviation Limited (the “HBA”), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement, pursuant to which Smart Empire and BAA shall subscribe for, and HBA shall allot and issue, 5,099,999 shares and 4,900,000 shares, respectively, at the aggregate subscription price of HK\$5,099,999 and HK\$4,900,000, respectively. Upon completion of the share subscription, the Group’s equity interests in HBA were reduced from 100% to 51%. For details of subscription agreement, please refer to the announcement of the Company dated 12 July 2017;
- (iii) On 27 July 2017, the Company and Royal China Group International Holdings Limited (“RGC”), a connected person of the Company under Chapter 14A of the Listing Rules entered into the Agency Agreement for the provision of Agency Service by the Company to act as an exclusive purchase agent for RGC in its purchase of the Business Jet. For details of Agency Agreement, please refer to the announcement of the Company dated 27 July 2017;
- (iv) On 14 September 2017, HBA and BAA entered into the Services Framework Agreement in relation to the provision of the Business Jet Management Services by BAA to HBA. For details of Framework Agreement, please refer to the announcement of the Company dated 14 September 2017; and
- (v) On 13 April 2018, Smart Empire, HBA and BAA entered into the Acquisition Agreement, pursuant to which Smart Empire conditionally agreed to acquire 49% of equity interest in HBA from BAA for a cash consideration of HK\$4,900,000. For details of Acquisition Agreement, please refer to the announcement of the Company dated 13 April 2018.

## 7. EXPERT AND CONSENT

The following are qualifications of expert who has given opinion, letter or advice which are contained in this Response Document:

<b>Name</b>	<b>Qualification</b>
Celestial Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Celestial Capital did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either directly or indirectly, in any assets which had been, since 31 December 2017 (the date to which the latest published annual audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Celestial Capital has given and has not withdrawn its written consent to the issue of this Response Document with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

## 8. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) had been given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, Mr. Leong and his associates (as landlord) entered into various tenancy agreements (the “Tenancy Agreements”) with our Group (as tenant). Annual aggregate rental payable by our Group under all the Tenancy Agreements will be approximately HK\$2,998,000. The respective rent under each of the Tenancy Agreements was determined by the parties through arm’s length negotiation by reference to the market rent of similar properties in the vicinity of each property. The transaction is fully exempted from shareholder’s approval, annual review and all disclosures requirements. Saved as disclosed above, as at the Latest Practicable Date, there was no agreement or arrangement between any of the Director and any other person which was conditional or dependent on the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, save for the Sale and Purchase Agreement, there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest.

## 9. DIRECTORS' SERVICE CONTRACTS

On 10 May 2018, the Board approved (as recommended by the Remuneration Committee) the remuneration of each of independent non-executive Director namely Mr. Liu Gang, Mr. Yu Haizong and Ms. An Yiqing being revised from HK\$120,000 per annum to HK\$240,000 per annum with effect from 10 May 2018.

On 27 August 2018, Ms. Chew has entered into service agreement with the Company regarding her appointment as executive Director. The service agreement may be terminated by either party giving three months' prior written notice or payment in lieu. Ms. Chew is entitled to a director's remuneration of HK\$2,000,000 per annum which was determined with reference to her experiences and responsibilities with the Group, the remuneration benchmarks in the industry and the prevailing market situation. She may also be paid a discretionary bonus, at the Board's discretion depending on the Company's and her own performance. In addition, the Group provides Ms. Chew a director's quarter with annual rental value of approximately HK\$756,000.

On 27 August 2018, Mr. Shih Steven Chun Ning has entered into service agreement with the Company regarding his appointment as executive Director. The service agreement may be terminated by either party giving three months' prior written notice or payment in lieu. Mr. Shih is entitled to a director's remuneration of HK\$950,950 per annum which was determined with reference to his experiences and responsibilities with the Group, the remuneration benchmarks in the industry and the prevailing market situation. He may also be paid a discretionary bonus, at the Board's discretion depending on the Company's and his own performance.

Pursuant to the appointment letter dated 27 August 2018 and entered into between the Company and Mr. Lee Frank King-ting ("Mr. Lee") in relation to his appointment as an independent non-executive Director which may be terminated with three months' notice in writing served by either party, the directorship of Mr. Lee will be subject to retirement by rotation and re-election pursuant to the articles of association and the Listing Rules. Mr. Lee is entitled to receive a director's fee of HK\$240,000 per annum with discretionary bonus based on his qualifications, experience, level of responsibilities undertaken, contribution to the Company and prevailing market conditions.

Pursuant to the appointment letter dated 27 August 2018 and entered into between the Company and Mr. Ho Hing Yip ("Mr. Ho") in relation to his appointment as an independent non-executive Director which may be terminated with three months' notice in writing served by either party, the directorship of Mr. Ho will be subject to retirement by rotation and re-election pursuant to the articles of association and the Listing Rules. Mr. Ho is entitled to receive a director's fee of HK\$240,000 per annum with discretionary bonus based on his qualifications, experience, level of responsibilities undertaken, contribution to the Company and prevailing market conditions.

Pursuant to the appointment letter dated 27 August 2018 entered into between the Company and Mr. Chan Kwong Ming Johnny ("Mr. Chan") in relation to his appointment as an independent non-executive Director which may be terminated with three months' notice in writing served by either party, the directorship of Mr. Chan will be subject to retirement by rotation and re-election pursuant to the articles of association and the Listing Rules. Mr. Chan is entitled to receive a director's fee of HK\$240,000 per annum with discretionary bonus based on his qualifications, experience, level of responsibilities undertaken, contribution to the Company and prevailing market conditions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

#### **10. MISCELLANEOUS**

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is located at Suites 2608-11, 26th Floor, Champion Tower, Three Garden Road, Central, Hong Kong.
- (c) The company secretary of the Company is Mr. Zhu Ben Yu.
- (d) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The registered office of Celestial Capital is at 21/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
- (f) The English text of this Response Document shall prevail over their respective Chinese text for the purpose of interpretation.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection on the websites of the SFC ([www.sfc.hk](http://www.sfc.hk)) and the Company ([www.royalchina.hk](http://www.royalchina.hk)) and, during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays), at the Company's Hong Kong principal office address at Suites 2608-11, 26th Floor, Champion Tower, Three Garden Road, Central, Hong Kong from the date of this Response Document until the close of the Offer:

- (a) memorandum of association and the articles of association of the Company;
- (b) the letter from the Board as set out on pages 5 to 10 of this Response Document;

- (c) the letter from the Independent Board Committee as set out on pages 11 to 12 of this Response Document;
- (d) the letter from Celestial Capital as set out on pages 13 to 28 of this Response Document;
- (e) the written consent referred to in the paragraph headed “Consent and qualification” in this Appendix;
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix;
- (g) the service agreements and appointment letters referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix; and
- (h) the annual report of the Company for the fifteen months ended 31 December 2017 and the interim results announcement of the Company for the six months ended 30 June 2018.