



大昌行集團有限公司
DAH CHONG HONG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 01828)

Executive Directors:

Lai Ni Hium
Lee Tak Wah

Non-Executive Directors:

Zeng Chen (Chairman)
Yin Ke
Kwok Man Leung
Fei Yiping

Independent Non-Executive Directors:

Chan Kay Cheung
Chan Hui Dor Lam, Doreen
Woo Chin Wan, Raymond
Zhang Lijun
Cheng Jinglei

Registered Office:

8th Floor, DCH Building
20 Kai Cheung Road
Kowloon Bay
Hong Kong

2 December 2019

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
DAH CHONG HONG HOLDINGS LIMITED
BY CITIC PACIFIC LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
DAH CHONG HONG HOLDINGS LIMITED**

INTRODUCTION

On 20 October 2019, the Offeror and the Company jointly announced that on 14 October 2019, the Offeror requested the Board to put forward to holders of the Scheme Shares the Proposal, which, if implemented, would result in the Company becoming wholly owned by the Offeror SPV Entities and the withdrawal of listing of the Shares from the Stock Exchange.

As at the Latest Practicable Date, the Offeror SPV Entities beneficially owned, controlled or had direction over 1,074,477,918 Shares, representing approximately 56.81% of the issued Shares. The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares will be cancelled on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled;
- (b) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issue to the Nominee, credited as fully paid, of the same number of the Shares as the number of Scheme Shares cancelled, and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so allotted and issued to the Nominee; and
- (c) the withdrawal of listing of the Shares on the Stock Exchange is expected to take place with effect from 9:00 a.m. on Friday, 10 January 2020.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and, in particular, the Scheme, and to give you notice of the Court Meeting and of the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 23 to 24 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 25 to 61 of this Scheme Document; (iii) the Explanatory Statement set out on pages 62 to 81 of this Scheme Document; and (iv) the terms of the Scheme set out on pages 97 to 104 of this Scheme Document.

THE PROPOSAL

Subject to the Conditions described in the section headed "5. Conditions of the Proposal" in the Explanatory Statement on pages 64 to 67 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

THE SCHEME

Subject to the Scheme becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Price:

HK\$3.70 for every Scheme Share cancelled

The Offeror has advised that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

The Cancellation Price of HK\$3.70 per Scheme Share represents:

- (a) a premium of approximately 37.55% over the closing price of HK\$2.69 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 37.55% over the average closing price of approximately HK\$2.69 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 54.81% over the average closing price of approximately HK\$2.39 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 56.12% over the average closing price of approximately HK\$2.37 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 54.17% over the average closing price of approximately HK\$2.40 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 41.22% over the average closing price of approximately HK\$2.62 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (g) a discount of approximately 32.11% over the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$5.45 as at 31 December 2018;
- (h) a discount of approximately 28.16% over the unaudited consolidated net asset value attributable to the Shareholders per Share of HK\$5.15 as at 30 June 2019; and
- (i) a premium of approximately 3.06% over the closing price of HK\$3.59 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account the recently traded prices of the Shares before the publication of the Joint Announcement and publicly available financial information of the Company, and with reference to pricing premium for privatisation transactions in Hong Kong for the past 18 months.

Assuming that the Scheme becomes effective on Wednesday, 8 January 2020, cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within seven (7) Business Days following the Effective Date and accordingly, the cheques are expected to be despatched on or before Friday, 17 January 2020. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, CLSA, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$3.70 per Scheme Share and 816,769,302 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$3,022,046,417.

The Offeror intends to finance the cash required for the Proposal through a term loan facility made available to the Offeror by Oversea-Chinese Banking Corporation Limited for the Certain Funds Period. CLSA is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal is subject to the satisfaction or waiver, as applicable, of the Conditions described in the section headed “5. Conditions of the Proposal” in the Explanatory Statement on pages 64 to 67 of this Scheme Document.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company except with the consent of the Executive.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

Shareholders and/or potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, none of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 1,891,247,220 Shares in issue.

The Offeror confirmed that, as at the Latest Practicable Date:

- (a) the members of the Offeror SPV Entities beneficially owned, controlled or had direction over 1,074,477,918 Shares, representing approximately 56.81% of the issued Shares;
- (b) the Offeror Concert Parties beneficially owned, controlled or had direction over 1,100,150,318 Shares (representing approximately 58.17% of the issued Shares), of which (i) 1,074,477,918 Shares were beneficially owned, controlled or directed by the Offeror SPV Entities (representing approximately 56.81% of the issued Shares); and (ii) 25,672,400 Shares were beneficially owned, controlled or directed by the Offeror Concert Parties other than the Offeror SPV Entities (representing approximately 1.36% of the issued Shares);
- (c) the Independent Shareholders beneficially owned, controlled or had direction over 791,096,902 Shares, representing approximately 41.83% of the issued Shares;
- (d) the Scheme Shareholders (being Shareholders other than the Offeror SPV Entities) beneficially owned, controlled or had direction over 816,769,302 Shares, representing approximately 43.19% of the issued Shares;
- (e) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror Concert Parties;
- (f) none of the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company;
- (g) none of the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) there was no understanding, arrangement or agreement which constituted special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with them on the other hand; and
- (i) other than the Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid and would not pay any other consideration, compensations or benefits in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto) is to be found in the section headed “7. Shareholding Structure of the Company and Effect of the Proposal and the Scheme” in the Explanatory Statement on pages 67 to 69 of this Scheme Document.

For the avoidance of doubt, the Scheme Shares comprise the Shares beneficially owned, controlled or directed by (i) the Offeror Concert Parties other than the members of the Offeror SPV Entities; and (ii) the Independent Shareholders.

As at the Latest Practicable Date, the Scheme Shares comprised 816,769,302 Shares, representing approximately 43.19% of the issued Shares.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or securities convertible into Shares and no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued Shares of 1,891,247,220 Shares.

As at the Latest Practicable Date, save as set out below, no Director held any Shares:

- (a) Lai Ni Hium, an executive Director, beneficially owned, controlled or had direction over 768,529 Shares, representing approximately 0.041% of the issued Shares; and
- (b) Lee Tak Wah, an executive Director, beneficially owned, controlled or had direction over 100,000 Shares, representing approximately 0.005% of the issued Shares.

All Shareholders will be entitled to vote on the special resolution(s) to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme. The Offeror SPV Entities have indicated that, if the Scheme is approved at the Court Meeting, the Offeror SPV Entities will vote in favour of the special resolution(s) to be proposed at the General Meeting to approve and give effect to the reduction of share capital and implementation of the Scheme. Upon the Scheme becoming effective, the Scheme Shares will be cancelled and the Offeror SPV Entities will hold 100% of the issued Shares.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed “11. Reasons for and benefits of the Proposal” in the Explanatory Statement on page 71 of this Scheme Document.

THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP

You are urged to read carefully the section headed “12. The Offeror’s intentions in relation to the Group” in the Explanatory Statement on page 72 of this Scheme Document.

The Board has noted the intentions of the Offeror in respect of the Company and the employees of the Group, as disclosed in the section headed “12. The Offeror’s intentions in relation to the Group” in the Explanatory Statement on page 72 of this Scheme Document.

EXCLUSIVE FINANCIAL ADVISER TO THE OFFEROR

The Offeror has appointed CLSA as its exclusive financial adviser in connection with the Proposal.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Chan Kay Cheung, Chan Hui Dor Lam, Doreen, Woo Chin Wan, Raymond, Zhang Lijun and Cheng Jinglei, all being the independent non-executive Directors, has been constituted to advise the Independent Shareholders as to whether the Proposal is or is not fair and reasonable, and as to voting in respect of the Scheme at the Court Meeting and the Proposal at the General Meeting. The non-executive Directors (namely Zeng Chen, Kwok Man Leung, Fei Yiping and Yin Ke) are not considered to be independent for the purpose of making a recommendation to the Independent Shareholders as they are also directors of the Offeror, and for the case of Yin Ke, he was a director of the Offeror until 1 October 2019, and are therefore not included as members of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out on pages 23 to 24 of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

The Company has, with the approval of the Independent Board Committee, appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal.

The full text of the letter from the Independent Financial Adviser is set out on pages 25 to 61 of this Scheme Document.

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I headed “Financial Information Relating to the Group” on pages 82 to 87 of this Scheme Document, and the sections headed “14. Information about the Offeror” and “15. Information about the Company” in the Explanatory Statement on pages 73 to 74 of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas holder of the Scheme Shares, your attention is drawn to the section headed “18. Overseas Shareholders” in the Explanatory Statement on pages 75 to 76 of this Scheme Document.

COURT MEETING AND GENERAL MEETING

For the purpose of exercising your right to vote at the Court Meeting and the General Meeting, you are requested to read carefully the section headed “20. Court Meeting and General Meeting” in the Explanatory Statement on page 77 of this Scheme Document, the section headed “21. Actions to be taken” on pages 78 to 80 of this Scheme Document, and the notices of the Court Meeting and the General Meeting on pages 105 to 107 and 108 to 110 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section headed “Actions to be taken” on pages 1 to 4 and the section headed “21. Actions to be taken” in the Explanatory Statement on pages 78 to 80 of this Scheme Document.

RECOMMENDATION

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly, advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal.

The Independent Board Committee, having considered the terms of the Proposal, and having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal.

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the “Letter from the Independent Financial Adviser” on pages 25 to 61 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the “Letter from the Independent Board Committee” on pages 23 to 24 of this Scheme Document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. In that case, the Company does not intend to maintain its listing on the Stock Exchange and will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 9:00 a.m. on Friday, 10 January 2020. Holders of the Scheme Shares will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of listing of the Shares on the Stock Exchange will become effective.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions described in the section headed “5. Conditions of the Proposal” in the Explanatory Statement on pages 64 to 67 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

If the Scheme is withdrawn or is not approved at the Court Meeting or is not sanctioned by the High Court or does not become effective or the Proposal otherwise lapses, (a) the listing of the Shares on the Stock Exchange will not be withdrawn; (b) as there will be no cancellation of the Scheme Shares, the Company will be able to satisfy the public float requirements under Rule 8.08 of the Listing Rules; and (c) the Company will publish an announcement to update the Shareholders in respect of the status of the Proposal.

Your attention is drawn to the sections entitled “16. Withdrawal of listing of the Shares” and “17. Registration and Payment” in the Explanatory Statement set out on page 74 and pages 74 to 75, respectively, of this Scheme Document.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, CLSA, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal. Accordingly, you are urged to read the section entitled “19. Taxation and Independent Advice” in the Explanatory Statement set out on page 76 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 23 to 24, and pages 25 to 61 respectively of this Scheme Document, the Explanatory Statement as set out on pages 62 to 81 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages 97 to 104 of this Scheme Document, the notice of the Court Meeting as set out on pages 105 to 107 of this Scheme Document and the notice of the General Meeting as set out on pages 108 to 110 of this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the General Meeting are enclosed with this Scheme Document.

A handwritten signature in black ink, consisting of a series of connected strokes that form a stylized, somewhat abstract shape.

By order of the Board of
Dah Chong Hong Holdings Limited
Lai Ni Hium
Executive Director and Chief Executive Officer