
LETTER FROM THE BOARD



Tic Tac International Holdings Company Limited

滴達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1470)

6 September 2017

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY CHANGJIANG CORPORATE FINANCE (HK) LIMITED AND KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF PROSPER ONE ENTERPRISES LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF TIC TAC INTERNATIONAL HOLDINGS COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY PROSPER ONE ENTERPRISES LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the joint announcements dated 4 August 2017 and 15 August 2017 issued by the Company and the Offeror in relation to the Agreements and the completion of the sale and purchase of the Sale Shares pursuant thereto.

On 28 July 2017 and 4 August 2017 (after trading hours), the Vendor and the Offeror entered into the Sale and Purchase Agreement and the supplemental agreement to the Sale and Purchase Agreement respectively, pursuant to which the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, being 565,000,000 Shares, representing 70.625% of the total number of Shares of the Company, for a consideration of HK\$534,375,000, equivalent to approximately HK\$0.9458 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations. Following the fulfilment of all the conditions of the Agreements, Completion took place on 15 August 2017.

Prior to Completion, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 565,000,000 Shares, representing 70.625% of the total number of Shares of the Company.

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

As at the Latest Practicable Date, the Company has 800,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

The purpose of this Composite Document is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the Form of Acceptance.

INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all independent non-executive Directors who have no direct or indirect interest in the Offer namely, Mr. Chong Man Leung, Mr. Fung Tat Man and Mr. Lo Wai Kei Wilkie, was established to make recommendations to the Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Octal Capital was appointed as the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

MANDATORY UNCONDITIONAL CASH OFFER

Principal terms of the Offer

The terms of the Offer as set out in the “Letter from Changjiang Corporate Finance and Kingston Securities” are extracted below. You are recommended to refer to the “Letter from Changjiang Corporate Finance and Kingston Securities” and the Form of Acceptance for further details.

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Changjiang Corporate Finance and Kingston Securities, on behalf of the Offeror and in compliance with the Takeovers Code, are making the Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

For each Offer Share HK\$0.9458 in cash

The Offer Price of HK\$0.9458 per Offer Share under the Offer is approximately equal to but not lower than the purchase price per Sale Share payable by the Offeror under the Agreements.

The Offer is unconditional in all respects. By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including but not limited to all rights to any dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the “Letter from Changjiang Corporate Finance and Kingston Securities” and Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and is an investment holding company. The Group is principally engaged in retail and wholesale of watches in Hong Kong.

Set out below is a summary of the audited consolidated results of the Group for each of the three financial years ended 30 April 2015, 2016 and 2017, as extracted from the accounts prepared in accordance with Hong Kong Financial Reporting Standards in the Company’s annual report of final results for the years ended 30 April 2016 and 2017:

	For the year ended 30 April		
	2015	2016	2017
	(audited)	(audited)	(audited)
	(HK\$’000)	(HK\$’000)	(HK\$’000)
Revenue	442,955	321,322	283,211
(Loss)/profit before tax	27,818	(12,158)	(28,558)

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	As at 30 April		
	2015	2016	2017
	(audited)	(audited)	(audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total assets	173,738	203,025	172,096
Total liabilities	128,853	44,422	41,184
Net assets	44,885	158,603	130,912

Your attention is drawn to the further details of the information of the Group as set out in Appendices II and IV to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

	(i) Immediately prior to Completion		(ii) Immediately upon Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor and parties acting in concert with it	565,000,000	70.625	—	—
The Offeror and parties acting in concert with it	—	—	565,000,000	70.625
Other Shareholders	<u>235,000,000</u>	<u>29.375</u>	<u>235,000,000</u>	<u>29.375</u>
Total	<u><u>800,000,000</u></u>	<u><u>100</u></u>	<u><u>800,000,000</u></u>	<u><u>100</u></u>

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Changjiang Corporate Finance and Kingston Securities” as set out in this Composite Document, and Appendix III to this Composite Document.

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FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed “Information on the Offeror” and “Intentions of the Offeror regarding the Group” in the “Letter from Changjiang Corporate Finance and Kingston Securities” as set out in this Composite Document. The Board is pleased to note the Offeror’s intention to continue the existing principal businesses of the Group. The Board is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

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, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Main Board of the Stock Exchange. The director 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.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 22 to 23 of this Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 24 to 40 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendations.

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

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

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

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Your faithfully,
By Order of the Board
Tic Tac International Holdings Company Limited

Lam Man Wah
Chairman and executive Director

