

Dr. J Yeung  
The Cross-Harbour (Holdings) Limited  
25<sup>th</sup> Floor, China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

5 June, 2019

**Private & Confidential**

Dear Dr. Yeung

**Non-binding indicative all cash offer to purchase stake in Western Harbour Tunnel Company Limited**

Lanyon Asset Management Pty Limited ("Lanyon") is pleased to submit this non-binding indicative proposal to acquire the 50% interest in the Western Harbour Tunnel Company Limited ("WHTCL") by cash offer.

Subject to the terms, conditions and requirements set out below, Lanyon would intend to offer cash consideration of HK\$[ ]m to The Cross-Harbour (Holdings) Ltd ("CHH") for its interests in WHTCL ("Indicative Proposal").

The 100% cash consideration contemplated by our indicative proposal represents attractive value for CHH shareholders, representing a [ ]% premium to the HK\$[ ]m carrying value of the WHTCL in the latest consolidated financial statement for CHH.

Lanyon believes that its Indicative Proposal provides full and fair value for the WHTCL for CHH shareholders, with 100% cash consideration providing certainty of value and the ability for CHH to monetise their investment at a very attractive premium. It is our strong belief that this proposal is in the best interests of CHH shareholders.

The advantages to CHH shareholders include:

- The Indicative Proposal would be **accretive to the net assets for CHH shareholders**. Lanyon estimates that that the transaction would be [ ]% accretive to net assets per security for CHH shareholders on a pro-forma basis, as a result of the [ ]% premium to carrying value being offered to CHH.

- The Indicative proposal **materially increases the liquidity and Financial Resources** of CHH. We estimate that following the sale of the stake in WHTCL, CHH bank balances and deposits would increase from HK\$1,499m (as at 31 Dec 2018) to HK\$[■■■■]m]. This would provide further capital for CHH to undertake additional investments to further enhance returns for shareholders.

### **Key assumptions**

Lanyon has formulated the Indicative proposal based on the following key assumptions;

- The financial information publicly reported by WHTCL and by CHH accurately describes the key financial and operating attributes of WHTCL;
- WHTCL issued securities comprising 40,000,000 ordinary shares;
- CHH's effective interest is 20,000,000 ordinary shares, or 50% of the issued capital; and
- Consistent with the offer conditions, WHTCL will not undertake any material transactions, undertake any restructure or issue any additional securities prior to the finalisation of the transaction.

### **Sources of finance**

We are confident of financing the Indicative Proposal herein. Lanyon is in discussions with a number of Australian-based institutional superannuation funds and family offices who have extensive experience in infrastructure investments and have expressed their interest in funding, jointly with Lanyon, the acquisition of the 50% stake in WHTCL.

### **Due diligence**

Lanyon has already undertaken a significant amount of work to assess WHTCL based on publicly available information. Our Indicative Proposal is conditional on Lanyon completing satisfactory confirmatory due diligence on WHTCL and its business and assets, including to confirm the assumptions set out above.

The due diligence will require CHH and WHTCL to provide access to the materials and information set out in the list provided with this letter.

Lanyon is committed to dedicating the resources required to complete its due diligence in a timely and efficient manner. Upon gaining access to the requested information, Lanyon anticipates that it would be able to complete our due diligence within [20] business days.

### **Sale agreement, approvals and other conditions**

Lanyon intends for the Indicative proposal to proceed by way of a sale and purchase agreement, following completion of Lanyon's confirmatory due diligence to its satisfaction. The proposed transaction would also be subject to customary terms and conditions, including with respect to exclusivity, deal protection (including a no talk, no shop, matching rights and provisions) and representations / warranties.

Lanyon reserves the right to include, remove, or vary any conditions, including based on the results of its confirmatory due diligence.

## Non-binding proposal

This Indicative Proposal is intended as an expression of Lanyon's interest and is an incomplete proposal, containing current intentions only. It is not an offer capable of acceptance or otherwise capable of giving rise to a binding contract. Unless a definitive agreement is entered into between Lanyon and CHH regarding the proposal, Lanyon will not be under any obligation to CHH with respect to the proposed transaction.

## Release of Indicative Proposal

Notwithstanding the non-binding nature of the Indicative Proposal, Lanyon recognises that information about the Indicative proposal may be material to CHH shareholders. On this basis, Lanyon confirms that it has no objection in CHH publicly announcing receipt of the Indicative Proposal including releasing this letter to the market (provided that this letter is released in full and it is made clear that the Indicative Proposal is non-binding) to ensure CHH shares are traded on a fully informed basis. Lanyon reserves the right to publicly release this letter should CHH chose not to do so.

## Advisers

Lanyon has engaged [REDACTED] as financial adviser to assist with the Indicative Proposal.

## Summary and next steps

Lanyon considers the potential transaction outlined in this Indicative Proposal to be an exciting opportunity for CHH shareholders – in particular it offers CHH the opportunity to monetise their investment in WHTCL at a very attractive price and at a substantial premium to carrying value.

Lanyon would welcome the opportunity to move forward to negotiate a binding agreement. Lanyon is prepared to move expeditiously towards making a binding offer on a manner that minimises any disruption to CHH business.

We and our advisers have the ability to negotiate a sale and purchase agreement concurrently with due diligence and we would seek to work with you to announce an agreed transaction within [20] business days of being granted due diligence information, with the aim of making a joint announcement shortly thereafter.

We look forward to discussing our Indicative Proposal with you at your earliest convenience.

Your sincerely,



David Prescott  
Managing Director  
Lanyon Asset Management