



Yat Sing Holdings Limited

日成控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code 3708)

Room 1402, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong

Tel 電話: (852) 2386 0066 Fax 傳真: (852) 2563 0813

23 December 2016

Executive Directors:

Mr. Lai Aizhong (*Chairman*)

Mr. Liu Winson Wing Sun

Mr. Kan Yiu Keung (*Chief Executive Officer*)

Mr. Chan Lo Kin

Registered Office:

Clifton House, 75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-executive Director:

Mr. Kan Yiu Kwok

Head Office and Principal Place of Business:

Room 1402, 14/F

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Independent non-executive Directors:

Ms. Tong Sze Wan

Mr. Guo Biao

Ms. Song Dan

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
SMART PARADISE INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
YAT SING HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
SMART PARADISE INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.



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On 26 October 2016 (after trading hours of the Stock Exchange), the Offeror and the Vendor entered into a Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, representing approximately 53.5% of the total issued share capital of the Company as at the date of the Joint Announcement, at a cash consideration of HK\$337,293,300 (equivalent to approximately HK\$0.563 per Sale Share), free from all encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of Share Transfer Completion. The Share Transfer Completion took place on 27 October 2016.

Upon the Share Transfer Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it beneficially owned 599,100,000 Shares, representing approximately 53.5% of the total issued share capital of the Company.

In accordance with Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for the Offer Shares, being all the Shares in issue, other than those already owned by the Offeror or parties acting in concert with it.

Reference is made to the joint announcement published by the Offeror and the Company on 12 December 2016. It was announced that the SFC has indicated it is deeming an individual, Mr. Bao, who admitted to have acquired a certain number of Shares at HK\$0.94 per Share during the six-month period prior to the commencement of the Offer Period and disposed of the same in full during the Offer Period and before the publication of the Joint Announcement, to be a party acting in concert with the Offeror. As such the Offeror would be required, under Rule 26.3 of the Takeovers Code, to increase the Previous Offer Price of HK\$0.563 per Offer Share to the Revised Offer Price of HK\$0.94 per Offer Share, which is equivalent to the price per Share paid by Mr. Bao for his acquisition.

While the Offeror disagrees that Mr. Bao shall be taken or deemed to be a party acting in concert with it, with a view to avoiding any further delay in the despatch of this Composite Document, and to completing the Offer as required under the Takeovers Code expeditiously, the Offeror proposed to increase the Previous Offer Price of HK\$0.563 per Offer Share to the Revised Offer Price of HK\$0.94 per Offer Share.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to acceptance.



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THE OFFER

The following information about the Offer is extracted from the “Letter from Kingston Securities” contained in this Composite Document.

Kingston Securities is making, for and on behalf of the Offeror, the Offer to all the Independent Shareholders to acquire all the Offer Shares on the terms set out in this Composite Document on the following basis:

For each Offer Share. HK\$0.94 in cash

The Revised Offer Price is higher than the price paid by the Offeror for each Sale Share pursuant to the Sale and Purchase Agreement and is equal to the price paid by Mr. Bao for his acquisition of Shares.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, being the date of despatch of this Composite Document, or subsequently becoming attached to them.

The Offer is unconditional in all respects and is for all existing issued Shares but excluding the Sale Shares and any other Shares already owned by the Offeror and parties acting in concert with it.

As stated in the “Letter from Kingston Securities”, as the Offeror and parties acting in concert with it owned 599,100,000 Shares as at the Latest Practicable Date, 519,700,000 Shares are subject to the Offer and the total consideration of the Offer would be HK\$488,518,000 based on the Revised Offer Price.

As at the Latest Practicable Date, the Company had 1,118,800,000 Shares in issue and the Company had no other outstanding warrants, options, derivatives or securities convertible into Shares.

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from Kingston Securities” in, and Appendix I to, this Composite Document and the Form of Acceptance.



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INFORMATION ON THE GROUP

The Company is an investment holding company and was incorporated in the Cayman Islands with limited liability on 17 September 2014 and its Shares have been listed on the Main Board since 14 January 2015 under the stock code 3708.

The Group is principally engaged in the provision of building maintenance services and renovation services in Hong Kong.

The following table is a summary of certain audited consolidated financial information of the Group for the two financial years ended 30 June 2016 as extracted from the Company's annual report 2016:

	Year ended 30 June	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	503,195	488,065
Gross profit	52,405	44,947
Profit before tax	16,487	17,146
Profit and total comprehensive income for the year	10,962	11,655
	As at 30 June	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consolidated net asset value attributable to owners of the Company	158,648	170,229

Further financial and general information in relation to the Group is set out in Appendices II and IV to this Composite Document.



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SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there are a total of 1,118,800,000 Shares in issue and the Company has no other outstanding warranties, options, derivatives or securities convertible into Shares. The table below sets out the shareholding structure of the Company as at the Latest Practicable Date:

Shareholders	As at the Latest Practicable Date	
	Number of Shares	% of issued share capital
Offeror and parties acting in concert with it	599,100,000	53.5
Other Shareholders	519,700,000	46.5
Total	<u>1,118,800,000</u>	<u>100.0</u>

INTENTION OF THE OFFEROR ON THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror” as set out on page 14 of this Composite Document and “The Offeror’s intention in relation to the Group” as set out on pages 15 to 16 of this Composite Document in the “Letter from Kingston Securities”. The Board is aware of the intention of the Offeror in respect of the Company and is willing to co-operate with the Offeror and act in the best interest of the Company and its Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board noted from the “Letter from Kingston Securities” that the Offeror intends to maintain the listing of the Company on the Main Board following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares; or (b) 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.

In this connection, it should be noted that following the close of the Offer, there may be insufficient public float of the Shares and therefore, trading in the Shares may be suspended until sufficient public float exists in the Shares.



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The sole director of the Offeror and the new Director(s) to be nominated by the Offeror and appointed to the Board and the then Director have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising Ms. Tong Sze Wan, Mr. Guo Biao and Ms. Song Dan, being all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Offer. The non-executive Director, namely Mr. Kan Yiu Kwok, is not included in the Independent Board Committee as he owns approximately 11.16% of the shareholding interest in Vendor and he is also the son of Mr. Kan Man Hoo and the brother of Mr. Kan Yiu Keung, who respectively owns approximately 6.42% and 11.16% of the shareholding interest in Vendor.

Messis Capital has been 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 respect of the Offer.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" on pages 24 to 25 of this Composite Document, which sets out its advice and recommendations to the Independent Shareholders in relation to the Offer; and (ii) the "Letter from the Independent Financial Adviser" on pages 26 to 47 of this Composite Document, which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

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



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Yours faithfully,

By order of the Board

Yat Sing Holdings Limited

Lai Aizhong

Chairman