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YAT SING HOLDINGS LIMITED

日成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3708)

MAJOR DISPOSAL AND CONNECTED TRANSACTION AT THE SUBSIDIARY LEVEL

THE DISPOSAL

The Board is pleased to announce that, on 20 May 2019 (after trading hours), the Company as vendor, and the Purchaser entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan at the cash consideration of HK\$42,800,000 which shall be satisfied in the following manner:

- (a) HK\$21,400,000 shall be payable by the Purchaser in cash to the Company upon Completion;
- (b) HK\$10,700,000 shall be payable by the Purchaser in cash to the Company within 6 months after Completion; and
- (c) HK\$10,700,000 shall be payable by the Purchaser in cash to the Company within 12 months after Completion.

Upon Completion, the Company will no longer have any interest in the Target Company and the Disposed Group will cease to be subsidiaries of the Company. Thereafter, the financial results of the Disposed Group will cease to be consolidated into the accounts of the Group.

LISTING RULES IMPLICATION

The Purchaser is the beneficial owner of 60% equity interest in Jiangsu Longjia, which, in turn, owns 13% equity interest in Jiangyin Grabene Graphene. The Purchaser is also a director and the legal representative of Jiangyin Grabene Graphene. The Purchaser is therefore a connected person of the Company at the subsidiary level. The Disposal therefore constitutes a connected transaction at subsidiary level which is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder has a material interest in the Disposal and the transactions contemplated thereunder, none of the Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of Disposal.

Since no shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal Agreement and the transactions contemplated thereunder. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval dated 20 May 2019 for the approval of the Disposal Agreement and the transactions contemplated thereunder from Smart Paradise International Limited, being the Shareholder which holds 3,268,750,000 Shares, representing approximately 58.43% of the issued share capital of the Company, carrying rights to vote at a general meeting. Therefore, no general meeting of the Company will be convened to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal and the transactions contemplated thereunder; and (ii) the financial information of the Group is expected to be despatched to the Shareholders on or before 11 June 2019.

As Completion is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions precedent set out in the Disposal Agreement, the Disposal and the transactions contemplated thereunder may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

THE DISPOSAL

The Board is pleased to announce that, on 20 May 2019 (after trading hours), the Company as vendor, and the Purchaser entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan at the cash consideration of HK\$42,800,000.

The Disposal Agreement

The terms of the Disposal Agreement are as follows:

Date: 20 May 2019

Parties:

- (1) Vendor: the Company
- (2) Purchaser: the Purchaser

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser is the beneficial owner of 60% equity interest in Jiangsu Longjia, which, in turn, owns 13% equity interest in Jiangyin Grabene Graphene. The Purchaser is also a director and the legal representative of Jiangyin Grabene Graphene. The Purchaser is therefore a connected person of the Company at the subsidiary level.

Assets to be disposed of

- (1) the Sale Share, being one share, represents the entire issued share capital of the Target Company as at the date of this announcement; and
- (2) the Sale Loan, being all obligations, liabilities and debts owing or incurred by the Disposed Group to the Group (other than the Disposed Group) on or at any time prior to the completion of the Disposal Agreement whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on completion of the Disposal Agreement.

Consideration

The total consideration for the Disposal is HK\$42,800,000 which shall be satisfied in the following manner:

- (a) HK\$21,400,000 shall be payable by the Purchaser in cash to the Company upon Completion;
- (b) HK\$10,700,000 shall be payable by the Purchaser in cash to the Company within 6 months after Completion; and
- (c) HK\$10,700,000 shall be payable by the Purchaser in cash to the Company within 12 months after Completion.

The consideration was determined after arm's length negotiations between the Company and the Purchaser and taken into account the following factors, including (i) the operating and financial performance of the Disposed Group; (ii) the prospects of the Disposed Group; (iii) the purchase cost of 55% equity interest in Jiangyin Grabene Graphene by the Group of approximately HK\$29,500,000 and other receivables due from Jiangyin Grabene Graphene to the Group (excluding the Disposed Group) of approximately HK\$13,000,000; and (iv) the benefits to the Group from the Disposal as described under the sections headed "Reasons for and benefits of the Disposal" and "Use of proceeds" below.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The share charge

Immediately after Completion, the Purchaser shall execute a share charge in favour of the Company to charge the Sale Share to the Company as security for the payment obligations and liabilities of the Purchaser under the Post Completion Payment. The said share charge shall be released upon full settlement of all the payment obligations and liabilities under the Post Completion Payment.

The assignment of loan by way of security

Immediately after Completion, the Purchaser shall execute an assignment of loan by way of security in favour of the Company to assign back the Sale Loan to the Company as security for the payment obligations and liabilities of the Purchaser under the Post Completion Payment. The said assignment of loan by way of security shall be reassigned and discharged upon full settlement of all the payment obligations and liabilities under the Post Completion Payment.

Conditions precedent

Completion of the Disposal Agreement is subject to and conditional upon, the fulfilment or waiver of, the following conditions precedent:

- (1) the representations and warranties made by the Company remaining true, accurate and not misleading in all respects;
- (2) all necessary consents approvals, permits and authorisations required to be obtained pursuant to any laws, regulations, the Listing Rules or other regulations on the part of the Company, in respect of the transactions contemplated under the Disposal Agreement having been obtained;
- (3) all necessary consents approvals, permits and authorisations required to be obtained pursuant to any laws, regulations, the Listing Rules or other regulations on the part of the Purchaser in respect of the transactions contemplated under the Disposal Agreement having been obtained; and
- (4) the passing by the shareholders of the Company at its general meeting or by way of a written approval of the majority of the Shareholders to approve the Disposal Agreement and the transactions contemplated thereunder.

All the above conditions precedent shall be satisfied or waived (as the case may be) by 31 July 2019. Condition (4) is not capable of being waived. The Purchaser has the right to waive conditions (1) and (2) and the Company has the rights to waive condition (3).

Completion

Completion shall take place within three Business Days following the date on which the last of the conditions precedent to the Disposal Agreement being fulfilled or waived (as the case may be) or such other date as the parties to the Disposal Agreement may agree in writing.

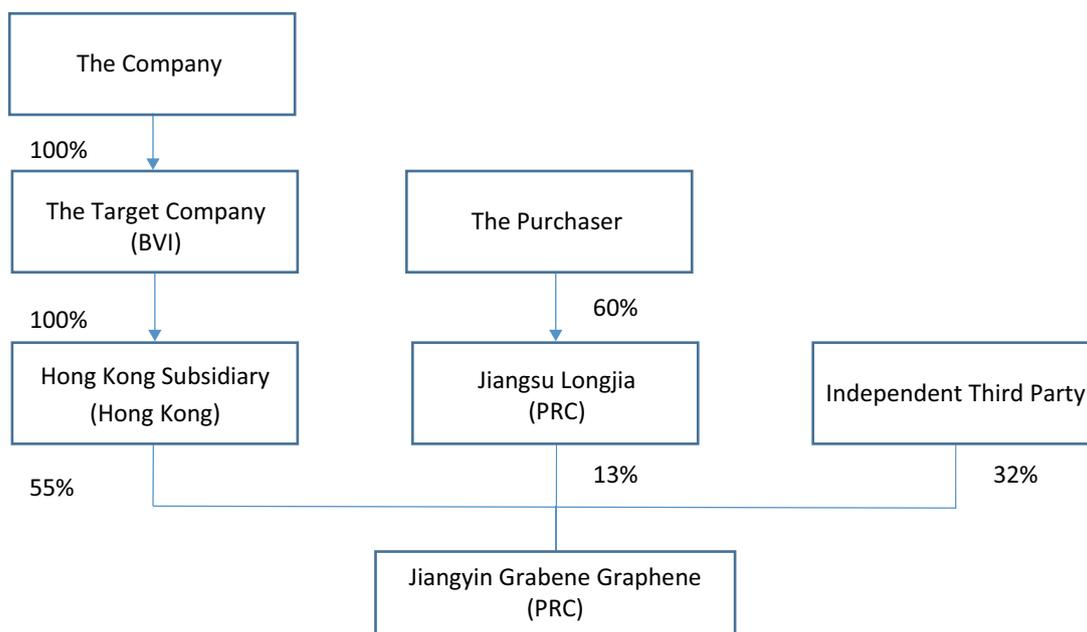
Upon Completion, the Company will no longer have any interest in the Target Company and the Disposed Group will cease to be subsidiaries of the Company. Thereafter, the financial results of the Disposed Group will cease to be consolidated into the accounts of the Group.

INFORMATION ON THE DISPOSED GROUP

The Target Company is a company established in the BVI with limited liability. The Target Company wholly-owns the Hong Kong Subsidiary, which is a company incorporated in Hong Kong with limited liability. Both the Target Company and the Hong Kong Subsidiary are investment holding companies. The Hong Kong Subsidiary holds 55% equity interest in Jiangyin Grabene Graphene which is a company established in the PRC.

Jiangyin Grabene Graphene is principally engaged in, amongst other things, research and development, manufacturing, processing, sales, technical advisory and services of visible light photocatalysis products, particularly for the making of the light-weight, energy-efficient and environmentally friendly air filters. The visible light photocatalysis products and the graphene photocatalytic technology can be applied in the engineering projects, including but not limited to, environmental factories building and residential building construction, etc., so as to prevent air pollution.

Set out below is the shareholding structure of the Disposed Group as at the date of this announcement:



Financial information of the Disposed Group

Set out below is a summary of the financial information of the Disposed Group for the two years ended 30 June 2017 and 2018 respectively prepared in accordance with the HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Int(s)”) issued by the HKICPA.

	For the year ended 30 June 2017	For the year ended 30 June 2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)
Turnover	—	23,028
(Loss)/profit before tax	(144)	7,265
(Loss)/profit after tax	(144)	4,374

The unaudited consolidated net assets of the Disposed Group attributable to the Company as at 30 April 2019 was approximately HK\$9,000,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group (other than the Disposed Group) is principally engaged in the provision of building maintenance services and renovation services in Hong Kong.

The Group completed the Previous Acquisition on 23 April 2018 for total cash consideration of RMB35,750,000, of which the Company has paid RMB23,750,000 and the remaining consideration will only be payable upon fulfillment of the profit guarantee thereof. Pursuant to the sale and purchase agreement in relation to the Previous Acquisition, Jiangsu Longjia as vendor thereto guaranteed that after-tax net profit of Jiangyin Grabene Graphene for the year ended 31 December 2018 be no less than RMB10,000,000. However, Jiangyin Grabene Graphene recorded an actual profit of RMB1,272,000 for the year ended 31 December 2018 which was substantially below the 2018 Profit Guarantee. Please refer to the announcement of the Company dated 3 April 2019 for details.

Furthermore, since September 2018, Jiangyin Grabene Graphene has not generated any revenue. The Group has discussed with the management of Jiangyin Grabene Graphene when the 2018 Profit Guarantee could not be met. The Directors were given to know that the business of Jiangyin Grabene Graphene has been slowed down due to the economic recession in PRC and the US-China trade war, there is a significant decrease in the sales orders from customers. In the foreseeable future, there will be difficulties for the business and performance of Jiangyin Grabene Graphene to get a further growth upward.

As at the date of this announcement, Jiangyin Grabene Graphene has minimal operation as there have been no purchase orders since September 2018. The Directors considered if the Group continues to hold the Disposed Group, the value of the Disposed Group will continue to diminish and this will jeopardise the Group's investment in the Disposed Group.

The Group has tried to identify potential buyers for disposal of the Disposed Group. Nonetheless, save and except for the Purchaser, there are no other buyers who are interested in the business carried on by Jiangyin Grabene Graphene. Taking into account the consideration payable by the Purchaser under the Disposal Agreement and in view of the difficulty to identify the other buyers, the Directors (including the independent non-executive Directors) consider that the entering into of the Disposal Agreement with the Purchaser is in the benefit of the Group as the Group can dispose of its investment in Jiangyin Grabene Graphene expediently so as to avoid further loss making of Jiangyin Grabene Graphene. The terms of the Disposal Agreement were determined on normal commercial terms through arm's length negotiation with the parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Disposal will be approximately HK\$41,200,000. However, upon Completion, the Purchaser will only pay HK\$21,400,000 as part of the total consideration to the Company and the Company will receive the Post-Completion Payment in 6 months and 12 months after the Completion. The Company will receive net proceeds of approximately HK\$19,800,000 of the initial consideration, which will be used as working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will no longer have any interest in the Disposed Group and the Disposed Group will cease to be subsidiaries of the Company. The financial results of the Disposed Group will cease to be consolidated into the accounts of the Group. Subject to the review and confirmation of the auditors, the Disposal is expected to record a loss of approximately HK\$12,700,000, based on the difference between (i) the consideration of the Disposal and (ii) the net assets value of the Disposed Group and carrying amount of the Sale Loan as at 30 April 2019. On the basis that the net assets value of the Disposed Group includes a goodwill derived from Previous Acquisition of approximately HK\$10,200,000 and an amount due from the Disposed Group to the Group of approximately HK\$3,700,000 resulting from the professional and related costs from the Previous Acquisition, the Directors (including the independent non-executive Directors) are of the view that the consideration of the Disposal is fair and reasonable and the loss on the Disposal is justifiable given that the Group will take back the cost incurred in the Previous Acquisition (excluding the professional and related costs from the Previous Acquisition) and amount due from Jiangyin Grabene Graphene. Nevertheless, the actual amount of Disposal loss will be based on the net asset disposed of as at the date of Completion and subject to the review and confirmation of the auditors.

LISTING RULES IMPLICATION

The Purchaser is the beneficial owner of 60% equity interest in Jiangsu Longjia which, in turn, owns 13% equity interest in Jiangyin Grabene Graphene. The Purchaser is also a director and the legal representative of Jiangyin Grabene Graphene. The Purchaser is therefore a connected person of the Company at the subsidiary level. The Disposal therefore constitutes a connected transaction at subsidiary level which is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder has a material interest in the Disposal and the transactions contemplated thereunder, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of Disposal.

Since no shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal Agreement and the transactions contemplated thereunder, pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval dated 20 May 2019 for the approval of the Disposal Agreement and the transactions contemplated thereunder from Smart Paradise International Limited, being the Shareholder which holds 3,268,750,000 Shares, representing approximately 58.43% of the issued share capital of the Company, carrying rights to vote at a general meeting. Therefore, no general meeting of the Company will be convened to approve the Disposal Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, (i) further details of the Disposal and the transactions contemplated thereunder; and (ii) the financial information of the Group is expected to be despatched to the Shareholders on or before 11 June 2019.

As Completion is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions precedent set out in the Disposal Agreement, the Disposal and the transactions contemplated thereunder may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“2018 Profit Guarantee”	the profit guarantee given by Jiangsu Longjia that the after-tax net profit of Jiangyin Grabene Graphene for the year ended 31 December 2018 be no less than RMB10,000,000
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Company”	Yat Sing Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3708)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Disposal Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Agreement”	the conditional sale and purchase agreement dated 20 May 2019 and entered into between the Company and the Purchaser in respect of the Disposal
“Disposed Group”	the Target Company and its subsidiaries
“Group”	the Company and its subsidiaries (other than the Disposed Group)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Subsidiary”	Synergy Rise Investment Limited (力升投資有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company

“Independent Third Party(ies)”	person(s) and their respective associates or, in the case of companies, their ultimate beneficial owner(s) and their respective associates, who are independent of and not connected with the Company and its subsidiaries and their respective connected persons
“Jiangsu Longjia”	Jiangsu Longjia Investment Co., Ltd.* (江蘇龍佳投資有限公司), a company established in the PRC with limited liability, the 13% shareholder of Jiangyin Grabene Graphene, the vendor of the Previous Acquisition
“Jiangyin Grabene Graphene”	Jiangyin Grabene Graphene Photocatalytic Technology Co., Ltd.* (江陰嘉潤石墨烯光催化技術有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Post Completion Payment”	HK\$21,400,000, being the second and third tranches of consideration payable by the Purchaser to the Company after the Completion
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Acquisition”	the acquisition of 55% equity interest in Jiangyin Grabene Graphene by the Group, in accordance with the terms and conditions of the sale and purchase agreement dated 19 September 2017 (as supplemented by the supplemental agreement dated 29 December 2017) and entered into between the Hong Kong Subsidiary as purchaser and Jiangsu Longjia as vendor in respect of the Previous Acquisition
“Purchaser”	Mr. Kong Lingfu* (孔令福), the purchaser to the Disposal Agreement and the shareholder of Jiangsu Longjia
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Disposed Group to the Group (other than the Disposed Group) on or at any time prior to the completion of the Disposal Agreement whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on completion of the Disposal Agreement, as at the date of the Disposal Agreement, the Sale Loan amounts to approximately HK\$42,800,000

“Sale Share”	being one share in the Target Company, representing the entire issued share capital of the Target Company as at the date of the Disposal Agreement
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sino Kaiser Limited (中凱有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Yat Sing Holdings Limited
Dai Jian
Chairman

Hong Kong, 20 May 2019

** The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Dai Jian and Mr. Dai Ming and three independent non-executive Directors, namely Mr. Chan Foon, Mr. Guo Biao and Ms. Song Dan.