

Yield Go Holdings Ltd.
耀高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1796)

Executive Directors:

Mr. Man Hoi Yuen
Ms. Ng Yuen Chun
Mr. Ho Chi Hong
Mr. Zheng Gang
Mr. Lin Zheng
Mr. Zheng Chenhui

Non-executive Directors:

Mr. Chen Jian
Mr. Chen Yidong

Independent non-executive Directors:

Mr. Chan Ka Yu
Dr. Lo Ki Chiu
Mr. Leung Wai Lim
Mr. Ma Hon Yiu

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 3, 32/F
Cable TV Tower
No. 9 Hoi Shing Road
Tsuen Wan, New Territories
Hong Kong

29 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER FOR SHARES BY
HEAD & SHOULDERS SECURITIES LIMITED
FOR AND ON BEHALF OF YUAN FENG VENTURES LIMITED
TO ACQUIRE ALL OF THE ISSUED SHARES
OF YIELD GO HOLDINGS LTD.
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED
TO BE ACQUIRED BY YUAN FENG VENTURES LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.

Pursuant to a sale and purchase agreement dated 29 April 2022 entered into among Master Success as purchaser, the Vendor as vendor, Mr. Chen Yidong and Mr. Lin Zheng as purchaser's guarantors and Mr. Man Hoi Yuen as the vendor's guarantor, the Vendor agreed to sell 360,000,000 Sale Shares to Master Success at a total consideration of HK\$247,500,000. On completion, HK\$96,000,000 of the total consideration had been paid in cash and Master Success and Mr. Lin Zheng as joint issuers issued the Promissory Note in the principal amount of HK\$151,500,000 with interest of 8% per annum in favour of the Vendor, being the balance of the total consideration for the Sale Shares.

The Promissory Note is secured by the Share Charge executed by Master Success as chargor in favour of the Vendor as chargee over the Sale Shares. Under the Promissory Note, Master Success is required to pay the aggregate principal and interest amount of HK\$163,620,000 by way of a total of twelve instalments payment (including eleven monthly instalments payment in the amount of HK\$1,010,000 each and the final instalment payment in the amount of HK\$152,510,000) and the final instalment payment in the amount of HK\$152,510,000 was due on 28 April 2023.

Master Success and Mr. Lin Zheng as joint issuer of the Promissory Note had failed to make payment of the debt within the time limits stipulated in the Promissory Note and it constitutes an event of default under the Promissory Note. Despite several demands and notices have been given by the Vendor through its solicitors to Master Success and Mr. Lin Zheng requesting for immediate repayment of all the outstanding principal amount and interest accrued under the Promissory Note and a final notice issued by the Vendor through its solicitors on 28 August 2023 informing them that due to the breach of their payment obligations under the Promissory Note, the Vendor would enforce the Share Charge and dispose of the Sale Shares to a potential buyer, Master Success and Mr. Lin Zheng have failed to respond or make payment of the outstanding principal amount and interest accrued under the Promissory Note. In accordance with the provision of the Share Charge, the Share Charge becomes immediately enforceable and the Vendor is entitled to exercise the power of sale to dispose of the Sale Shares to purchaser identified by the Vendor without further notice to Master Success and Mr. Lin Zheng.

The Board was informed that before trading hours on 22 September 2023, the Vendor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor, as chargee under the Share Charge and by way of exercising its power of sale under the Share Charge, has agreed to sell, and the Offeror has agreed to purchase, 360,000,000 Sale Shares, representing 75.0% of the total issued share capital of the Company as at the date of the Joint Announcement, for an aggregate consideration of HK\$165,700,000, equivalent to approximately HK\$0.4603 per Sale Share, which was satisfied by the Offeror in full by the Offeror's own financial resources and a loan facility in the amount of HK\$70,000,000 granted by Ultra Accord Limited. On 3 October 2023, the Vendor through its solicitors issued a letter to Master Success informing about its exercise of the power of sale under the Share Charge and the sale of 360,000,000 Sale Shares to the Offeror. The Vendor confirms that up to the date of the Latest Practicable Date, it has not received any objection from Master Success, Mr. Chen Yidong or Mr. Lin Zheng in respect of the Vendor's exercise of the power of sale under the Share Charge.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) the information relating to the Group, the Offeror and parties acting in concert with it; (ii) the letter from Head & Shoulders Securities containing, among others, the details of the Offer; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer; and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 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. Chan Ka Yu, Dr. Lo Ki Chiu, Mr. Leung Wai Lim and Mr. Ma Hon Yiu, has been established to advise the Independent Shareholders in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Mr. Chen Jian and Mr. Chen Yidong, both being non-executive Directors, are shareholders of Master Success, the chargor under the Share Charge and are deemed to have direct or indirect interest in the Offer. Therefore, both Mr. Chen Jian and Mr. Chen Yidong are excluded from being a member of the Independent Board Committee.

Merdeka Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The appointment of Merdeka Corporate Finance has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

You are advised to read the “Letter from the Independent Board Committee”, 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.

THE OFFER

Head & Shoulders Securities is, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.4603 in cash

The Offer Price of HK\$0.4603 per Offer Share is the same as the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived after arm’s length negotiations between the Offeror and the Vendor.

The Offer is unconditional in all respects. The Offer is extended to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with it.

As at the Latest Practicable Date, 480,000,000 Shares were in issue and 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.

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

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Head & Shoulders Securities” in this Composite Document for information on the Offeror.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company acts as an investment holding company and the Group is principally engaged in fitting-out services and supply of fitting-out materials. The fitting-out services include both (i) fitting-out works conducted on new buildings; and (ii) interior renovation works on existing buildings that involve upgrades, makeovers and demolition of existing works.

Set out below is a summary of the consolidated financial information of the Group for each of the two financial years ended 31 March 2022 and 2023, as extracted from the Company’s annual report for the year ended 31 March 2023 and for the six months ended 30 September 2022 and 2023, as extracted from the Company’s interim results announcement for the six months ended 30 September 2023:

	For the six months ended 30 September 2023 HK\$’000 (unaudited)	For the six months ended 30 September 2022 HK\$’000 (unaudited)	For the year ended 31 March 2023 HK\$’000 (audited)	For the year ended 31 March 2022 HK\$’000 (audited)
Revenue	218,039	97,288	205,872	232,203
Loss before tax	(350)	(4,653)	(18,663)	(4,026)
Loss after tax	(350)	(4,653)	(18,663)	(4,020)

	As at 30 September 2023	As at 31 March 2023	As at 31 March 2022
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Total assets	209,096	195,230	207,846
Total liabilities	96,264	82,048	76,001
Net asset	112,832	113,182	131,845

Your attention is also drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

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

	Immediately prior to Completion		Immediately upon Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Percentage of shareholding (approximately) (%)</i>	<i>Number of Shares</i>	<i>Percentage of shareholding (approximately) (%)</i>
Master Success (<i>Note 1</i>)	360,000,000	75.0	–	–
The Offeror (<i>Note 2</i>)	–	–	360,000,000	75.0
Public Shareholders	120,000,000	25.0	120,000,000	25.0
Total	480,000,000	100.00	480,000,000	100.00

Notes:

- Master Success is beneficially owned as to 46.67%, 29.33%, 12% and 12% by Mr. Chen Yidong (a non-executive Director), Max Group Investment Limited (which is a limited company incorporated under the laws of Hong Kong and wholly owned by Mr. Lin Zheng, an executive Director), Mr. Chen Jian (a non-executive Director) and Mr. Wang Kuan, respectively.
- The ultimate beneficial owner and parties acting in concert with the Offeror does not hold any Shares.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Head & Shoulders Securities” in this Composite Document. The Board is pleased to note that, as at the Latest Practicable Date, the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, and the Offeror had no definitive plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group.

The Offeror intends to nominate new directors to the Board with effect after the posting of this Composite Document and it is intended that all of the executive Directors, non-executive Directors and independent non-executive Directors will resign with effect from the earliest time permitted under the Takeovers Code. Your attention is drawn to the section headed “Proposed change of Board composition” in the “Letter from Head & Shoulders Securities” in this Composite Document for the biographies of the proposed new Directors.

Any further changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and the articles of association of the Company and further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

MAINTAINING THE LISTING STATUS OF THE COMPANY

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 issued Shares, are held by the public at all times, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. Therefore, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the new Directors to be appointed by the Offeror 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, i.e. at least 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" as set out on page 28 to 29 of this Composite Document which contains its recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer; and (ii) the "Letter from the Independent Financial Adviser" as set out on page 30 to 58 of this Composite Document which contains its advice to the Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I "Further Terms and Procedures for Acceptance of the Offer" to this Composite Document and the accompanying Form of Acceptance.

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.

Yours faithfully,
For and on behalf of the Board of
Yield Go Holdings Ltd.



Man Hoi Yuen

Chairman and Executive Director