



**PAK WING GROUP (HOLDINGS) LIMITED**

**柏榮集團(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8316)**

*Executive Directors:*

Mr. Wong Chin To  
Mr. Tse Chun Kit  
Mr. Lui Man Wah  
Mr. Ee Kok Wai, Thomas

*Registered office:*

Clifton House,  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Independent non-executive Directors:*

Mr. Wong Chi Shing  
Mr. Lau Yik Lok  
Mr. Yan Chun Fu

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

25/F., Progress Commercial Building  
9 Irving Street  
Causeway Bay  
Hong Kong

28 April 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FREEMAN SECURITIES LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF  
PAK WING GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY  
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the (i) Joint Announcement in relation to, among other matters, the Sale and Purchase Agreement and the Offer; and (ii) the announcement jointly issued by the Company and the Offeror on 8 March 2017 in relation to, among other matters, the Completion. Terms used in this letter have the same meanings as defined in this Composite Offer Document unless the context otherwise requires.

As mentioned in the Joint Announcement, pursuant to the Sale and Purchase Agreement entered into between the Company and the Offeror on 24 February 2017, the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 600,000,000 Sale Shares, representing approximately 75.00% of the total issued share capital of the Company as at the Latest Practicable Date, at a consideration of HK\$300,000,000, which is equivalent to HK\$0.50 per Sale Share.

The Completion took place on 8 March 2017 in accordance with the terms and provisions of the Sale and Purchase Agreement. Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in, and control the voting rights in respect of, an aggregate of 600,000,000 Shares, representing 75.00% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Freeman Securities Limited, on behalf of the Offeror, is required to make a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Details of the Offer are set out in the “Letter from Freeman Securities” and Appendix I to this Composite Offer Document and the Form of Acceptance.

The purpose of this letter is to provide you with information relating to, among other matters, information relating to the Group, the Offer, the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISERS**

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on 6 March 2017, the Board has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Chi Shing, Mr. Lau Yik Lok and Mr. Yan Chun Fu, to make a recommendation to the Independent Shareholders in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, on 6 March 2017, Red Sun Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and as to the acceptance of the Offer. The letter of advice from Independent Financial Adviser addressed to the Independent Board Committee is set out on pages 24 to 41 of this Composite Offer Document.

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

## **THE OFFER**

As mentioned in the "Letter from Freeman Securities" as set out in this Composite Offer Document, Freeman Securities, for and on behalf of the Offeror, is making the Offer on the following basis:

**For each Offer Share accepted under the Offer . . . . .HK\$0.50 in cash**

The Offer Price of HK\$0.50 for each Offer Share is equal to the purchase price paid by the Offeror for each Sale Share under the Sale and Purchase Agreement.

On the basis that 800,000,000 Shares were in issue as at the Latest Practicable Date, the entire issued Shares would be valued at HK\$400,000,000. As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares. As the Offeror owns 600,000,000 Shares, the remaining 200,000,000 Shares will be subject to the Offer and assuming that there is no change in the number of issued share capital of the Company prior to the Closing Date, the maximum amount of cash payable by the Offeror in respect of the Offer would be approximately HK\$100,000,000 based on the Offer Price.

The Offer is unconditional in all respects. The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights now and thereafter attached thereto, including all rights any dividend or other distribution paid, made or declared on or after the date on which the Offer is made, being the date of the despatch of this Composite Offer Document.

### **Comparison of value**

The Offer Price of HK\$0.50 per Offer Share represents:

- (i) a discount of approximately 69.88% from the closing price of HK\$1.66 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 69.88% to the average closing price of approximately HK\$1.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 72.22% to the average closing price of approximately HK\$1.80 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 74.23% to the average closing price of approximately HK\$1.94 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

- (v) a premium of approximately 733.33% over the net asset value per Share of approximately HK\$0.06 (based on the unaudited consolidated net assets of the Group of approximately HK\$47,870,000 as at 30 September 2016 and the number of the issued Shares as at the Latest Practicable Date); and
- (vi) a discount of approximately 68.75% to the closing price of HK\$1.6 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.28 per Share on each of 18 January 2017 and 20 January 2017 and HK\$1.25 per Share on 7 September 2016 respectively.

### 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 Freeman Securities" as set out in this Composite Offer Document, Appendix I to this Composite Offer Document and the Form of Acceptance.

### INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and is listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

The following table is a summary of certain consolidated financial information of the Company for the two financial years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 respectively.

	<b>For the six months ended 30 September 2016</b>	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
	<i>Approximately HK\$ (unaudited)</i>	<i>Approximately HK\$ (audited)</i>	<i>Approximately HK\$ (audited)</i>
Revenue	69,747,000	107,306,000	130,791,000
(Loss)/Profit before taxation	(4,685,000)	(24,820,000)	15,672,000
(Loss)/Profit after taxation	(4,250,000)	(22,231,000)	11,874,000

	<b>As at 30 September 2016</b>	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
Net assets	47,870,000	52,120,000	43,553,000

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

As disclosed in the April 2017 Profit Warning, based on information currently available to the Board and a preliminary review of the latest unaudited consolidated management accounts of the Group for the year ended 31 March 2017, despite the fact that there was an increase in the Group's revenue for the year ended 31 March 2017, the Group is expected to record an increase in net loss as compared to the net loss of approximately HK\$15.8 million recorded for the corresponding period in 2016 (exclusive of the impact of one-off listing expenses of approximately HK\$6.4 million) (the "Statement"). Based on the relevant information currently available to the Board, the Board considers that such loss incurred was mainly attributable to the declined gross profit margin as a result of an increase in operating expenses incurred in order to meet additional requirements of certain foundation projects, and the increasing competition from other contractors seeking to tender projects at lower price.

The Statement is regarded as a profit forecast under Rule 10 of the Takeovers Code and the Company is required to comply with the reporting requirement set out in Rule 10.4 of the Takeovers Code with respect to the April 2017 Profit Warning. BDO Limited, the auditor and reporting accountant of the Company, is of the opinion that, so far as the accounting policies and calculations are concerned, the Statement has been properly compiled based on the unaudited consolidated results of the Group for the year ended 31 March 2017 on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2016. The Independent Financial Adviser is of the opinion that the Statement, for which the Directors are solely responsible for, has been made with due care and consideration. Your attention is drawn to the reports issued by BDO Limited and the Independent Financial Adviser on the April 2017 Profit Warning set out in Appendix III and Appendix IV to this Composite Offer Document respectively.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company immediately prior to 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 held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>
Vendor A	300,000,000 <i>(Note 1)</i>	37.50	–	–
Vendor B	300,000,000 <i>(Note 2)</i>	37.50	–	–
The Offeror and parties acting in concert with it	–	–	600,000,000	75.00
Public Shareholders	<u>200,000,000</u>	<u>25.00</u>	<u>200,000,000</u>	<u>25.00</u>
<b>Total</b>	<b><u>800,000,000</u></b>	<b><u>100.00</u></b>	<b><u>800,000,000</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Vendor A is wholly owned by Mr. Wong, an executive Director and chairman of the Board.
2. Vendor B is wholly owned by Mr. Tse, an executive Director and chief executive officer of the Company.

## INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the section headed “Intention of the Offeror regarding the Group” in the “Letter from Freeman Securities” for detailed information on the Offeror’s intention on the business and management of the Group. The Board is aware of the intentions of the Offeror regarding the Group and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and its Shareholders as a whole.

## MAINTAINING THE LISTING STATUS AND PUBLIC FLOAT 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, 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 Board noted from the "Letter from Freeman Securities" that the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Board noted that the Offeror and the proposed new Director to be appointed to the Board has 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.

#### **RECOMMENDATION**

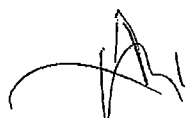
Your attention is drawn to (i) the "Letter from the Independent Board Committee" on pages 22 to 23 of this Composite Offer Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the "Letter from the Independent Financial Adviser" on pages 24 to 41 of this Composite Offer Document, which sets out its advice to the Independent Board Committee 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 Offer 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 Offer 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.

Yours faithfully  
For and on behalf of the Board  
**Pak Wing Group (Holdings) Limited**



**Wong Chin To**  
*Chairman*