



21 September 2023

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
SPACE SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES AND CANCEL ALL OUTSTANDING
SHARE OPTIONS OF HANG YICK HOLDINGS COMPANY
LIMITED (OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

Reference is made to the Joint Announcement jointly announced by the Company and the Offeror in relation to, among other things, the Agreement and the Offers.

On 23 June 2023 (after trading hours), the Offeror, the Vendor and the Vendor Guarantors entered into the Agreement, pursuant to which the Offeror unconditionally agreed to purchase, and the Vendor unconditionally agreed to sell, in aggregate, 513,155,000 Sale Shares, representing approximately 66.85% of the issued share capital of the Company as at the Latest Practicable Date, at an aggregate consideration of HK\$85,594,254, equivalent to HK\$0.1668 per Sale Share. Completion took place on 23 June 2023.

Immediately following the Completion, the Offeror and Offeror Concert Parties (other than the Vendor) own 513,155,000 Shares, representing 66.85% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and Offeror Concert Parties). The Offeror is also required to make the Option Offer for the cancellation of all outstanding Options pursuant to Rule 13 of the Takeovers Code. The principal terms of the Offers are set out under the section headed “The Offers” below.

This letter forms part of this Composite Document and sets out, among other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further terms and procedures of acceptance of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Independent Shareholders and Optionholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

THE OFFERS

Space Securities, for and on behalf of the Offeror, is making the Offers to acquire all of the Offer Shares and for cancellation of the outstanding Options in accordance with the Takeovers Code on the following basis:

For each Offer Share **HK\$0.1668 in cash**

The Offer Price of HK\$0.1668 per Offer Share under the Share Offer equals to the purchase price per Sale Share paid by the Offeror under the Agreement. The Share Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

For cancellation of each Option with
exercise price of HK\$1.53. **HK\$0.001 in cash**

In accordance with the terms of the Share Option Scheme, Optionholders are entitled to exercise their Options in full (to the extent not already exercised) within one month after the date on which the Option Offer becomes or is declared unconditional, after which the Options will lapse automatically (to the extent not exercised).

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making an appropriate cash offer to the Optionholders to cancel their Options. The consideration for the cancellation of each Option would normally be the see-through price which represents the excess of the Share Offer Price per Offer Share and the exercise price of each Option. As the exercise price of all the Options is above the Share Offer Price, the “see-through” price is zero and the Option Offer Price will be a nominal value of HK\$0.001 per Option.

Comparison of value

The Offer Price of HK\$0.1668 per Offer Share represents:

- (i) a discount of approximately 18.63% to the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 74.73% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of 72.20% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$0.6 per Share;
- (iv) a discount of approximately 70.74% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.57 per Share;
- (v) a discount of approximately 67.92% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.52 per Share;
- (vi) a discount of approximately 22.42% to the unaudited consolidated net asset value of the Company of approximately HK\$0.215 per Share as at 30 September 2022; and
- (vii) a discount of approximately 24.18% to the audited consolidated net asset value of the Company of approximately HK\$0.22 per Share as at 31 March 2023.

Highest and lowest Share prices

From 4 August 2023 onwards, being the date on which the trading in the Shares resumes, up to and including the Latest Practicable Date, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange are HK\$0.24 on 4 August 2023 and HK\$0.17 on 12 September 2023 respectively.

Total consideration of the Offers

On the basis of the Share Offer Price of HK\$0.1668 per Offer Share and 767,600,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$128,035,680.00.

On the basis of 767,600,000 Shares in issue, of which the Offeror holds 513,155,000 Shares immediately after Completion and as at the Latest Practicable Date, the Share Offer based on the Offer Price is valued at HK\$42,441,426.00.

On the basis of the Option Offer Price and 6,710,000 outstanding Options as at the Latest Practicable Date, in the event that the Option Offer is accepted in full, the aggregate amount payable under the Option Offer will be HK\$6,710.

Based on the foregoing, the aggregate amount payable under the Offers (assuming full acceptances under the Offers) will be HK\$42,448,136.00.

CONFIRMATION ON FINANCIAL RESOURCES

Assuming all the outstanding Options are exercised before the closing date of the Offers, there will be 774,310,000 Shares in issue and the maximum cash consideration payable under the Offers, other than the Shares already held by the Offeror and the Offeror Concert Parties, is HK\$43,560,654.00. The Offeror intends to finance the consideration payable by the Offeror under the Offers from the facility granted by Valuable Capital Limited (“**Valuable Capital**”). The said loan facility is in an aggregate sum of HK\$43,725,786.00 with an interest rate of 8.5% per annum. It will be expired on 2 months following the close of the Offers or a later date as agreed by the parties so that the loan facility will be valid until the Offeror’s obligation under the Offers are fully satisfied/paid. The said loan facility is irrevocable and secured by all the Sale Shares (the “**Pledged Shares**”) under a first share mortgage under which the Offeror pledged all the Pledged Shares to Valuable Capital to secure the repayment of the indebtedness under loan facility granted by Valuable Capital in favour of the Offeror. It is the term of the loan facility that the loan facility will not be revoked and the loan-to-value ratio for the Pledged Shares will remain unchanged during the period of the loan facility, accordingly any price movement in the Pledged Shares will not affect the availability and value of the loan facility. The loan facility by Valuable Capital will be sufficient to cover the full acceptance of the Offers, the interest of the minority shareholders will be well protected under the said loan facility. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the loan facility granted by Valuable Capital will not depend to any significant extent on the business of the Group.

The Offeror has entered into a loan agreement dated 31 July 2023 (which was supplemented by a supplemental loan agreement on 31 August 2023), pursuant to which the Offeror borrows the Loan for Deferred Payments from the Lender in order to settle the First Deferred Payment and Second Deferred Payment. Instead of drawing down from 31 August 2023, the Loan for Deferred Payments will now be drawdown within 55 days after close of the Offers (i.e. 22 November 2023) and 115 days after close of the Offers (i.e. 22 January 2024) to settle the First Deferred Payment and Second Deferred Payment respectively. The maturity date of the Loan for Deferred Payments is now extended to 22 January 2025 from 31 August 2024.

Advent Corporate Finance has been appointed as the financial adviser to the Offeror in respect of the Offers. Advent Corporate Finance is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offers as described above.

FURTHER TERMS OF THE OFFERS

Effect of accepting the Offers

Acceptance of the Offers by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offers are free from all encumbrances and with all rights now and thereafter attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the date on which the Offers is made, being the date of the despatch of this Composite Document. As at the Latest Practicable Date, the Company confirmed that it has not declared any dividend and the Company does not intend to declare, make or pay any dividend or other distributions prior to the Closing Date.

By validly accepting the Option Offer, the accepting Optionholders will tender their Options for cancellation and all rights attached thereto will be extinguished with effect from the date on which the Option Offer is made, being the date of this Composite Document.

Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed “Right of withdrawal” in Appendix I to this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following the date of receipt of a duly completed acceptance of the Offers. Relevant documents evidencing title must be received by the Offeror (or its agent) to render such acceptance of the Offers complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offers will be rounded up to the nearest cent.

Hong Kong stamp duty

Seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offers at a rate of 0.13% of the consideration payable by the Offeror in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Independent Shareholders who accept the Offers. The Offeror will then arrange for payment of the stamp duty on behalf of those Independent Shareholders accepting the Offers. The Offeror will bear the buyer’s ad valorem stamp duty in connection with the acceptance of the Offers and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptances of the Option Offer.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the parties acting in concert with it, Space Securities, Advent Corporate Finance, their respective directors, officers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Shareholders and Overseas Optionholders

The availability of the Offers to any Overseas Shareholders or Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders or the Overseas Optionholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders or Overseas Optionholders in respect of such overseas jurisdictions). As at the Latest Practicable Date, based on the record in the register of members of the Company, there is no Shareholder with a registered address outside Hong Kong. There are Optionholders who have registered addresses outside Hong Kong, including some employees of the Company in the PRC.

Any acceptance of the Offers by such Overseas Shareholders or Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders or the Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders or the Overseas Optionholders should consult their professional advisers if in doubt.

Procedures for acceptance and settlement

Your attention is drawn to “Further terms and procedures for acceptance of the Offers” as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

INFORMATION ON THE GROUP

Your attention is drawn to the section headed “Information on the Group” in the “Letter from the Board”, “Financial Information of the Group” in Appendix II to this Composite Document and “General Information of the Group” in Appendix III to this Composite Document.

INFORMATION ON THE OFFEROR

Immediately upon Completion and as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties are interested in a total of 513,155,000 Shares, representing approximately 66.85% of the entire issued share capital of the Company.

The Offeror is a PRC citizen who has vast experience in accounting and financial fields for listed companies and other entities in the PRC for over 20 years. The Offeror graduated from Jingmen Vocational University* 荊門職業大學 majoring in accountancy in 1998 and from Wuhan University majoring in Administrative Management in 1998. In July 1998, the Offeror joined 瀋陽藍田股份有限公司, Shenyang Lantian Company Limited* (“**Shenyang Lantian**”), a company listed on the Shanghai Stock Exchange (stock code: 600709) in 1996, as an assistant officer at the treasury office, he was transferred to the securities trading department in December 1998 and was promoted to the position of the head of the secretariat in March 2001. In March 2006, the Offeror left Shenyang Lantian and joined 浙江紹興越昌紡織有限公司 Zhejiang Shaoqing Yuechang Knitting Company Limited* as an assistant to the Chairman. The Offeror joined 中國藍田(集團)總公司 China Lantian Group Limited* in May 2008 as an assistant to the president until June 2009. The Offeror joined 浙江蘭溪匯豐貴金屬交易中心, Zhejiang Lanqi Huifeng Precious Metal Exchange* as an assistant to the Chairman. In April 2016, the Offeror joined 浙江義烏協佳網絡科技有限公司 Zhejiang Yiwu Xiejia Network Technology Co., Ltd.* as a general manager. In August 2018, the Offeror began to invest in construction sector in China. In September 2021, the Offeror joined 仙桃展朋電子材料有限公司 Xiantao Zhanpeng Electronic Materials Co., Ltd.* as a deputy general manager responsible for manufacture base planning and development. In March 2023, the Offeror joined 浙江鑫銳再生資源有限公司 Zhejiang Xinrui Renewable Resources Co., Ltd.* as a deputy general manager, the company has a very scalable business of metal recycling in China. As at the Latest Practicable Date, the Offeror does not hold any directorship in any listed companies in Hong Kong or the PRC.

In view of the work experiences in the listed companies in China, namely Shenyang Lantian, a company previously listed on the Shanghai Stock Exchange (stock code: 600709) and China Lantian Group Limited, the holding company of Shenyang Lantian, his involvement in the construction and manufacturing sectors including metal recycling business, the Offeror is confident of the business development of the Group.

The Offeror is independent of and not connected or associated with the Vendor or the Vendor Guarantors, Mr. Lee Ka Ho or the Company's connected persons (within the meaning of the Listing Rules). Other than the transaction contemplated under the Agreement, the Offeror has no past or other relationship (personal or financial including any loan or financing arrangement) with the Vendor or the Vendor Guarantors or their respective associates (within the meaning of the Listing Rules). The Offeror is not connected, related or otherwise associated with the Group's suppliers, customers, sub-contractors and joint venture partners. The Offeror has no business relationship or financing arrangement with the Group in the past or at present. The Offeror and the Offeror Concert Parties do not have any side agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the Company and/or its connected persons.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

It is the Offeror's intention to further consolidate its interest in the Company pursuant to the Offers. The Offeror has no intention to introduce major changes to the existing business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The intention of the Offeror is that the Company's existing principal activities will be maintained, and at the same time after completion of the Offers, the Offeror will assist the Company in reviewing its business and operations and seek for new investment opportunities. As at the Latest Practicable Date, no new investment opportunities have been identified.

The Offeror will, depending on the business operations and development of the Group in the future, constantly review the employee structure of the Group so as to meet the needs of the Group from time to time. The Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Save for Mr. Ho Chi Yuen who has indicated his intention to resign from his position as executive Director after the close of the Offers due to his personal and business commitments, it is expected that all of the existing executive Directors and independent non-executive Directors will remain unchanged. The Offeror does not intend to make any changes to the existing management and employment of the employees of the Group or redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date.

PUBLIC FLOAT AND 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 listed issuer, being 25% of the issued shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the shares; or
- 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 Offeror intends the Company to remain listed on the Stock Exchange. The Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) for (a) the downsize, cessation or disposal of existing business of the Group; and (b) acquisition of business or assets.

GENERAL

To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

Attention of the Overseas Shareholders and Overseas Optionholders is drawn to paragraph headed “Overseas Shareholders and Overseas Optionholders” above in this letter.

All documents and remittances to be sent to the Offer Shareholders and the Optionholders will be sent to them by ordinary post at their own risks. Such documents and remittances will be sent to the Offer Shareholders and the Optionholders at their respective addresses as they appear in the register of members or (for the Optionholders) the records of the Company or in the case of joint Offer Shareholders, to such Offer Shareholders whose name appears first in the register of members of the Company. The Offeror, its beneficial owner and parties acting in concert with any of them, the Company, Space Securities, Advent Corporate Finance, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance which form part of this Composite Document.

You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from Independent Financial Adviser” and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offers. In considering what action to take in connection with the Offers, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
For and on behalf of
Space Securities Limited

A handwritten signature in black ink, appearing to be 'Ho Kwong Yu', written in a cursive style.

Ho Kwong Yu
Director