
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Hang Yick Holdings Company Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained herein.

Mr. Xu Ai Hua*(徐愛華)

**HANG YICK HOLDINGS
COMPANY LIMITED**

恒益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1894)

**COMPOSITE DOCUMENT RELATING TO
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)**

Financial adviser to the Offeror

ADVENT
宏智融資

ADVENT CORPORATE FINANCE LIMITED

Independent Financial Adviser to the Independent Board Committee

Nuada Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Space Securities is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 23 of this Composite Document. A letter from the Independent Board Committee containing its advice to the Offer Shareholders and the Optionholders is set out on pages 24 to 25 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 26 to 55 of this Composite Document.

The procedures for acceptance of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Thursday, 12 October 2023 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

* For identification purpose only

21 September 2023

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable.

All references to times and dates contained in this Composite Document are to Hong Kong time and dates.

Events	Time and Date
Despatch date of this Composite Document and the accompanying Form(s) of Acceptance (<i>Note 1</i>)	Thursday, 21 September 2023
Offers open for acceptance (<i>Note 1</i>)	Thursday, 21 September 2023
Latest time and date for acceptance of the Offers (<i>Notes 2, 3 and 5</i>)	by 4:00 p.m. on Thursday, 12 October 2023
Closing Date (<i>Notes 2, 3 and 5</i>)	Thursday, 12 October 2023
Announcement of the results of the Offers on the website of the Stock Exchange (<i>Notes 3 and 5</i>)	by 7:00 p.m. on Thursday, 12 October 2023
Latest date of posting of remittances in respect of valid acceptances received on or before the latest time for acceptance of the Offers (<i>Notes 4 and 5</i>)	Tuesday, 24 October 2023

Notes:

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “Right of Withdrawal” in Appendix I to this Composite Document.
2. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

3. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will initially remain open for acceptances until 4:00 p.m. on Thursday, 12 October 2023 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror and the Company will jointly issue an announcement no later than 7:00 p.m. on Thursday, 12 October 2023 in relation to any extension of the Offer, in which the announcement will state either the next Closing Date or, a statement the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to the accepting Independent Shareholder(s) (to the address specified on the relevant Form(s) of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following date of receipt by the Registrar in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
5. The latest time and date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances. Instead the latest time and date for acceptance of the Offers and the latest date for posting of remittances will be rescheduled to 4:00 p.m. on the next following Business Day on which neither of those warnings is in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for acceptance of the Offers does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders and Optionholders any change to the expected timetable as soon as practicable by way of announcement(s).

IMPORTANT NOTICES

NOTICE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders and Overseas Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, the Company, Advent Corporate Finance, Nuada, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Shareholders and Overseas Optionholders” in the “Letter from Space Securities” and the paragraph headed “8. Overseas Shareholders and Overseas Optionholders” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” and “concert parties” should be construed accordingly
“Advent Corporate Finance”	Advent Corporate Finance Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offers
“Agreement”	the unconditional sale and purchase agreement dated 23 June 2023 and entered into among the Offeror (as purchaser), the Vendor and the Vendor Guarantors in relation to the sale and purchase of the Sale Shares
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Closing Date”	Thursday, 12 October 2023, being the closing date of the Offers, which is no less than 21 days following the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code
“Company”	Hang Yick Holdings Company Limited (stock code: 1894), a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Main Board
“Completion”	completion of the Agreement in accordance with its terms
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all the Shareholders and the Optionholders in accordance with the Takeovers Code, setting out, among others, details of the Offers
“Director(s)”	director(s) of the Company

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate
“First Deferred Payment”	the amount of HK\$28,531,418.00 which shall be settled within two (2) months following the date of close of the Offers pursuant to the Agreement
“Forms of Acceptance”	the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and “Form of Acceptance” means either of them
“Form of Option Offer Acceptance”	the PINK form of acceptance in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance”	the WHITE form of acceptance and transfer in respect of the Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Leung Fuk Shun, Mr. Cheung Chun Man Anthony and Mr. Law Chi Hung to give recommendation to the Independent Shareholders and the Optionholders regarding the terms of the Offers and as to acceptance
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee in connection with the Offers and, in particular, as to whether the Offers are respectively fair and reasonable and as to acceptance
“Independent Shareholders” or “Offer Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties (including the Vendor, the Vendor Guarantors, Valuable Capital, the Lender and Advent Corporate Finance)
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 3 August 2023 in relation to, among other things, the Agreement and the Offers
“Last Trading Day”	21 April 2021, being the last full trading day of the Shares on the Stock Exchange before the resumption of trading in the Shares on 4 August 2023

DEFINITIONS

“Latest Practicable Date”	18 September 2023, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information in this Composite Document
“Lender”	Ms. Zhang Jinxia (張金霞), an individual and independent third party to the Offeror who has no shareholding in the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan for Deferred Payments”	an unsecured loan in the sum of HK\$57,062,836.00 at the interest rate of 12% per annum with the maturity date at 22 January 2025 granted by the Lender to the Offeror for the purpose of payment of the First Deferred Payment and the Second Deferred Payment
“Main Board”	the Main Board of the Stock Exchange
“Offer Period”	the period from 3 August 2023, being the date of the Joint Announcement, to 4:00 p.m. on the Closing Date or such later time and/or date to which the Offeror may decide to extend the Offers in accordance with the Takeovers Code
“Offer Share(s)”	Share(s) not already owned by the Offeror and the Offeror Concert Parties
“Offeror” or “Purchaser”	Mr. Xu Ai Hua* (徐愛華), a PRC citizen
“Offeror Concert Parties”	any parties acting in concert, or presumed to be acting in concert, with the Offeror under the definition of “acting in concert” under the Takeovers Code including the Vendor, the Vendor Guarantors, Valuable Capital, the Lender and Advent Corporate Finance
“Offers”	collectively, the Share Offer and the Option Offer
“Option(s)”	the 6,710,000 outstanding share option(s) granted by the Company pursuant to the Share Option Scheme as at the Latest Practicable Date
“Option Offer”	the mandatory unconditional cash offer to be made by Space Securities for and on behalf of the Offeror to cancel the Options on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Option Offer Price”	the cash amount of HK\$0.001 per Option, payable by the Offeror to the relevant Optionholders for each Option accepted under the Option Offer

DEFINITIONS

“Optionholder(s)”	registered grantee(s)/holder(s) for the time being of the Option(s)
“Overseas Optionholder(s)”	Optionholder(s) whose addresses, as shown on the register of Optionholder(s) of the Company, are outside Hong Kong
“Overseas Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Resumption Guidance”	the resumption guidance imposed by the Stock Exchange by way of letter dated 19 July 2022
“Relevant Period”	the period commencing six months immediately prior to 3 August 2023 (being the date of the Joint Announcement) up to and including the Latest Practicable Date
“Sale Shares”	an aggregate of 513,155,000 Shares acquired by the Purchaser from the Vendor pursuant to the Agreement
“Second Deferred Payment”	the amount of HK\$28,531,418.00 shall be settled within four (4) months following the date of close of the Offers pursuant to the Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer to be made by Space Securities for and on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Share Offer Price”	the price of HK\$0.1668 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Share Offer

DEFINITIONS

“Share Option Scheme”	a share option scheme conditionally adopted pursuant to a written resolution by the Shareholder dated 19 September 2018
“Shareholder(s)”	holder(s) of Shares
“Space Securities”	Space Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO and who is making the Offers on behalf of the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	HY Steel Company Limited, a company incorporated in the British Virgin Islands and the entire issued shares of which is owned by the Vendor Guarantors
“Vendor Guarantors”	Ms. Lau Lai Ching and Mr. Lee Pui Sun, being the sole legal and beneficial owners of the Vendor interested in 30% and 70% of the share capital thereof respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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



恆宇證券有限公司
Space Securities Limited

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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.

LETTER FROM SPACE SECURITIES

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
Ho Kwong Yu
Director

HANG YICK HOLDINGS COMPANY LIMITED

恒益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1894)

Executive Directors:

Mr. Sin Kwok Chi Stephen

(Chief Executive Officer)

Mr. Ho Chi Yuen

Independent non-executive Directors:

Mr. Cheung Chun Man Anthony

Mr. Leung Fuk Shun *(Chairman)*

Mr. Law Chi Hung

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Headquarters and principal place of
business in Hong Kong:*

Flat 606, 6/F

Sunray Industrial Centre

610 Cha Kwo Ling Road

Yau Tong, Kowloon, Hong Kong

21 September 2023

To the Offer Shareholders and the 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 whereby the Company and the Offeror jointly announced that on 23 June 2023 (after trading hours of the Stock Exchange), the Purchaser, the Vendor and the Vendor Guarantors entered into the Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire a total of 513,155,000 Sale Shares for a total cash consideration of HK\$85,594,254 (equivalent to HK\$0.1668 per Sale Share). The Agreement was unconditional and Completion took place on the date of the Agreement on 23 June 2023.

LETTER FROM THE BOARD

The purpose of this Composite Document, of which this letter forms part, is to provide you with, among other things, (i) information relating to the Group and the Offeror; (ii) further details of the Offers; (iii) a letter of recommendation from the Independent Board Committee containing its recommendation to the Offer Shareholders and the Optionholders in respect of the terms of the Offers and as to the acceptance of the Offers; and (iv) a letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Fuk Shun, Mr. Cheung Chun Man Anthony and Mr. Law Chi Hung, has been established to make a recommendation to the Offer Shareholders and Optionholders in this regard.

As disclosed in the announcement of the Company dated 9 August 2023, the Independent Financial Adviser has been appointed by the Company after approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offers and in particular, as to whether or not the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

A letter from Space Securities is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 23 of this Composite Document. A letter from the Independent Board Committee containing its advice to the Offer Shareholders and the Optionholders is set out on pages 24 to 25 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 26 to 55 of this Composite Document.

MANDATORY UNCONDITIONAL CASH OFFER

Immediately before Completion, the Purchaser and parties acting in concert with him were not interested in any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Purchaser and parties acting in concert with him are interested in 513,155,000 Shares, representing approximately 66.85% of the total voting rights in general meeting of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be 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 the Offeror Concert Parties).

LETTER FROM THE BOARD

Securities of the Company

As at the Latest Practicable Date, the Company had a total of 767,600,000 Shares in issue and 6,710,000 outstanding Options. Save for the aforesaid, there are no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue.

PRINCIPAL TERMS OF THE OFFERS

Space Securities is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

The Share Offer

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

The Offer Price of HK\$0.1668 per Offer Share is the same as the price per Sale Share payable by the Purchaser under the Agreement.

Comparison of value

The Share Offer Price of HK\$0.1668 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.

LETTER FROM THE BOARD

Highest and lowest Share prices

As trading in the Shares has been suspended since 22 April 2021, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period before the resumption of trading in the Shares on 4 August 2023 are not available. 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.

The Option Offer

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 (which are all vested) in full (to the extent exercisable but not yet exercised) within one month after the date on which the Option Offer becomes or is declared unconditional, i.e. on or before 20 October 2023, 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.

Save for the Options, as at the Latest Practicable Date, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

Under the terms of the Option Offer, the Options of the accepting Optionholders (together with all rights attaching thereto) will be cancelled.

Optionholders who do not exercise the Options on or before 20 October 2023 will not receive any Shares. Since the Closing Date is 12 October 2023, Optionholders who do not accept the Option Offer by such Closing Date will not receive the see-through price of HK\$0.001 per Option. If the Option Offer is not accepted by 12 October 2023, Optionholders can still exercise the Options on or before 20 October 2023, but the Share Offer will not be available for their acceptance and any unexercised Options will lapse on 21 October 2023, pursuant to the terms of the Share Option Scheme.

LETTER FROM THE BOARD

Further details of the Offers

Further details of the Offers including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Space Securities” on pages 6 to 14 of this Composite Document, Appendix I to this Composite Document and the accompanying Forms of Acceptance.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 767,600,000 Shares in issue and 6,710,000 outstanding Options under the Share Option Scheme. Save for the Shares in issue and the outstanding Options, there are no relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company in issue.

The shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date are as follows:

	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Vendor, the Vendor Guarantors and parties acting in concert with any of them (other than the Offeror) (Note 1)	513,155,000	66.85	—	—
The Offeror and the Offeror Concert Parties (other than the Vendor)	—	—	513,155,000	66.85
Public Shareholders	<u>254,445,000</u>	<u>33.15</u>	<u>254,445,000</u>	<u>33.15</u>
Total Shares in issue	<u><u>767,600,000</u></u>	<u><u>100.00%</u></u>	<u><u>767,600,000</u></u>	<u><u>100.00%</u></u>

Note 1: The entire issued share capital of the Vendor is owned by the Vendor Guarantors.

Note 2: Mr. Sin Kwok Chi, Stephen, an executive Director, holds 350,000 Options.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the Main Board (stock code: 1894). The Group is principally engaged in provision of steel and metal engineering services in Hong Kong, ranging from design, manufacture, supply and installation of steel and metal products for construction projects, under the brand “Hang Yick (恒益)”.

LETTER FROM THE BOARD

References are made to the announcements of the Company dated 7 June 2021, 9 June 2021, 21 July 2021, 21 October 2021, 21 January 2022, 21 April 2022, 21 July 2022, 2 September 2022, 21 October 2022, 9 December 2022, 16 December 2022, 29 December 2022, 18 January 2023, 31 January 2023, 10 February 2023, 23 March 2023, 13 April 2023 and 3 August 2023 in relation to, among others, the Resumption Guidance and the Company's efforts to fulfil the Resumption Guidance. As disclosed in the announcement of the Company dated 13 April 2023, the Listing Review Committee of the Stock Exchange recognized that the Company had substantially implemented all steps that would lead to a resumption of trading of the Shares except the concerns regarding the Company's management integrity which could only be fully addressed when the Vendor completes the sale of the Sale Shares to purchasers who (including their ultimate beneficial owner(s) if applicable) are independent of and not connected or associated with the Vendor Guarantors, Mr. Lee Ka Ho or the Company's connected persons (within the meaning of the Listing Rules) to the satisfaction of the Listing Division of the Stock Exchange by 28 June 2023, failing which the listing of the Shares shall immediately be cancelled.

As stated in the announcement of the Company dated 13 April 2023, the Sale Shares were intended to be disposed of through (i) selling 20% equity interest in the Company to an independent third party (the "**Disposal**") and (ii) placing the remaining 46.9% equity interest in the Company to independent third party placees on a best-effort basis (the "**Placing**"). Having considered that the Placing did not proceed as expected and the Disposal alone could not fulfil the remaining Resumption Guidance, the Vendor did not proceed with the Disposal and the Placing and then entered into the Agreement to dispose of the Sale Shares in order to satisfy the remaining Resumption Guidance.

As the Resumption Guidance has been satisfied in full following the Completion, the details of which are set out in the announcement of the Company dated 3 August 2023, the trading in the Shares has resumed on the Stock Exchange with effect from 9:00 a.m. on 4 August 2023.

Financial and general information in relation to the Group are set out in Appendices II and 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser left Shenyang Lantian

LETTER FROM THE BOARD

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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser began to invest in construction sector in China. In September 2021, the Purchaser 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 Purchaser 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 Purchaser 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 Purchaser is confident of the business development of the Group.

The Purchaser 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 Purchaser 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 Purchaser is not connected, related or otherwise associated with the Group's suppliers, customers, sub-contractors and joint venture partners. The Purchaser 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.

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Space Securities" on page 12 of this Composite Document, which sets out more information of the Offeror.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the paragraph headed "Intention of the Offeror in relation to the Group" in the "Letter from Space Securities" as set out on page 13 of this Composite Document, which sets out more information on the intention of the Offeror in respect of the Group, its business and employees.

The Board is willing to render co-operation with the Offeror and would continue to act in the best interests of the Group and Shareholders as a whole.

LETTER FROM THE BOARD

CHANGES TO THE COMPOSITION OF THE BOARD

As at the Latest Practicable Date, the Board comprises Mr. Sin Kwok Chi, Stephen and Mr. Ho Chi Yuen as executive Directors, and Mr. Leung Fuk Shun, Mr. Law Chi Hung and Mr. Cheung Chun Man Anthony as independent non-executive Directors. Mr. Ho Chi Yuen 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.

The Board is aware of the intention of the Offeror in respect of the Group and that 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.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made accordingly.

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.

As stated in the “Letter from Space Securities” in this Composite Document, 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.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Independent Financial Adviser, respectively, which set out their recommendations and opinions in relation to the Offers and the principal factors considered by them before arriving at their recommendation.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Hang Yick Holdings Company Limited
Leung Fuk Shun
Chairman

HANG YICK HOLDINGS COMPANY LIMITED

恒益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1894)

21 September 2023

To the Offer Shareholders and the 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)**

We refer to the composite offer document dated 21 September 2023 (the “**Composite Document**”) jointly issued by the Company and the Offeror, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you whether the terms of the Offers are fair and reasonable so far as the Offer Shareholders and the Optionholders are concerned.

Nuada Limited has been appointed to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable so far as the Offer Shareholders and the Optionholders are concerned and to give a recommendation to the Offer Shareholders and the Optionholders as to whether or not to accept the Offers. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 26 to 55 of the Composite Document.

Having considered the terms of the Offers and the advice of the Independent Financial Adviser, we concur with the Independent Financial Adviser’s advice and consider that: (a) the terms of the Share Offer and the Share Offer Price are fair and reasonable and we recommend the Offer Shareholders to accept the Share Offer; and (b) the Option Offer Price is fair and reasonable and we recommend the Optionholders to accept the Option Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

However, the Offer Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period, especially because disposal of large blocks of Shares in the open market may trigger price slump of the Shares as a result of the relatively inactive trading in the Shares. The Offer Shareholders who intend to realise their investment in the Company shall, having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would be higher than that receivable under the Share Offer.

Furthermore, Offer Shareholders and the Optionholders are reminded that their decisions to dispose of or hold their investment in the Shares and/or Options are subject to their individual circumstances and investment objectives.

Notwithstanding our recommendation, the Offer Shareholders and the Optionholders should consider carefully the terms of the Offers and the “Letter from Independent Financial Adviser” in this Composite Document.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Leung Fuk Shun
*Independent non-executive
Director*

**Mr. Cheung Chun Man
Anthony**
*Independent non-executive
Director*

Mr. Law Chi Hung
*Independent non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee in respect of the Offers, which has been prepared for the purpose of inclusion in this Composite Document.

Nuada Limited

Unit 1606, 16/F
OfficePlus @Sheung Wan
93–103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93–103號
協成行上環中心16樓1606室

21 September 2023

To the Independent Board Committee

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

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offers, details of which are set out in this Composite Document dated 21 September 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context requires otherwise.

The Agreement

Reference is made to the letter from the Board of this Composite Document (“**Board Letter**”) and the Joint Announcement whereby the Company and the Offeror jointly announced that on 23 June 2023, the Purchaser, the Vendor and the Vendor Guarantors entered into the Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire a total of 513,155,000 Sale Shares for a total cash consideration of HK\$85,594,254 (equivalent to HK\$0.1668 per Sale Share). The Agreement was unconditional and Completion took place on the date of the Agreement on 23 June 2023.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Offers

Immediately before Completion, the Purchaser and parties acting in concert with him were not interested in any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Purchaser and parties acting in concert with him are interested in 513,155,000 Shares, representing approximately 66.85% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be 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 the 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.

Principal terms of 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:

The Share Offer

For every Offer Share HK\$0.1668 in cash

The Share Offer Price of HK\$0.1668 per Offer Share under the Share Offer equals to the purchase price per Sale Share paid by the Purchaser under the Agreement.

The Option Offer

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

The Independent Board Committee comprising all the independent non-executive Directors has been established to make a recommendation to the Offer Shareholders and the Optionholders as to whether the Offers are fair and reasonable and as to acceptance of the Offers. We, Nuada Limited, have been appointed to advise the Independent Board Committee as to the fairness and reasonableness of the Offers and as to acceptance of the Offers.

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OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected with the Company, the Vendor, the Offeror and the Offeror Concert Parties, Mr. Lee Ka Ho, the Lender, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offers, there were no other engagements between us and the Group or the Offeror or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offers.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this Composite Document and the information and representations provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors or the Offeror (as the case may be) in this Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers, the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than any information relating to the Offeror and its intention in respect of the Group, and the terms of the Offers) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those opinions expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor, the Vendor Guarantors and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Board) have been arrived at

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after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

Our review and analysis were based upon, among other things, (i) the Joint Announcement in relation to the Offers; (ii) this Composite Document; (iii) certain published information from the public domain including announcements in respect of Comparable Companies (as defined as “**Comparable Company(ies)**” below under the paragraph headed “4. Analysis of the Share Offer Price” in this letter); (iv) the annual report of the Company (“**Annual Report 2021**”) for the financial year ended 31 March 2021 (“**FY2021**”); (v) the annual report of the Company (“**Annual Report 2022**”) for the financial year ended 31 March 2022 (“**FY2022**”); and (vi) the annual report of the Company (“**Annual Report 2023**”) for the financial year ended 31 March 2023 (“**FY2023**”).

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group, the Offer Shareholders or the Optionholders as a result of the Offers. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Our opinion is necessarily based on the financial market and other conditions in effect and the information made available to us as at the Latest Practicable Date, and the Offer Shareholders or the Optionholders will be notified of any material changes (if any) to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Offers, we have taken into account the following principal factors and reasons:

1. Information on the Group

(a) Principal business of the Group

With reference to the Board Letter, the Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the Main Board (stock code: 1894). The Group is principally engaged in provision of steel and metal engineering services in Hong Kong, ranging from design, manufacture, supply and installation of steel and metal products for construction projects, under the brand “Hang Yick (恒益)”.

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(b) Financial information of the Group

The table below summarises the financial results of the Group for FY2021, FY2022 and FY2023 respectively as extracted from the Annual Report 2022 and the Annual Report 2023.

Table 1: Consolidated income statement of the Group

	For the year ended		
	31 March 2023	31 March 2022	31 March 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
		<i>(Re-presented)</i>	
		<i>(Note 1)</i>	
Continuing operations			
Revenue	184,904	203,598	209,608
Direct costs	(162,547)	(160,289)	(191,713)
Gross profit	22,357	43,309	17,895
Profit/(loss) for the year attributable to the owners of the Company	(21,707)	19,678	(81,620)
— <i>Arises from continuing operations</i>	1,758	17,795	Not applicable
— <i>Arises from discontinued operation</i>	(23,465)	1,883	Not applicable

Notes:

- As detailed in the Annual Report 2023, given the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the PRC business subsidiary, HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company, and its subsidiaries (“**HY China Group**”) in 2020, and whom the Group were unable to contact after their departure, the Board were unable to access more specific business records and supporting explanations of the HY China Group’s accounting records. Therefore, the Board has resolved to voluntarily wind up HY China on 18 January 2023. HY China Group was therefore de-consolidated from the consolidated financial statements of the Group with effect from 24 February 2023 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements. The operation of HY China Group was discontinued on the same date. According to the Management and note 43 to the consolidated financial statements of the Annual Report 2023, the comparative figures in the consolidated statement of profit or loss and other comprehensive income have been re-presented to conform to the operation of HY China Group classified as discontinued in FY2023.

Financial performance for FY2021

The Group recorded a revenue of approximately HK\$209.61 million for FY2021, which is stable when compared to that for the year ended 31 March 2020 (“**FY2020**”) (i.e. approximately HK\$200.38 million). The gross profit of the Group decreased from approximately HK\$49.79 million for FY2020 to approximately HK\$17.90 million for FY2021 mainly due to the increase of direct costs of the Group from approximately HK\$150.60 million for FY2020 to approximately HK\$191.71 million for FY2021 and such increase was mainly attributable to (i) the outbreak of COVID-19 and the quarantine policies implemented in the PRC for FY2021 and the Group had decided to switch parts of fabrication works from the PRC to Hong Kong in order to complete the projects on hand without delay which increased the labour costs of the Group; and (ii) the sizeable steel and metal engineering service projects of the Group were in final stage during FY2021 and more site workers were required, which also caused the increase in the labour costs according to the Annual Report 2021 and the Management.

The Group recorded a change from a profit for the year attributable to the owners of the Company of approximately HK\$12.25 million for FY2020 to a loss for the year attributable to the owners of the Company of approximately HK\$81.62 million for FY2021. According to the Annual Report 2021 and the Management, such turnaround was mainly due to occurrence of loss on the Incident Transactions (as defined below) of approximately HK\$111.98 million for FY2021 (i.e. FY2020:nil). Based on the information available up to the date of the Annual Report 2021, the Board has considered that there was high uncertainty to recover the outstanding balances and hence a provision of an aggregate of approximately HK\$111.98 million have been made for FY2021.

With reference to the Annual Report 2021, three former executive directors of the Company (the “**Involved Former Directors**”) were arrested for suspected market misconduct and fraud by the SFC, the Commercial Crime Bureau of the Hong Kong Police Force and the Independent Commission Against Corruption in April 2021 and July 2021 respectively. The Involved Former Directors were alleged to have conspired to use bogus transactions to embezzle funds of the Company (the “**Alleged Bogus Transactions**”). Upon consideration of the findings of the independent forensic investigation performed by a special investigation committee (“**SIC**”) established by the Board and assisted by an independent forensic accountant, the SIC identified that the Alleged Bogus Transactions and certain payments of prepayments, deposits and advances transactions that occurred during the years ended 31 March 2019 and 2020 (collectively, the “**Incident Transactions**”) related to irregularities which involved the Involved Former Directors, a former director (who is not one of the Involved Former Directors as mentioned above according to the Management), a former employee and/or their business associates.

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In addition, as detailed in the Independent Auditor's Report of the Annual Report 2021, given the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the PRC business subsidiary, HY China and its subsidiaries in 2020, and whom the Group was unable to contact after their departure, the Board was unable to access more specific business records and supporting explanations of the HY China Group's accounting records (collectively "**Insufficient Accounting Records**").

As the auditor of the Company ("**Auditor**") was not able to obtain sufficient appropriate audit evidence in relation to the Incident Transactions and Insufficient Accounting Records, the Auditor did not express an opinion on the consolidated financial statements of the Group for FY2021. Please refer to the Independent Auditor's Report as set out in the Annual Report 2021 and Appendix II of the Composite Document for further details.

After discussion with the Auditor regarding the Incident Transactions and Insufficient Accounting Records, we understand that the Auditor already stated their findings in the Independent Auditor's Report in the Annual Report 2021. Given the disclaimer of opinions issued by the Auditor, we are of the view that there is uncertainty in the accuracy of the financial information of the Company for FY2021.

Financial performance for FY2022

The Group recorded a revenue of approximately HK\$203.60 million for FY2022, which is stable when compared to that of FY2021 (HK\$209.61 million). Nevertheless, the gross profit of the Group increased substantially from approximately HK\$17.90 million for FY2021 to approximately HK\$43.31 million for FY2022, representing an increase of approximately 141.96%. According to the Annual Report 2022 and the Management, such increase was mainly due to (i) recognition of revenue of one of the Group's projects which has high gross profit margin during FY2022; and (ii) decrease in direct cost by 16.39% from approximately HK\$191.71 million in FY2021 to approximately HK\$160.29 million in FY2022 as a result of cost control approach adopted during FY2022. The Group recorded a change from a loss for the year attributable to the owners of the Company of approximately HK\$81.62 million for FY2021 to a profit for the year attributable to the owners of the Company of approximately HK\$19.68 million for FY2022. According to the Annual Report 2022 and the Management, the improvement was mainly due to (a) the aforesaid improvement in gross profit; and (b) without the one-off impairment loss on the Incident Transactions for FY2022 as compared to that of FY2021 (i.e. approximately HK\$111.98 million for FY2021).

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As the Auditor was not able to obtain sufficient appropriate audit evidence in relation to the Incident Transactions and Insufficient Accounting Records, the Auditor did not express an opinion on the consolidated financial statements of the Group for FY2022. Please refer to the Independent Auditor's Report as set out in the Annual Report 2022 and Appendix II of the Composite Document for further details.

After discussion with the Auditor regarding the Incident Transactions and Insufficient Accounting Records, we understand that the Auditor already stated their findings in the Independent Auditor's Report in the Annual Report 2022. Given the disclaimer of opinions issued by the Auditor, we are of the view that there is uncertainty in the accuracy of the financial information of the Company for FY2022.

Financial performance for FY2023

The Group recorded a revenue from continuing operations of approximately HK\$184.90 million for FY2023, representing a decrease of approximately 9.18% as compared with that of approximately HK\$203.60 million for FY2022. According to the Annual Report 2023 and the Management, such decrease was mainly due to the delay in the progress of the Group's steel and metal engineering service projects because of more strict cross border transportation restrictions as compared to FY2022 caused by a new wave of COVID 19 outbreak. The work schedule of projects on hand of the Group in Hong Kong had also been delayed during the second half of 2022 due to a new wave of COVID-19 outbreak. In March 2022, the Development Bureau granted a maximum period of six months as extension of time for all government work contracts in progress (https://www.devb.gov.hk/en/publications_and_press_releases/press/index_id_11160.html). Accordingly, less works of the Group were carried out in the second half of FY2023. The gross profit from continuing operations of the Group decreased substantially from approximately HK\$43.31 million for FY2022 to approximately HK\$22.36 million for FY2023, representing a decrease of approximately 48.37%. The gross profit margin from continuing operations of the Group also decreased from approximately 21.27% for FY2022 to approximately 12.09% for FY2023. According to the Annual Report 2023 and the Management, such decrease in gross profit from continuing operations was mainly due to (i) decrease in the revenue of the Group as mentioned above; (ii) the Group has launched new steel and metal engineering services projects during FY2023 and in general the gross profit of these projects during their early stage would be relatively low as compared to gross profit of these projects during their later stage; (iii) the increase in transportation costs as a result of the more strict cross border transportation restrictions as mentioned above; (iv) the increase in labour cost in terms of wages of construction workers mainly due to shortage of construction workers in Hong Kong; and (v) the Group accepted small quantity orders and short terms projects which have lower profit margin.

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With reference to note 15 to the consolidated financial statements of the Group for FY2023 in the Annual Report 2023 and according to the Management, the profit attributable to the owners of the Company arises from discontinued operation of approximately HK\$1.88 million for FY2022 and the loss attributable to the owners of the Company arises from discontinued operation of approximately HK\$23.47 million for FY2023 were wholly generated from the operation of HY China.

The Group recorded loss for the year attributable to owners of the Company of approximately HK\$21.71 million for FY2023. If we do not take into account the loss for the year attributable to owners of the Company arises from discontinued operation of the Group of approximately HK\$23.47 million for FY2023, the profit for the year attributable to owners of the Company (arises from continuing operations) would be approximately HK\$1.76 million for FY2023 which represents a decrease of approximately 90.11% when compared to that for FY2022 (approximately HK\$17.8 million). With reference to the Annual Report 2023 and the Management, such decrease in profit was mainly due to the decrease in revenue from continuing operations from approximately HK\$203.60 million in FY2022 to approximately HK\$184.90 million in FY2023 and decrease in gross profit from continuing operations of the Group from approximately HK\$43.31 million for FY2022 to approximately HK\$22.36 million for FY2023.

The Board had resolved to voluntarily wind up HY China on 18 January 2023 and HY China were de-consolidated from the consolidated financial statements of the Group with effect from 24 February 2023. The operation of HY China and its subsidiaries was discontinued on the same date. As the Auditor was not able to obtain sufficient appropriate audit evidence in relation to the Incident Transactions and Insufficient Accounting Records, the Auditor did not express an opinion on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for FY2023. The Auditor was in the opinion that the consolidated statement of financial position give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 as the Auditor believed that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their opinion on the consolidated financial position as at 31 March 2023. Please refer to the Independent Auditor's Report as set out in the Annual Report 2023 and Appendix II of the Composite Document for further details. After discussion with Auditor regarding the Incident Transactions and Insufficient Accounting Records, we understand that the Auditor already stated their findings in the Independent Auditor's Report in the Annual Report 2023. Given the disclaimer of opinions issued by the Auditor, we are of the view that there is uncertainty in the accuracy of the financial information of the Company for FY2023.

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Table 2: Financial position of the Group

	As at 31 March 2023	As at 31 March 2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)
Current assets	167,330	168,831
— Inventories	22,831	34,879
— Trade receivables	12,054	20,943
— Other receivables, deposits and prepayments	3,974	5,777
— Contract assets	46,518	50,234
— Current tax assets	2,567	2,075
— Cash and cash equivalents	79,386	54,923
Current liabilities	18,842	30,809
— Trade and other payables and accruals	14,276	26,143
— Contract liabilities	518	260
— Lease liabilities	300	66
— Bank borrowing	3,740	3,960
— Current tax liabilities	8	380
Non-current assets	22,166	24,301
— Property, plant and equipment	12,566	14,793
— Right-of-use assets	3,943	3,786
— Financial asset at fair value through profit or loss	5,545	5,343
— Deposits	27	379
— Deferred tax assets	85	—
Net current assets	148,488	138,022
Total assets	189,496	193,132
Non-current liabilities	556	240
— Provisions	161	161
— Lease liabilities	395	—
— Deferred tax liabilities	—	79
Total liabilities	19,398	31,049
Net assets	170,098	162,083
Equity attributable to owners of the Company	170,098	194,529

As stated in the Annual Report 2023, as at 31 March 2023, current assets of the Group amounted to approximately HK\$167.33 million as compared with that of approximately HK\$168.83 million as at 31 March 2022. The inventories of the Group decreased from approximately HK\$34.88 million as at 31 March 2022 to approximately HK\$22.83 million as at 31 March 2023. However, the cash and cash equivalents increased from approximately HK\$54.92 million as at 31 March 2022 to approximately HK\$79.39 million as at 31 March 2023, according to the consolidated statement of cash flows in the Annual Report 2023, (i) the net cash generated

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from operating activities of the Group increased from approximately HK\$15.22 million for FY2022 to approximately HK\$27.52 million for FY2023; and (ii) net cash used in financing activities decreased from approximately HK\$40.76 million for FY2022 to approximately HK\$597,000 for FY2023. The improvement of the abovementioned cash inflow and outflow offset the turnaround from net cash generated from investing activities of approximately HK\$34.96 million for FY2022 to net cash used in investing activities of approximately HK\$2.68 million for FY2023.

The non-current assets of the Group slightly decreased from approximately HK\$24.30 million as at 31 March 2022 to approximately HK\$22.17 million as at 31 March 2023, mainly due to the decrease of property, plant and equipment from approximately HK\$14.79 million as at 31 March 2022 to approximately HK\$12.57 million as at 31 March 2023.

The current liabilities of the Group decreased from approximately HK\$30.81 million as at 31 March 2022 to approximately HK\$18.84 million as at 31 March 2023, which was mainly due to the decrease of trade and other payables and accruals from approximately HK\$26.14 million as at 31 March 2022 to approximately HK\$14.28 million as at 31 March 2023. As the decrease of total liabilities exceeded the decrease of total assets, the net assets of the Group increased from approximately HK\$162.08 million as at 31 March 2022 to approximately HK\$170.10 million as at 31 March 2023. The equity attributable to owners of the Company decreased from approximately HK\$194.53 million as at 31 March 2022 to approximately HK\$170.10 million as at 31 March 2023, which was mainly due to the Group's reserves decreased from approximately HK\$186.85 million as at 31 March 2022 to approximately HK\$162.42 million as at 31 March 2023 as a result of the loss for the year of the Group attributable to owners of the Company of approximately HK\$21.71 million for FY2023 according to the consolidated statement of changes in equity set out in Annual Report 2023.

(c) Business outlook of the Group

According to the Management, for FY2023, over 65% of the contract sum of steel and metal engineering service projects on hands of the Group are from public sector. With reference to the Chief Executive's 2022 Policy Address (the "**Policy Address**") (https://www.policyaddress.gov.hk/2022/public/pdf/policy/policy-full_en.pdf), the Hong Kong Government estimated 360,000 public housing units will be built before 2032. The Chief Executive also committed to further boosting public housing supply partly by invoking land resumption to resume certain private land. However, the distribution of public housing production in the coming decade will be uneven and only about one-third of the abovementioned 360,000 units are projected to be completed before 2028 according to the Policy Address. Despite the target of Hong Kong government to increase the building projects in the long term future and the Group secured three major steel and metal works public housing project located at Shek Pai Wan,

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Kwun Tong and Sheung Shui with contract sum of more than HK\$10 million each for FY2023 according to the paragraph headed “Management Discussion and Analysis — Review of operations and business development” under the Annual Report 2023, most of projects on hands of the Group are from public sector as mentioned above and generally by tenders, the Group’s performance relied on successful quotation or tenders of potential projects which are not recurrent in nature and there is no guarantee that the Group would secure new projects.

According to the Management, for FY2022 and FY2023, over 40% of the direct costs of the Group consists of labour costs and with reference to the Annual Report 2023, over 50% of headcounts of the Group were working in Hong Kong as at 31 March 2023. In order to understand the future demand of labour of construction industry which affects the direct costs of the Group, we made reference to the Report on Manpower Projection to 2027 issued by the Census and Statistics Department of Hong Kong Government (“**Census and Statistics Department**”) in 2019 (https://www.censtatd.gov.hk/en/data/stat_report/product/B1050016/att/B1050016E2019XXXXE0100.pdf), it is projected that the manpower requirements of construction sector would increase at an average annual rate of approximately 0.5% from actual manpower requirement of approximately 348,600 in 2017 to projected manpower requirement of approximately 367,400 in 2027. According to the “Report on Annual Earnings and Hours Survey” released by Census and Statistics Department in March 2023 (https://www.censtatd.gov.hk/en/data/stat_report/product/B1050014/att/B10500142022AN22B0100.pdf), the median monthly wage of construction industry increased from approximately HK\$23,200 during May to June in 2021 to approximately HK\$23,900 during May to June in 2022, which represents a growth of approximately 3.02%. Accordingly, the shortage of construction workers and the increasing wages of construction workers could increase the labour cost of the Group in the short future.

In July 2023, the Development Bureau of Hong Kong Government (“**Development Bureau**”) has issued Labour Importation Scheme for the Construction Sector (“**Labour Importation Scheme**”) in order to address the manpower shortage of the construction sector in Hong Kong (https://www.devb.gov.hk/en/construction_sector_matters/css/index.html), however, Development Bureau stated that the eligibility for application of the Labour Importation Scheme are primarily applies to public sector construction works contracts with contract value no less than HK\$1 billion. According to the Management, the Group did not secure any public construction project that have contract value of more than HK\$1 billion in the past and they are not eligible to join the Labour Importation Scheme as mentioned above at current stage. Accordingly, we are of the opinion that it is unlikely that the Labour Importation Scheme will be beneficial to the Group to solve the labour shortage concern at current stage. Based on the increasing demand of manpower for construction industry and increasing wage for construction industry workers as mentioned

above, we can foresee that the construction costs of the Group is in an increasing trend in the short future and continuously affect the financial performance of the Group.

Having considered (i) only one-third out of the estimated 360,000 public housing units are projected to be built in the short term by 2028 according to the Policy Address; (ii) the increasing demand for manpower and increasing labour cost due to shortage of construction workers may continuously affect the financial performance of the Group in the near future; (iii) the Group secured only three major steel and metal works public housing projects located at Shek Pai Wan, Kwun Tong and Sheung Shui with contract sum of more than HK\$10 million each for FY2023 according to the paragraph headed “Management Discussion and Analysis — Review of operations and business development” under the Annual Report 2023; (iv) the Group’s performance relied on successful quotation or tenders of potential projects which are not recurrent in nature and there is no guarantee that the Group would secure new projects; (v) the worsened financial performance of the Group for FY2023 as compared to FY2022 as the revenue (i.e. from approximately HK\$203.60 million for FY2022 to approximately HK\$184.90 million for FY2023), gross profit margin (i.e. from approximately 21.27% for FY2022 to approximately 12.09% for FY2023) and profits for the year attributable to the owners of the Company arose from the continuing operations of the Group (i.e. from approximately HK\$17.80 million for FY2022 to approximately HK\$1.76 million for FY2023) decreased from FY2022 to FY2023 as mentioned above; and (vi) there is uncertainty in the accuracy of the financial information of the Company for FY2023 given the disclaimer of opinions issued by the Auditor, we remain cautious about the prospects and outlook of the Group and we are of the opinion that the Offers provide an opportunity for the Offer Shareholders to realise their investment in the Company for cash should the Offeror encounter challenges and the performance of the Group be negatively impacted by the upcoming uncertainties.

2. Information on the Offeror and the Offeror’s intention regarding the Group

(a) Information on the Offeror

As stated in the Board Letter, 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser began to invest in construction sector in China. In September 2021, the Purchaser 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 Purchaser 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 stated in the Board Letter, as at the Latest Practicable Date, the Purchaser does not hold any directorship in any listed companies in Hong Kong or the PRC.

Based on the background information of the Offeror as stated above, we are of the view the Offeror did not have relevant working experience to the existing business of the Group and contribution to the existing business of the Group in the near future is uncertain.

(b) Intention of the Offeror in relation to the Group

As stated in the “Letter from Space Securities” in this Composite Document, 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.

(c) Changes to the composition of the Board

As stated in the Board Letter, as at the Latest Practicable Date, the executive Directors are Mr. Sin Kwok Chi Stephen and Mr. Ho Chi Yuen; and the independent non-executive Directors are Mr. Leung Fuk Shun, Mr. Cheung Chun Man Anthony and Mr. Law Chi Hung. Mr. Ho Chi Yuen 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. The Board is aware of the intentions of the Offeror in respect of the Group and that 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. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made accordingly.

(d) Maintenance of the listing status of the Company

As stated in the “Letter from Space Securities” in this Composite Document, 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.

(e) Our view

Having considered that (i) the contribution from the Offeror to the existing business of the Group is uncertain based on the background of the Offeror as stated above; (ii) 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; (iii) 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; (iv) the Offeror has no intention to discontinue the employment of any

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employees of the Group; (v) the Offeror has no intention to redeploy the fixed assets of the Company other than those in its ordinary and usual course of business; and (vi) as at the Latest Practicable Date, no new investment opportunities have been identified, we expect that there would not be substantial change in the principal business activities of the Group as a direct result of the Offers.

3. Principal terms of the Offers

As stated in the Board Letter, Space Securities will make the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

The Share Offer

For every Offer ShareHK\$0.1668 in cash

The Share Offer Price of HK\$0.1668 per Offer Share under the Share Offer equals to the purchase price per Sale Share paid by the Purchaser under the Agreement.

(a) Comparison of value

The Share Offer Price of HK\$0.1668 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 approximately 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

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(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.

4. Analysis of the Share Offer Price

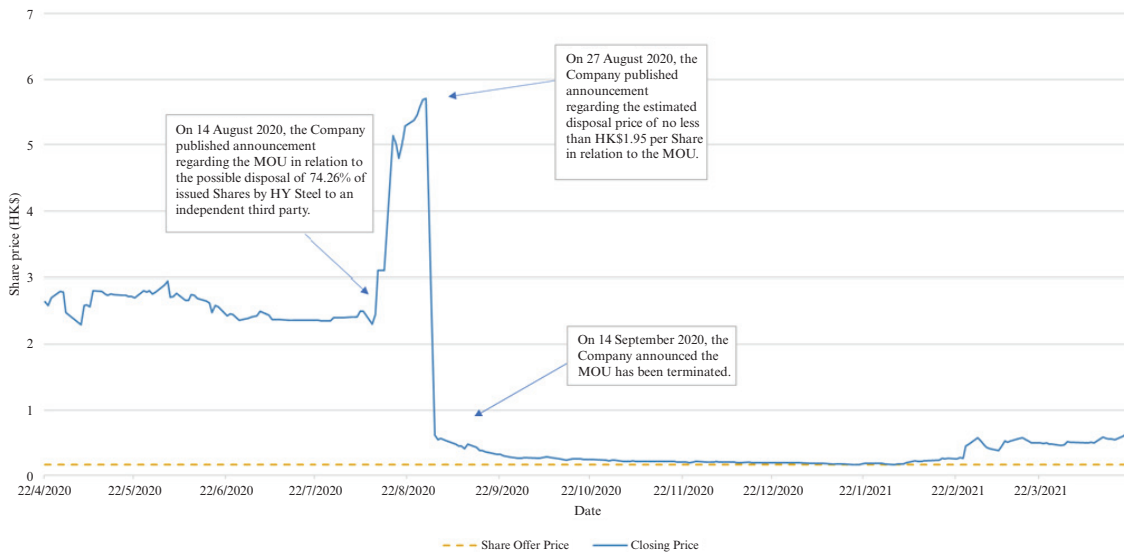
The trading in the Shares has been prolonged suspended from 22 April 2021 to 3 August 2023 (“**Suspended Period**”). Given that the closing price of the Shares prior to the suspension of trading does not reflect the current financial and trading position of the Company, in addition to the comparison between the Share Offer Price and the historical closing prices of the Shares based on the information from 23 April 2020, being the date one year prior to the Last Trading Day, to the Last Trading Day (the “**2021 Review Period**”) which is for reference only, we also analysed the Share Offer Price based on the information from 4 August 2023, being the date that the trading in the Shares resumed until the Latest Practicable Date (the “**2023 Review Period**”).

(a) Analysis of the Share Offer Price during 2021 Review Period

i. Historical price performance of the Shares during the 2021 Review Period

Set out below are our analysis on the Share Offer Price to the Share price during 2021 Review Period:

Graph 1: Historical daily closing price per Share during the 2021 Review Period



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As illustrated from the chart above, the movement of the closing prices of the Shares was between a range from HK\$0.158 per Share to HK\$5.72 per Share recorded with an average closing price of the Share of approximately HK\$1.24 per Share during the 2021 Review Period (the “**Average Closing Price**”). The Share Offer Price represents a discount of approximately 86.55% to the Average Closing Price. We are of the view that such deep discount was for reference only as the average closing price of the Shares during the 2021 Review Period does not reflect the current financial and trading position of the Company as the trading in Shares had been prolonged suspended for more than two years and three months during the Suspended Period.

We noted that the daily closing prices of the Shares have been stable from the beginning of the 2021 Review Period until middle of August 2020. Then the closing price of the Share surged from HK\$3.10 on 14 August 2020 to HK\$5.15 on the next trading day, 17 August 2020. We believe that was due to the Company’s announcement dated 14 August 2020 that an independent third party and HY Steel entered into a memorandum of understanding (“**MOU**”) on 14 August 2020 regarding a possible sale of 74.26% of the then issued Shares to the potential purchaser. The closing price of the Share reached its peak during the 2021 Review Period (i.e. HK\$5.72) on 28 August 2020. The closing price of the Share then dropped from HK\$5.72 on 28 August 2020 to HK\$0.61 on the next trading day, 31 August 2020. We believe that was related to the Company’s announcement dated 27 August 2020 that the price of the abovementioned disposal is estimated to be no less than HK\$1.95 per Share, which is much lower than the closing price of the Share on 27 August 2020 (i.e. HK\$5.70). On 14 September 2020, the Company announced the MOU has been terminated and the closing price of the Share had been trading below HK\$0.70 until the end of the 2021 Review Period.

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ii. *Historical trading liquidity of the Shares during the 2021 Review Period*

The following table sets out the historical trading liquidity of the Shares during the 2021 Review Period:

Table 3: Historical trading liquidity of the Shares during the 2021 Review Period

Month/ Period	Number of trading days in each month/ period <i>(Shares)</i>	Total trading volume in each month/period <i>(Shares)</i>	Average daily trading volume in each month/ period <i>(Note 1)</i>	Percentage of	Percentage of	Percentage of
				average trading volume to total number of Shares in issue at the month/ period end <i>(Note 2)</i> <i>(%)</i>	Shares held by public Shareholders to total number of Shares in issue at the month/ period end <i>(Note 3)</i> <i>(%)</i>	average trading volume to total number of Shares held by public Shareholders at the month/ period end <i>(Note 4)</i> <i>(%)</i>
2020						
April	6	8,025,000	1,337,500	0.17	25.74	0.68
May	20	11,820,000	591,000	0.08	25.74	0.30
June	21	16,600,000	790,476	0.10	25.74	0.40
July	22	1,935,000	87,955	0.01	25.74	0.04
August	21	466,569,621	22,217,601	2.89	25.74	11.24
September	22	339,452,000	15,429,636	2.01	25.74	7.81
October	18	43,298,100	2,405,450	0.31	25.74	1.22
November	21	19,240,000	916,190	0.12	25.74	0.46
December	22	20,548,501	934,023	0.12	25.74	0.47
2021						
January	20	17,820,000	891,000	0.12	25.74	0.45
February	18	166,610,000	9,256,111	1.21	25.74	4.68
March	23	214,585,000	9,329,783	1.22	26.45	4.60
April <i>(Note 5)</i>	11	305,200,000	27,745,455	3.61	33.15	10.90

Source: the Stock Exchange's website (www.hkex.com.hk) and yahoo finance website (https://finance.yahoo.com/quote/1894.HK/history?p=1894.HK)

Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the corresponding number of trading days of that month/period.
2. It is calculated by dividing the average daily trading volume of the Shares by the total number of Shares in issue at each month/period end.
3. We calculated the number of Shares held by public Shareholders by using the number of issued Shares of the Company at the end of each month based on the monthly return of the Company available from the Stock's Exchange website minus the number of Shares held by substantial Shareholders of the Company, which are available from disclosure of interests of the Stock Exchange website.
4. It is calculated by dividing the average daily trading volume of the Shares by the total number of Shares held by public Shareholders at each month/period end.
5. Trading in the Shares had been suspended during the Suspended Period.

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As depicted above, during the 2021 Review Period, the range of average daily trading volume of each month or period represents approximately 0.01% to 3.61% of the total number of Shares in issue at the end of the respective month or period. The average daily trading volume of the Shares on the Stock Exchange during the 2021 Review Period was approximately 6,660,013 Shares, representing approximately 0.87% of the Company's existing total issued Shares.

During the 2021 Review Period, we noticed that the percentage of number of Shares held by public Shareholders to the total number of Shares in issue at each of the month end were less than 35% according to the disclosure of interest in the website of the Stock Exchange and the trading volume of Shares were slightly higher in August 2020 and April 2021. For the increased average trading volume to approximately 11.24% to the total number of Shares held by public Shareholders in August 2020, we believe that it was possibly due to the Company's announcement dated 14 August 2020 regarding the abovementioned MOU. According to the Company's announcement on 14 September 2020, the Company announced the MOU has been terminated and we could see the decreasing trend of the trading volume of Shares from August 2020 to October 2020 that the average trading volume of Shares to the total number of Shares held by public Shareholder has decreased from approximately 11.24% in August 2020 to approximately 7.81% in September and further decreased to approximately 1.22% in October 2020 which the relatively high trading volume in August 2020 was not sustainable.

We also noticed that the average trading volume to the total number of Shares held by public Shareholders has increased from approximately 4.60% in March 2021 to approximately 10.90% in April 2021. With reference to the Company's announcement dated 31 March 2021, the Company announced there were certain changes of independent non-executive Directors and company secretary of the Company, the trading volume of the Shares then increased in the April 2021. We have discussed with the Management regarding the relatively high trading volume of the Shares in April 2021 and were advised that they are not aware of any particular reason that led to the unusual trading volume movement apart from the abovementioned announcement. The trading in Shares had then been suspended on 22 April 2021 and the Company has published an announcement regarding an enforcement authority having attended the office premises of the Group in Hong Kong with search warrants relating to an investigation on 22 April 2021.

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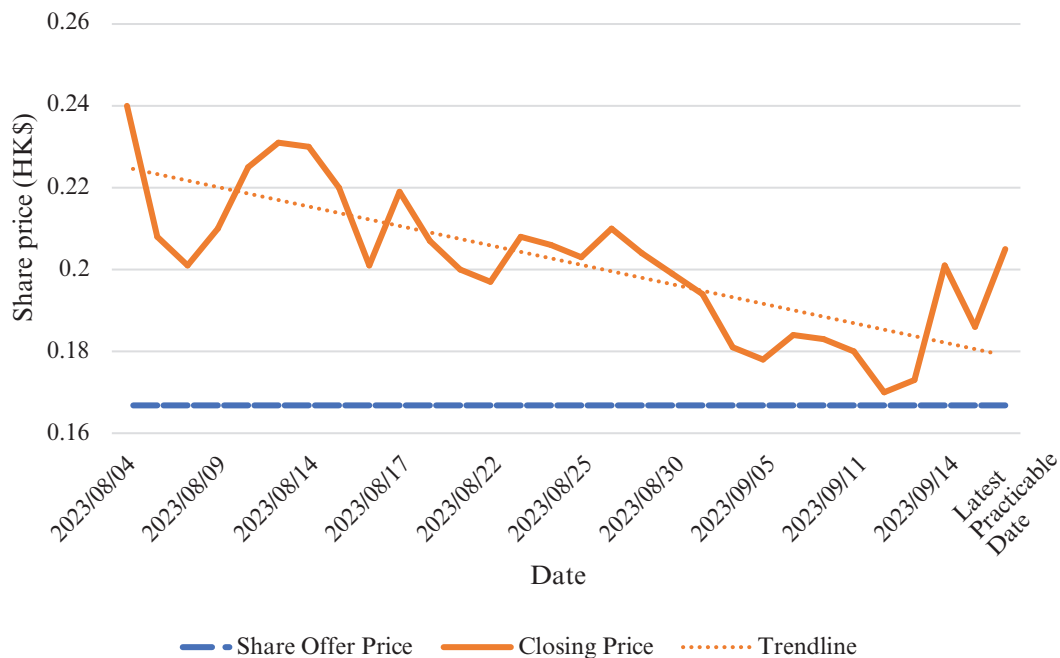
If excluding the trading volume in August 2020 and April 2021, the average daily trading volume of which might be affected by certain abovementioned announcements that the Company announced, during the 2021 Review Period, (i) the range of average daily trading volume of each month or period represents approximately 0.01% to 2.01% of the total number of Shares in issue at the end of the respective month or period; and (ii) the average daily trading volume of the Shares on the Stock Exchange during the 2021 Review Period was approximately 4,037,247 Shares, representing approximately 0.53% of the Company's existing total issued Shares, which means the trading volume of the Shares were thin.

(b) Analysis of the Share Offer Price during 2023 Review Period

As the trading in Shares had been prolonged suspended for more than two years and three months during the Suspended Period, we suggest the Offer Shareholders to make reference to our analysis on the trading price performance and trading liquidity of the Share after resumption of trading on 4 August 2023 below.

i. Price performance of the Shares during the 2023 Review Period

Graph 2: Historical daily closing price per Share during the 2023 Review Period



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On 4 August 2023, being the date on which the trading in the Shares resumes, the closing price of the Share has dropped to HK\$0.24, which represents a drop of approximately 63.64% when compared to that as at Last Trading Day. During the 2023 Review Period, the closing prices of the Shares as quoted on the Stock Exchange were moving between HK\$0.17 (the “**2023 Review Period Lowest Price**”) recorded on the 12 September 2023 and HK\$0.24 (the “**2023 Review Period Highest Price**”) recorded on 4 August 2023 respectively. The Share Offer Price represents a discount of approximately 30.50% to the 2023 Review Period Highest Price and a discount of approximately 1.88% to the 2023 Review Period Lowest Price. The average closing price of the Share during the 2023 Review Period was HK\$0.202 (the “**2023 Review Period Average Price**”) and the Share Offer Price represents a discount of approximately 17.43% to the 2023 Review Period Average Price.

ii. Trading liquidity of the Shares during the 2023 Review Period

The following table sets out the historical trading liquidity of the Shares during the 2023 Review Period:

Table 4: Historical trading liquidity of the Shares during the 2023 Review Period

Date	Daily trading volume on the trading day (Shares)	Percentage of trading volume to total number of Shares in issue as at the Latest Practicable Date (Note 1) (%)	Percentage of trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date (Note 2) (%)
04 August 2023	32,235,000	4.20	12.67
07 August 2023	16,250,000	2.12	6.39
08 August 2023	2,745,000	0.36	1.08
09 August 2023	6,555,000	0.85	2.58
10 August 2023	2,315,000	0.30	0.91
11 August 2023	4,975,000	0.65	1.96
14 August 2023	610,000	0.08	0.24
15 August 2023	535,000	0.07	0.21
16 August 2023	1,305,000	0.17	0.51
17 August 2023	1,365,000	0.18	0.54
18 August 2023	360,000	0.05	0.14
21 August 2023	1,325,000	0.17	0.52
22 August 2023	1,030,000	0.13	0.40
23 August 2023	2,610,000	0.34	1.03
24 August 2023	1,020,480	0.13	0.40
25 August 2023	770,000	0.10	0.30
28 August 2023	1,525,000	0.20	0.60

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Date	Daily trading volume on the trading day (Shares)	Percentage of trading volume to total number of Shares in issue as at the Latest Practicable Date (Note 1) (%)	Percentage of trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date (Note 2) (%)
29 August 2023	2,510,000	0.33	0.99
30 August 2023	475,000	0.06	0.19
31 August 2023	695,000	0.09	0.27
4 September 2023	3,470,000	0.45	1.36
5 September 2023	1,255,000	0.16	0.49
6 September 2023	2,580,000	0.34	1.01
7 September 2023	2,495,000	0.33	0.98
11 September 2023	940,000	0.12	0.37
12 September 2023	895,000	0.12	0.35
13 September 2023	1,650,000	0.21	0.65
14 September 2023	5,650,000	0.74	2.22
15 September 2023	240,000	0.03	0.09
Latest Practicable Date, i.e. 18 September 2023	2,725,000	0.36	1.07

Source: the Stock Exchange's website (www.hkex.com.hk)

Notes:

1. It is calculated by dividing the daily trading volume of the Shares by the total number of Shares in issue as at the Latest Practicable Date.
2. It is calculated by dividing the daily trading volume of the Shares by the total number of Shares held by public Shareholders as at the Latest Practicable Date (i.e. 254,445,000 Shares) with reference to the Board Letter.

During the 2023 Review Period, the daily trading volume of the Shares have recorded with the lowest daily trading volume at 240,000 Shares and the highest daily trading volume at 32,235,000, which represents approximately 0.09% and approximately 12.67% respectively to the total number of Shares held by public Shareholders as at the Latest Practicable Date (i.e. 254,445,000 Shares). The average daily trading volume during the 2023 Review Period was approximately 3,437,016 Shares, which represents approximately 1.35% to the total number of shares held by public Shareholders.

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Given the average daily trading volume during the 2023 Review Period was approximately 3,437,016 Shares, which represents approximately 1.35% to the total number of Shares held by public Shareholders, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of the Shares in the open market, should they wish so, without affecting the price of the Shares and exerting the trading price downwards.

(c) Comparable analysis

In assessing the fairness and reasonableness of the Share Offer, we compared the price-to-earnings ratio (“**PE Ratio**”) and the price-to-book ratio (“**PB Ratio**”) of the Company implied by the Share Offer Price with other listed companies in Hong Kong with business similar to that of the Company. PE Ratio and PB Ratio are the commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained directly from publicly available information and reflect the value of the company determined by the open market. However, given that the Group recorded loss for the year attributable to the owners of the Company for the year ended 31 March 2023, PE Ratio is not applicable and we have relied on the PB Ratio for our comparable analysis.

Given that (i) the revenue of the Group is generated from the provision of steel and metal engineering services and sales of steel and metal products with reference to note 9 to the consolidated financial statements of the Annual Report 2023; and (ii) the market capitalisation of the Company was approximately HK\$143.5 million as at the Latest Practicable Date (based on the total issued shares of 767,600,000 Shares and the average closing price of Share for the five previous consecutive trading days prior to the Latest Practicable Date, HK\$0.187), we attempted to identify companies listed on the Stock Exchange based on the selection criteria that (a) their revenue are fully generated from the sales or production of steel products in their respective latest financial year; (b) market capitalisation of which is below HK\$500 million as at the Latest Practicable Date; and (c) have their shares listed on the Main Board of the Stock Exchange. However, we could only identify one comparable company, which is no.4 of the Comparable Companies (as defined below) in the below table (i.e. KangLi International Holdings Limited).

In this regard, we adjusted the selection criteria to those companies listed on the Main Board which (a) over 50% of their revenue from the sales or production of steel products in their respective latest financial year; and (b) market capitalisation of which is lower than HK\$1 billion as at the Latest Practicable Date, which we could only identify five comparable companies, that are no.1 to no.5 of the Comparable Companies (as defined below) in the below table, with one of the Comparable Company (as defined below), Xiwang Special Steel Company Limited (“**Xiwang**”), has been suspended for trading in its shares as at the Latest Practicable Date (please refer to note 5 of the below table for the

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detailed reasons of exclusion). We were of the view that five comparable companies (which included one comparable company that trading in its shares has been suspended as at the Latest Practicable Date) were not sufficient for analysis and we further adjusted the selection criteria to those companies listed on the Main Board which (a) over 50% of their revenue are from the sales or production of steel products in their respective latest financial year; and (b) market capitalisation of which is lower than HK\$3.50 billion as at the Latest Practicable Date. Based on these selection criteria, we identified eight comparable companies (“**Comparable Company(ies)**”) as shown below. We consider that while the Company and the Comparable Companies are not closely related in terms of, among others, financial performance, financial position and market capitalisation, the principal activities of such companies are in general affected by similar macro-economic factors including but not limited to, economy and outlook. The Comparable Companies represent a complete and an exhaustive list of companies meeting the aforementioned criteria. The following table sets out the details of the Comparable Companies:

Table 5: Information of the Comparable Companies

No.	Company (Stock code)	Principal business	Market capitalisation as at the Latest Practicable Date (HK\$ million) <i>(Note 1)</i>	Average closing price of the share of the respective Comparable Company as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date (HK\$) <i>(Note 2)</i>	Net asset value attributable to the shareholders of the respective Comparable Company (HK\$ million) <i>(Note 3)</i>	PB Ratio (times) <i>(Note 4)</i>
1.	Xiwang Special Steel Company Limited (1266)	Manufacture and sales of steel products	Not applicable <i>(Note 5)</i>	Not applicable <i>(Note 5)</i>	4,863	Not applicable <i>(Note 5)</i>
2.	Maike Tube Industry Holdings Limited (1553)	Manufacturing of steel pipe products and prefabricated pipe nipple products	441	1.016	1,057	0.42
3.	Huajin International Holdings Limited (2738)	Providing cold-rolled carbon steel strips, sheets and welded steel tubes customised to the specifications of its customers	594	0.990	508	1.17
4.	KangLi International Holdings Limited (6890)	Midstream galvanised steel products manufacturer	279	0.460	779	0.36
5.	Chongqing Iron & Steel Company Limited (1053)	Manufacture and distribution of iron and steel products	481	0.894	22,791	0.35
6.	Maanshan Iron & Steel Company Limited (323)	Production and sales of iron and steel products	2,360	1.362	29,273	0.36
7.	Angang Steel Company Limited (347)	Production and distribution of steel.	2,840	2.012	61,940	0.31

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Company No. (Stock code)	Principal business	Market capitalisation as at the Latest Practicable Date (HK\$ million) <i>(Note 1)</i>	Average closing price of the share of the respective Comparable Company as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date (HK\$) <i>(Note 2)</i>	Net asset value attributable to the shareholders of the respective Comparable Company (HK\$ million) <i>(Note 3)</i>	PB Ratio (times) <i>(Note 4)</i>	
8.	Da Ming International Holdings Limited (1090)	Processing, distribution and sales of stainless steel and carbon steel products in China	1,746	1.370	3,458	0.50
				Minimum (excluding outlier) <i>(Note 5)</i>	0.31	
				Maximum (excluding outlier) <i>(Note 5)</i>	1.17	
				Average (excluding outlier) <i>(Note 5)</i>	0.50	
				Median (excluding outlier) <i>(Note 5)</i>	0.36	
	The Share Offer/The Company	144	0.1668 <i>(Note 6)</i>	170.10	0.75 <i>(Note 7)</i>	

Source: the website of the Stock Exchange (www.hkex.com.hk) and the latest published financial reports of the respective Comparable Companies.

Notes:

1. Based on the average closing price of the share of the respective Comparable Company as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date and their respective issued shares as quoted on the latest published monthly return available on the website of the Stock Exchange.
2. The figures are calculated based on the figures available from the website of the Stock Exchange.
3. Based on the figures from respective Comparable Companies' latest published financial reports.
4. The figures are calculated based on the average closing price of the share of the respective Comparable Company as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date (please refer to note 1 above) divided by net asset value attributable to the shareholders of the respective Comparable Company per issued share of the respective Comparable Company.

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5. With reference to the announcement of Xiwang dated 29 March 2023, the trading in shares of Xiwang has been suspended. With reference to the announcement of Xiwang dated 30 March 2023 regarding to, amongst others, (i) a winding-up order was made on 20 March 2023 against Xiwang Investment Company Limited, which owned approximately 36.64% of total issued share capital of Xiwang as at 30 March 2023; and (ii) a winding up petition was filed against Xiwang on 17 February 2023. When trading in shares in Xiwang resumed on 4 April 2023, the closing price of share of Xiwang dropped from HK\$0.134 per share to HK\$0.051 per share and had recorded the closing price of HK\$0.01 on 31 August 2023. With reference to the announcement of Xiwang dated 4 September 2023, trading in shares of Xiwang has been suspended due to delay in publish of their interim results and has still been suspended as at the Latest Practicable Date. Based on the above circumstances, we have excluded Xiwang as Comparable Company for PB Ratio analysis.
6. Being the Share Offer Price.
7. The figure is computed by dividing the Share Offer Price by the equity attributable to owners of the Company as at 31 March 2023 (i.e. HK\$170.10 million according to the Annual Report 2023) per Share.

The PB Ratios of the Comparable Companies (excluding no.1 of the Comparable Company, Xiwang, please refer to note 5 of the table above for the reasons of exclusion) ranged from approximately 0.31 time to approximately 1.17 times, with an average of 0.50 time and a median of approximately 0.36 time. Accordingly, the PB Ratio of the Company implied by the Share Offer Price of approximately 0.75 time is (i) higher than six out of seven Comparable Companies' PB Ratios; and (ii) higher than the average and median of the PB Ratios presented by the Comparable Companies.

Although the Share Offer Price represents a discount of approximately 17.43% to the 2023 Review Period Average Price (i.e. HK\$0.202) and a discount of approximately 18.63% to the closing price of the Shares (i.e. HK\$0.205) as at Latest Practicable Date, having considered that (i) due to the Incident Transactions, the trading in Shares had been prolonged suspended for more than two years and three months during the Suspended Period; (ii) the uncertain business outlook as stated under the paragraph headed "1. Information on the Group — (c) Business outlook of the Group" above in this letter; (iii) the contribution from the Offeror to the existing business of the Group is uncertain based on the background of the Offeror as stated in the paragraph headed "2. Information on the Offeror and the Offeror's intention regarding the Group — (a) Information on the Offeror" above in this letter; (iv) it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of the Shares in the open market, should they wish so, without affecting the price of the Shares and exerting the trading price downwards as stated under the paragraph headed "(ii) Trading liquidity of the Shares during the 2023 Review Period" above in this letter; and (v) the PB Ratio of the Company implied by the Share Offer Price is higher than six out of seven Comparable Companies' PB Ratios and higher than the average and median of the PB Ratios presented by the Comparable Companies as stated above, we are of the view that the Share Offer Price is fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Given the closing price of the Shares has remained to be fluctuated and experienced a downward trend since the publication of the Joint Announcement and up to the Latest Practicable Date, the Offer Shareholders who intend to realise their investment in the Company shall, having regard to their own circumstances, consider selling the Shares in the open market instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would be higher than that receivable under the Share Offer. The Offer Shareholders should consider the overall perspective of the various factors contained in different sections of this letter before making their decision on the acceptance of the Share Offer.

5. The Option Offer

With reference to the Board Letter, save for the Options, as at the Latest Practicable Date, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

Given that the exercise price of the outstanding Options (being HK\$1.53) is significantly higher than the Share Offer Price, the outstanding Options are deeply out of the money. We consider that the Option Offer Price of a nominal value of HK\$0.001 for the cancellation of each Option is fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

The Share Offer

Although the Share Offer Price represents a discount of approximately 18.63% to the closing price of HK\$0.205 per Share as at the Latest Practicable Date, having taken into account the principal factors and reasons as discussed above, and in summary as follows (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) there is uncertainty in the accuracy of the financial information of the Company for FY2021, FY2022 and FY2023 given the disclaimer of opinions issued by the Auditor as stated in the paragraph headed “1. Information on the Group — (b) Financial information of the Group” above in this letter;
- (ii) the revenue (i.e. from approximately HK\$203.60 million for FY2022 to approximately HK\$184.90 million for FY2023), gross profit margin (i.e. from approximately 21.27% for FY2022 to approximately 12.09% for FY2023) and profits for the year attributable to the owners of the Company arose from continuing operations of the Group (i.e. from approximately HK\$17.80 million for FY2022 to approximately HK\$1.76 million for FY2023) decreased from FY2022 to FY2023 as stated under the paragraph headed “1. Information on the Group — (b) Financial information of the Group” above in this letter, we remain cautious of the financial performance of the Group;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (iii) the uncertainty in the prospects and outlook of the Group as stated in the paragraph headed “1. Information on the Group — (c) Business outlook of the Group” above in this letter;
- (iv) there would not be substantial change in the principal business activities of the Group as a direct result of the Offers and the contribution from the Offeror to the existing business of the Group is uncertain based on the background of the Offeror as stated in paragraph headed “2. Information on the Offeror and the Offeror’s intention regarding the Group” above in this letter;
- (v) the P/B ratio of the Company implied by the Share Offer Price of approximately 0.75 time is higher than six out of seven Comparable Companies’ PB Ratios and the average and median of the Comparable Companies’ P/B ratios as stated under the paragraph headed “4. Analysis of the Share Offer Price” above in this letter; and
- (vi) given the low trading liquidity of the Shares during the 2023 Review Period and it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of the Shares in the open market, should they wish so, without affecting the price of the Shares and exerting the trading price downwards as stated under the paragraph headed “4. Analysis of the Share Offer Price” above in this letter, the Share Offer provides an alternative exit to the Offer Shareholders of the Company;

we are of the view that the terms of the Share Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer.

Nevertheless, the Offer Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially because disposal of large blocks of Shares in the open market may trigger price slump of the Shares as a result of the relatively inactive trading in the Shares. The Offer Shareholders who intend to realise their investment in the Company shall, having regard to their own circumstances, consider selling the Shares in the open market instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would be higher than that receivable under the Share Offer.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Option Offer

Given that the exercise price of the outstanding Options (being HK\$1.53) are significantly higher than the Share Offer Price, the outstanding Options are deeply out of the money. We consider that the offer price of a nominal value of HK\$0.001 for the cancellation of each Option is fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Director

Kevin Wong
Vice President

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 18 years of experience in corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

** The English names of PRC nationals, entities, facilities and localities are unofficial translation or transliteration from their Chinese names and are for identification purposes only.*

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form(s) of Acceptance which form part of the terms of the Offers.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar marked “Hang Yick Holdings Company Limited — Share Offer” on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - i. lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Share Offer Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - ii. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Share Offer Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- iii. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - iv. if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror, Advent Corporate Finance and/or Space Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Share Offer Acceptance.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they

become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) Acceptance of the Share Offer will be treated as effective and valid only if the completed Form of Share Offer Acceptance is received by the Registrar on or before the latest time for acceptance of the Share Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- i. accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - ii. from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (e)); or
 - iii. certified by the Registrar or the Stock Exchange. If the Form of Share Offer Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

- (g) If the Share Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Share Offer Acceptance to the relevant Independent Shareholder(s).
- (h) No acknowledgement of receipt of any Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

- (a) The duly completed and signed Form of Option Offer Acceptance should be sent, together with the certificate(s) of the Options (if applicable) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) stating the number of Options in respect of which you intend to accept the Option Offer, by post or by hand, to the Registrar in an envelope marked “Hang Yick Holdings Company Limited — Option Offer” to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.
- (b) If the certificate(s) of the Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the Form of Option Offer Acceptance should nevertheless be completed and delivered in an envelope marked “Hang Yick Holdings Company Limited — Option Offer” to the Registrar together with a letter stating that you have lost one or more of your option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (c) No stamp duty will be deducted from the amount paid or payable to the Optionholders who accept the Option Offer.
- (d) No acknowledgment of receipt of any Form of Option Offer Acceptance, the certificate(s) of the Options (if applicable) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

The latest time and date for acceptance will be 4:00 p.m. on the Closing Date, or if the Offers are extended, any subsequent closing date of the Offers that is extended will be announced by the Offeror in accordance with the Takeovers Code. The Offers are unconditional.

The Offers, if revised/extended, will be done as the Offeror may determine in accordance with the Takeovers Code (or permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offers, which will state the next closing date or that the revised Offers will remain open until further notice and at least 14 days' notice in writing must be given to those Shareholders who have not accepted the Offers before the Offers are closed and an announcement must be published. If the Offeror revises the terms of the Offers, all Shareholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. If the Offers are extended or revised, the announcement of such extension or revision will state the revised Closing Date. If the Offers are revised, the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the revised Composite Document to the Shareholders. If the Closing Date of the Offers is extended, any reference in the Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers so extended.

The Offeror may introduce new condition(s) to be attached to revised Offers, or any subsequent revision thereof but only to the extent necessary to implement the revised Offers and subject to the consent of the Executive in accordance with the Takeovers Code.

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Closing Date, the latest time and date for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of his decision in relation to the revision, extension, expiry of the Offers. The Offeror must publish an announcement on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating, among others,

information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised or extended, or have expired. The announcement will state the following:

- i. the total number of Shares and Options and rights over Shares and Options for which acceptances of the Offers have been received;
 - ii. the total number of Shares and Options and rights over Shares and Options held, controlled or directed by the Offeror and parties acting in concert with any of them before the Offer Period; and
 - iii. the total number of Shares and Options and rights over Shares and Options acquired or agreed to be acquired by the Offeror and parties acting in concert with any of them during the Offer Period. The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offers must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

4. RIGHT OF WITHDRAWAL

- (a) Acceptances of the Offers shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “ANNOUNCEMENTS” above, the Executive may require that the Independent Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the relevant acceptor, in respect of the Share Offer, the Share certificate(s) and/or transfer receipt(s) and/or (in respect of the Option Offer) the Option certificate(s) (if applicable) and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Shareholder.

5. SETTLEMENT OF THE OFFERS

5.1 The Share Offer

Provided that a valid Form of Share Offer Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accept the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Share Offer will be despatched to such Independent Shareholder, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, by ordinary post at his own risk as soon as possible but in any event within 7 Business Days after the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

5.2 The Option Offer

Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) (if applicable) and/or letter(s) of grant (as the case may be) of the Options are complete and in good order in all respects and have been received by the Registrar before the close of the Option Offer, a cheque for the amount due to the Optionholders in respect of the Options tendered by him under the Option Offer will be sent to the respective addresses as they appear in the respective duly completed Form of Option Offer Acceptance received by the Registrar as soon as possible but in any event within 7 Business Days after the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Optionholders.

6. EXERCISE OF SHARE OPTIONS

An Optionholder who wishes to accept the Share Offer may exercise his/her Options (to the extent exercisable) by completing, signing and delivering a notice for exercise of the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the Company no later than 4:00 p.m. on the Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. Optionholders should at the same time complete and sign the Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the terms and conditions of the relevant share option scheme and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or Advent Corporate Finance and/or Space Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her behalf the relevant Share certificate(s) when issued on exercise of the Options as if it was/they were delivered to the Registrar with the Form of Share Offer Acceptance. If an Optionholder fails to exercise his/her Options as aforesaid, there is no guarantee that the Company may issue the relevant Share certificate(s) in respect of the Share(s) allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for him/her/it to accept the Share Offer as a Shareholder of such Share(s) under the terms of the Share Offer.

7. LAPSE OF SHARE OPTIONS

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the relevant share option scheme. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

8. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Offers to the Overseas Shareholders and/or Overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders and/or Overseas Optionholders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders and/or Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and

any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by the accepting Shareholders or Optionholders).

Acceptance of the Offers by any Overseas Shareholder and/or Overseas Optionholders will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offers.

9. TAX IMPLICATIONS

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, Advent Corporate Finance, Space Securities, their respective ultimate beneficial owners and parties acting in concert, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers is in a position to advise the Independent Shareholders and/or Optionholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

10. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, certificate(s), Share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers will be delivered by or sent to or from the Independent Shareholders and/or the Optionholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, Advent Corporate Finance, Space Securities, the Registrar, or other parties involved in the Offers or any of their respective directors, officers, advisers, associates, agents accepts any liability for any loss or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form(s) of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offers.
- (e) Due execution of the Form(s) of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to the Offeror, Space Securities or such person or persons as the Offeror or Space Securities may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of:
 - i. The Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Advent Corporate Finance, Space Securities that the Shares tendered under the Share Offer are sold by such person or persons free from all encumbrances and together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the date of this Composite Document.
 - ii. the Option Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Advent Corporate Finance and Space Securities that the Options tendered under the Option Offer are sold by such person or persons free from all encumbrances and together with all rights accruing or attaching to them on or after the date of this Composite Document.
- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares and/or Options in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares and/or Options held by such nominee for such beneficial owners who accept the Offers.
- (h) If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Share Offer and you have signed this form, this form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before 4:00 p.m. on the Closing Date.

- (i) Reference to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.
- (j) In making their decisions, Shareholders and Optionholders must rely on his/her/its/their own examination of the Offeror and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained therein, and the Form(s) of Acceptance are not to be construed as legal or business advice. Shareholders and the Optionholders could consult with his/her/its/their own professional advisers for professional advice.
- (k) If the Offers lapse for any reason, they shall cease to be capable of further acceptance and the Offeror and Space Securities shall cease to be bound by any of the prior acceptances.
- (l) The Offers are being made by the issue and despatch of this Composite Document on 21 September 2023.
- (m) The Offers are made in accordance with the Takeovers Code.
- (n) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders or Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (o) The English text of this Composite Document and of the Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of translation.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 March 2021, 2022 and 2023 as extracted from the annual reports of the Company for the years ended 31 March 2021, 2022 and 2023 respectively:

	Year ended 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
— continuing operations	209,608	203,598	184,904
— discontinued operation	—	—	—
(Loss)/profit before taxation	(114,460)	21,186	2,920
Income tax credit/(expense)	771	(3,391)	(1,162)
(Loss)/profit for the year			
— continuing operations	(113,689)	17,795	1,758
— discontinued operation	—	3,173	(21,161)
(Loss)/profit for the year attributable to:			
Owners of the Company	(81,620)	19,678	(21,707)
Non-controlling interests	(32,069)	1,290	2,304
(Loss)/profit for the year attributable to owners of the Company arises from:			
— continuing operations	(81,620)	17,795	1,758
— discontinued operation	—	1,883	(23,465)
Comprehensive income attributable to:			
Owners of the Company	(74,966)	20,507	(24,431)
Non-controlling interests	(31,543)	1,124	2,552
Comprehensive income attributable to owners of the Company arises from:			
— continuing operations	(74,966)	18,874	(2,250)
— discontinued operation	—	1,633	(22,181)
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per Share			
Basic and diluted			
From continuing and discontinued operations	(10.6)	2.6	(2.8)
From continuing operations	—	2.3	0.2

Save for the impairment loss on the Incident Transactions (as defined in the paragraph headed “Disclaimers of opinion” below) of approximately HK\$111,983,000 for the year ended 31 March 2021, there were no items of income or expense which are material during each of the three years ended 31 March 2021, 2022 and 2023.

The Board did not recommend the payment of any interim or final dividend for the three financial years ended 31 March 2021, 2022 and 2023, respectively.

The auditors of the Company, RSM Hong Kong (“RSM”), issued disclaimer opinions on the consolidated financial statements of the Group for the financial years ended 31 March 2021 and 2022, and on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year ended 31 March 2023.

Save as disclosed above, there were no items that are exceptional because of size, nature or incidence during each of the three years ended 31 March 2021, 2022 and 2023.

Disclaimers of opinion

For the year ended 31 March 2021

The following is an extract of the auditor’s report on the Group’s consolidated financial statements for the year ended 31 March 2021:

“Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Hang Yick Holdings Company Limited (the “**Company**”), and its subsidiaries (the “**Group**”) set out on pages 65 to 151, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Issues arising from the Investigation

As explained in the section entitled “Suspension of trading in shares of the Company and Investigation” in note 2(a) to the consolidated financial statements, three executive directors of the Company (the “**Involved Former Directors**”) were arrested for suspected market misconduct and fraud by the Securities and Futures Commission, the Commercial Crime Bureau of the Hong Kong Police Force and the Independent Commission Against Corruption (collectively the “**Authorities**”) in April 2021 and July 2021 respectively. The Involved Former Directors were alleged to have conspired to use bogus transactions to embezzle funds of the Company (the “**Alleged Bogus Transactions**”).

As at the date of this report, no formal charge has been made against the Involved Former Directors and each of the Involved Former Directors has resigned from his/or her position as executive director of the Company with effect from 14 September 2022, and as directors, company secretaries and/or legal representatives of all subsidiaries of the Company with effect from 30 September 2022.

In response to this, the board of directors of the Company established a special investigation committee (the “**SIC**”) in May 2021 to carry out an independent investigation and engaged an independent forensic accountant to conduct an independent forensic investigation to assist the SIC in addressing the incidents leading to the investigations by the Authorities (collectively, the “**Independent Investigation**”).

Upon consideration of the findings of the Independent Investigation, the SIC identified that the Alleged Bogus Transactions and certain payments of prepayments, deposits and advances (“**PPDA**”) transactions that occurred during the years ended 31 March 2019 and 2020 (collectively, the “**Incident Transactions**”) related to irregularities which involved the Involved Former Directors, a former director, a former employee and/or their business associates.

The board of directors of the Company as of the date of this report (the “**Newly-Constituted Board**”) were of the opinion that the Incident Transactions were suspicious and the nature of these transactions may be different from what was stated on the relevant underlying documents. Despite the recovery actions taken, the Newly Constituted Board considered that it was highly uncertain to recover the outstanding balances. Accordingly, the Group recognised an impairment loss on the Incident Transactions of approximately HK\$111,983,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

We were unable to obtain sufficient appropriate audit evidence to ascertain:

- (i) the business rationale and commercial substance of the Incident Transactions;

- (ii) the completeness, accuracy and validity of the underlying documents of the Incident Transactions;
- (iii) the completeness, accuracy and validity of the carrying amounts of the resulting balances of the Incident Transactions carried forward from previous years;
- (iv) whether the counterparties of the Incident Transactions were related parties of the Group in accordance with Hong Kong Accounting Standard (“HKAS”) 24 “Related Party Disclosures” or connected parties as defined under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”); and
- (v) whether the impairment loss on the Incident Transactions of approximately HK\$111,983,000 was properly recorded for the year ended 31 March 2021.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of the Incident Transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2021 and the related disclosures.

Insufficient accounting records of certain subsidiaries of the Group

As explained in the section entitled “Voluntary winding up and de-consolidation of the PRC business” in note 2(c) to the consolidated financial statements, the Newly-Constituted Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the PRC business subsidiary, HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company and its subsidiaries (the “**HY China Group**”) in 2020, who the Group were unable to contact after their departure, the Company has retained the basic business records of the HY China Group, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “**Basic Records**”), that were left behind by the former management and accounting departments of the HY China Group as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of the HY China Group’s accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “**Specific Records**”).

In the absence of the Specific Records of the HY China Group following the departure of certain former key management personnel in 2020, the Newly-Constituted Board considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting

department and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

The Newly-Constituted Board has resolved to voluntarily wind up HY China on 18 January 2023. The Company is in progress of appointing the joint and several liquidators of HY China (the “**HY China Liquidators**”) who are expected to be appointed by February 2023. Upon appointment of the HY China Liquidators, the Group will lose control over HY China. HY China Group will therefore be de-consolidated from the consolidated financial statements of the Group in accordance with the requirements of Hong Kong Financial Reporting Standards (“**HKFRS**”) 10 Consolidation Financial Statements.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2021 and the assets and liabilities as at 31 March 2021 as detailed in note 2(c) in the section entitled “Voluntary winding up and de-consolidation of the PRC business” and other related disclosure notes in relation to the HY China Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2021.

Opening balances and the comparative information

As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the Newly-Constituted Board from the former management of the Group in respect of the Incident Transactions and HY China Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2020 and the transactions and notes to financial statements of the Group and Company for the year then ended. Any adjustments that might have been found necessary to the Group’s consolidated statement of financial position as at 31 March 2020 and 1 April 2020 would have a consequential effect on the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2021.”

For the year ended 31 March 2022

The following is an extract of the auditor's report on the Group's consolidated financial statements for the year ended 31 March 2022:

“Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Hang Yick Holdings Company Limited (the “**Company**”), and its subsidiaries (the “**Group**”) set out on pages 65 to 151, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Issues arising from the Investigation

As explained in the section entitled “Suspension of trading in shares of the Company and Investigation” in note 2(a) to the consolidated financial statements, three executive directors of the Company (the “**Involved Former Directors**”) were arrested for suspected market misconduct and fraud by the Securities and Futures Commission, the Commercial Crime Bureau of the Hong Kong Police Force and the Independent Commission Against Corruption (collectively the “**Authorities**”) in April 2021 and July 2021 respectively. The Involved Former Directors were alleged to have conspired to use bogus transactions to embezzle funds of the Company (the “**Alleged Bogus Transactions**”).

As at the date of this report, no formal charge has been made against the Involved Former Directors and each of the Involved Former Directors has resigned from his/or her position as executive director of the Company with effect from 14 September 2022, and as directors, company secretaries and/or legal representatives of all subsidiaries of the Company with effect from 30 September 2022.

In response to this, the board of directors of the Company established a special investigation committee (the “**SIC**”) in May 2021 to carry out an independent investigation and engaged an independent forensic accountant to conduct an

independent forensic investigation to assist the SIC in addressing the incidents leading to the investigations by the Authorities (collectively, the “**Independent Investigation**”).

Upon consideration of the findings of the Independent Investigation, the SIC identified that the Alleged Bogus Transactions and certain payments of prepayments, deposits and advances (“**PPDA**”) transactions that occurred during the years ended 31 March 2019 and 2020 (collectively, the “**Incident Transactions**”) related to irregularities which involved the Involved Former Directors, a former director, a former employee and/or their business associates.

The board of directors of the Company as of the date of this report (the “**Newly-Constituted Board**”) were of the opinion that the Incident Transactions were suspicious and the nature of these transactions may be different from what was stated on the relevant underlying documents. Despite the recovery actions taken, the Newly Constituted Board considered that it was highly uncertain to recover the outstanding balances. Accordingly, the Group recognised an impairment loss on the Incident Transactions of approximately HK\$111,983,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

We were unable to obtain sufficient appropriate audit evidence to ascertain:

- (i) the business rationale and commercial substance of the Incident Transactions;
- (ii) the completeness, accuracy and validity of the underlying documents of the Incident Transactions;
- (iii) the completeness, accuracy and validity of the carrying amounts of the resulting balances of the Incident Transactions carried forward from previous years;
- (iv) whether the counterparties of the Incident Transactions were related parties of the Group in accordance with Hong Kong Accounting Standard (“**HKAS**”) 24 “Related Party Disclosures” or connected parties as defined under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”); and
- (v) whether the impairment loss on the Incident Transactions of approximately HK\$111,983,000 was properly recorded for the year ended 31 March 2021.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of the Incident Transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2022 and the related disclosures.

Insufficient accounting records of certain subsidiaries of the Group

As explained in the section entitled “Voluntary winding up and de-consolidation of the PRC business” in note 2(c) to the consolidated financial statements, the Newly-Constituted Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the PRC business subsidiary, HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company and its subsidiaries (the “**HY China Group**”) in 2020, who the Group were unable to contact after their departure, the Company has retained the basic business records of the HY China Group, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “**Basic Records**”), that were left behind by the former management and accounting departments of the HY China Group as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of the HY China Group’s accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “**Specific Records**”).

In the absence of the Specific Records of the HY China Group following the departure of certain former key management personnel in 2020, the Newly-Constituted Board considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting department and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

The Newly-Constituted Board has resolved to voluntarily wind up HY China on 18 January 2023. The Company is in progress of appointing the joint and several liquidators of HY China (the “**HY China Liquidators**”) who are expected to be appointed by February 2023. Upon appointment of the HY China Liquidators, the Group will lose control over HY China. HY China Group will therefore be de-consolidated from the consolidated financial statements of the Group in accordance with the requirements of Hong Kong Financial Reporting Standard (“**HKFRS**”) 10 Consolidation Financial Statements.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2022 and the assets and liabilities as at 31 March 2022 as detailed in note 2(c) in the section entitled “Voluntary winding up and de-consolidation of the PRC business” and other related disclosure notes in relation to the HY China Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2022.

Opening balances and the comparative information

As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the Newly-Constituted Board from the former management of the Group in respect of the Incident Transactions and HY China Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2021 and the transactions and notes to financial statements of the Group and Company for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 March 2021 and 1 April 2021 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2022."

For the year ended 31 March 2023

The following is an extract of the auditor's report on the Group's consolidated financial statements for the year ended 31 March 2023:

"We were engaged to audit the consolidated financial statements of Hang Yick Holdings Company Limited (the "**Company**"), and its subsidiaries (the "**Group**") set out on pages 63 to 139, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows

Because of the significance of the matters described in the "Basis for Unmodified Opinion on the Consolidated Financial Position and Basis for Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 2023. Accordingly, we do not express an opinion on the consolidated statement of profit or

loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 2023.

Basis for Unmodified Opinion on the Consolidated Financial Position and Basis for Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows

As stated in section entitled “Suspension of trading in shares of the Company and Investigation” in note 2(a) to the consolidated financial statements, the board of directors of the Company as of the date of this report (the “**Newly-Constituted Board**”) was of the opinion that certain payments of prepayments, deposits and advances (“**PPDA**”) transactions (also known as “**Incident Transactions**”) occurred during the years ended 31 March 2019 and 2020, involving HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company and its subsidiaries (the “**HY China Group**”) were considered to be suspicious and may not have been entered into under normal commercial arrangement.

As further explained in the section entitled “Voluntary winding up and de-consolidation of the PRC business” in note 2(c) to the consolidated financial statements, the Newly-Constituted Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the HY China Group in 2020, whom the Group were unable to contact after their departure, the Company has retained the basic business records of the HY China Group, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentations (collectively referred to as the “**Basic Records**”), that were left behind by the former key management personnel and accounting departments of the HY China Group as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of the HY China Group’s accounting records were needed for the audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; and (ii) detailed explanation of the accounting entries made (collectively, the “**Specific Records**”).

In the absence of the Specific Records of the HY China Group following the departure of certain former key management personnel in 2020, the Newly-Constituted Board considered that they could only use their best endeavor to preserve the books and records that were left behind by the former key management personnel and the accounting department and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

The Newly-Constituted Board has resolved to voluntarily wind up HY China on 18 January 2023. The joint and several liquidators (the “**HY China Liquidators**”) were appointed to HY China, pursuant to the written resolutions of the sole shareholder of

HY China dated 23 February 2023. The HY China Liquidators are empowered to, *inter alia*, preserve the assets of HY China and take control of and exercise all rights which HY China may have in relation to entities in which HY China holds an interest. Accordingly, HY China Group were de-consolidated from the consolidated financial statements of the Group with effect from 24 February 2023. The operation of HY China Group was discontinued on the same date. The result of the discontinued operation, including the recovery of loss on Incident Transactions and the loss on the de-consolidation of the HY China Group is presented as a single amount in the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the result for the year from discontinued operation and other related disclosure notes in relation to the HY China Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2023.

Opening balances and the comparative information

As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to Newly-Constituted Board from the former key management personnel of the Group in respect of the Incident Transactions and HY China Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2022 and the profit or loss, cash flows, changes in equity and notes to financial statements of the Group and the Company for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 March 2022 and 1 April 2022 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2023.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. As described above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of change in equity and the consolidated statement of cash

flows of the Group for the year ended 31 March 2023. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial position of the Group as at 31 March 2023.”

2. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “**2021 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2022 (the “**2022 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2023 (the “**2023 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements are set out from pages 65 to 151 in the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”) which was published on 2 March 2023 on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0302/2023030200345.pdf>);

The 2022 Financial Statements are set out from pages 65 to 151 in the annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”) which was published on 2 March 2023 on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0302/2023030200359.pdf>);

The 2023 Financial Statements are set out from pages 63 to 139 in the annual report of the Company for the year ended 31 March 2023 (the “**2023 Annual Report**”) which was published on 31 July 2023 on the websites of the Company and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0731/2023073100518.pdf>).

The 2021 Financial Statements, the 2022 Financial Statements and the 2023 Financial Statements (but not any other part of the 2021 Annual Report, the 2022 Annual Report and the 2023 Annual Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document, the Group did not have any outstanding borrowings.

The Group did not have any significant contingent liabilities as at 30 June 2023.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and any

liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 June 2023.

4. MATERIAL CHANGE

Save for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 4 August 2023, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2023, being the date to which the latest published audited consolidated accounts of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and its intention in respect of the Group, and the terms of the Offers) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>3,800,000,000</u> Shares	<u>38,000,000.00</u>
<i>Issued and fully paid</i>	
<u>767,600,000</u> Shares	<u>7,676,000.00</u>

As at the Latest Practicable Date, the Company has Options outstanding entitling the holders thereof to subscribe for an aggregate of 6,710,000 new Shares.

Apart from the aforementioned Options, the Company had no outstanding options, derivatives, warrants 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 securities of the Company as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 March 2023, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Shares

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions:

Long positions in the underlying shares of the Company:

Name of Director	Capacity and nature of interests	Number of Shares which may be issued pursuant to the exercise of Options	Percentage of the Company's issued share capital
Mr. Sin Kwok Chi Stephen	Beneficial owner	350,000	0.05%

(b) Substantial shareholders' interests in the Shares

As at the Latest Practicable Date, the following persons (not being Directors or the chief executives of the Company) had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein; or (iii) as otherwise notified to the Company and the Stock Exchange:

Long positions in the Shares:

Name of Shareholder	Capacity and nature of interests	Number of Shares	Percentage of the Company's issued share capital
The Offeror	Beneficial owner	513,155,000	66.85%

(c) Other interests

As at the Latest Practicable Date and save as disclosed in this Composite Document:

- (i) save for Mr. Sin Kwok Chi Stephen who is the holder of 350,000 Options, none of the Directors was interested in any Shares, securities which carry voting rights in the Company, or any convertible securities, warrants, options, or derivatives in respect of the Shares or in respect of other securities which carry voting rights in the Company;
- (ii) no subsidiary of the Company, or pension fund of the Company or of any other member of the Group, or person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code, or person who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), owned or controlled any Shares or any convertible securities, warrants, options, or derivatives in respect of the Shares (including the Independent Financial Adviser);
- (iii) no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3), or (5) of the definition of “acting in concert” under the Takeovers Code, or who is an associate of the Company by virtue of classes (2), (3), or (4) of the definition of “associate” under the Takeovers Code, owned or controlled any Shares or any convertible securities, warrants, options, or derivatives in respect of the Shares;
- (iv) no non-exempt discretionary fund managers connected with the Company owned, controlled, or managed any Shares or any convertible securities, warrants, options, or derivatives in respect of the Shares;
- (v) save for Mr. Sin Kwok Chi Stephen, the holder of 350,000 Options, who has indicated his intention to accept the Option Offer, no Director who owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company has indicated his intention to accept or reject the Offers; and
- (vi) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options, or derivatives in respect of the Shares.

4. DEALING IN SECURITIES OF THE COMPANY

During the Relevant Period,

- (i) none of the Directors had dealt for value in any Shares, securities which carry voting rights in the Company, or convertible securities, warrants, options, or derivatives in respect of the Shares or in respect of other securities which carry voting rights in the Company;
- (ii) no subsidiary of the Company, or pension fund of the Company or of any other member of the Group, or person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or person who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), dealt for value in any Shares or any convertible securities, warrants, options, or derivatives in respect of the Shares;
- (iii) no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3), or (5) of the definition of “acting in concert” under the Takeovers Code, or person who is an associate of the Company by virtue of classes (2), (3), or (4) of the definition of “associate” under the Takeovers Code, dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options, or derivatives of the Company; and
- (iv) no non-exempt discretionary fund managers connected with the Company dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options, or derivatives of the Company.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by any member of the Group after the date falling two years before commencement of the Offer Period up to and including the Latest Practicable Date.

7. EXPERT AND CONSENT

The following is the qualification of the expert engaged by the Company who has given opinion or advice which are contained or referred to in this Composite Document:

Name	Qualification
Nuada Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, advice or report as the case may be and references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert was not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2023 (the date to which the latest published audited financial statements of the Group were made up).

8. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) had been given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offers.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Offers or otherwise connected with the Offers.
- (c) As at the Latest Practicable Date, there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

Name of Director	Term of the contract	Amount of remuneration
Mr. Law Chi Hung	3 years from 10 February 2023	Fixed remuneration of HK\$180,000 per annum with no variable remuneration
Mr. Leung Fuk Shun	3 years from 18 January 2023	Fixed remuneration of HK\$100,000 per annum with no variable remuneration
Mr. Ho Chi Yuen	3 years from 18 January 2023	HK\$600,000 per annum plus an annual discretionary bonus of such amount as the Board may determine, in its absolute discretion, from time to time
Mr. Sin Kwok Chi Stephen	1 year from 9 June 2023	HK\$100,000 per annum plus an annual discretionary bonus of such amount as the Board may determine, in its absolute discretion, from time to time

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is located at Flat 606, 6/F, Sunray Industrial Centre, 610 Cha Kwo Ling Road, Yau Tong, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. Chui Man Lung Everett who is a member of the Hong Kong Institute of Certified Public Accountants.

- (d) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

11. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours (from 10:00 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (except for public holidays) at the principal place of business of the Company in Hong Kong from the date of this Composite Document until the end of the Offer Period and will be displayed on the website of the SFC (www.sfc.hk) and the website of the Company (www.hy-engineering.com):

- (a) second amended and restated memorandum and articles of association of the Company;
- (b) the letter from the Board as set out on pages 15 to 23 of this Composite Document;
- (c) the letter from the Independent Board Committee as set out on pages 24 to 25 of this Composite Document;
- (d) the letter from the Independent Financial Adviser as set out on pages 26 to 55 of this Composite Document;
- (e) the written consent referred to in the paragraph headed “7. Expert and consent” in this Appendix III;
- (f) the annual reports of the Company for each of the three financial years ended 31 March 2021, 2022 and 2023;
- (g) the service contracts as referred to in the section headed “9. Directors’ Service Contracts” in this Appendix III; and
- (h) this Composite Document.

1. RESPONSIBILITY STATEMENT

The Offeror accepts full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to the Group and the Vendor) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors and the directors of the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. OTHER ARRANGEMENTS

As at the Latest Practicable Date:

- (i) save for the Agreement to which the Offeror is a party, none of the Offeror nor the Offeror Concert Parties has dealt for value in the Shares, securities which carry voting rights in the Company, or convertible securities, warrants, options, or derivatives in respect of the Shares or in respect of other securities which carry voting rights in the Company during the Relevant Period;
- (ii) save for the 513,155,000 Shares held by the Offeror, none of the Offeror and the Offeror Concert Parties owns, has control, or direction over any voting rights or rights over Shares or convertible securities, warrants, options of the Company or derivatives of the Company;
- (iii) none of the Offeror and the Offeror Concert Parties has borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror and the Offeror Concert Parties;
- (v) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or the Offeror's associates (as defined under the Takeovers Code), or any of the Offeror Concert Parties;
- (vi) there is no agreement or arrangement to which the Offeror or the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or condition to the Offers;
- (vii) none of the Offeror and the Offeror Concert Parties has received any irrevocable commitment(s) to accept or reject the Offers;

- (viii) apart from the consideration for the sale and purchase of the Sale Shares, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with him (excluding the Vendor and the Vendor Guarantors) to the Vendor, the Vendor Guarantors and any party acting in concert with any one of them in connection with the sale and purchase of the Sale Shares under the Agreement;
- (ix) the Offeror and the Vendor confirm that there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with him (other than the Vendor and the Vendor Guarantors) on one hand and the Vendor, the Vendor Guarantors and parties acting in concert with any of them (other than the Offeror) on the other hand;
- (x) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and the Offeror Concert Parties or (ii)(b) the Company, its subsidiaries or associated companies; and
- (xi) there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of the Offeror Concert Parties and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Offers.

3. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts engaged by the Offeror which have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualifications
Advent Corporate Finance Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offers
Space Securities Limited	a corporation licensed under the SFO to carry on Type 1 (dealing in securities) regulated activity under the SFO, which is making the Offers on behalf of the Offeror

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of the text of its opinions, as the case may be, and/or letters and/or the references to its name and/or opinions and/or letters, as the case may be, in the form and context in which it appears.

4. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (a) the Last Trading Day; (b) 4 August 2023, being the date on which trading in the Shares resumed; (c) the last day on which trading took place in each of the calendar months during the Relevant Period since the resumption of trading in the Shares on 4 August 2023 and (d) the Latest Practicable Date.

Date	Closing price per Share HK\$
21 April 2021 (Last Trading Day)	0.66
4 August 2023	0.24
31 August 2023	0.194
18 September 2023 (Latest Practicable Date)	0.205

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.

5. MISCELLANEOUS

As at the Latest Practicable Date,

- a. The principal members of the Offeror's concert group are the Offeror, Valuable Capital, the Lender and Advent Corporate Finance.
- b. The address of the Offeror is No.168-91, Qujiawan Avenue, Qujiawan Town, Honghu City, Hubei Province, China* (中國湖北省洪湖市瞿家灣鎮瞿家灣大道168-91號).
- c. The registered office and correspondence address of Valuable Capital is 3606, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- d. The address of the Lender is 3rd Floor, Flat A, Block 5, Parc Inverness, 38 Inverness Road, Kowloon, Hong Kong.
- e. The ultimate controlling shareholder of Valuable Capital is owned as to 61.2% by Mr. Chao Guowei Charles (曹國偉先生), 30.0% by Mr. Liu Yunli (劉運利先生) and the remaining 8.8% is owned as to other shareholders hold less than 5% of its shares. The directors of Valuable Capital are Mr. Lee Ching (李青先生), Miss. Guan Lei (關蕾女士) and Mr. Cheung Ting (張霆先生).

- f. The principal business address of Advent Corporate Finance and Space Securities is situated at Unit 05-07, 19/F., Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- g. The substantial shareholder of Advent Corporate Finance and Space Securities is Space Investment (BVI) Ltd. Space Investment (BVI) Ltd is held as to 94.74% by Mr. Che Chan U and 5.26% by Ms. Lei Soi Kun. The directors of Advent Corporate Finance and Space Securities are Mr. Ho Kwong Yu and Mr. So Chi Keung, Jeffrey.
- h. In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

6. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on (i) the websites of the SFC (<http://www.sfc.hk>) and the Company (<http://www.hy-engineering.com>); and (ii) at the head office and principal place of business of the Company in Hong Kong during normal business hours from 10:00 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. (other than Saturday, Sunday and public holidays) from the date of this Composite Document up to and including the Closing Date:

- a. the letter from Space Securities, the text of which is set out on pages 6 to 14 of this Composite Document; and
- b. the written consents as referred to in the section headed “3. Qualifications and Consents of Experts” in this Appendix IV.