
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme 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 shares in **Hop Hing Group Holdings Limited**, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Scheme Document, make no representation as to its 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 Scheme Document.

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Offeror or Hop Hing Group Holdings Limited.

Ocean Ease Global Limited
(Incorporated in the British Virgin Islands with limited liability)


HOP HING GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 47)

(1) PROPOSAL FOR THE PRIVATISATION OF HOP HING GROUP HOLDINGS LIMITED BY OCEAN EASE GLOBAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS (2) OPTION OFFER AND (3) PROPOSED WITHDRAWAL OF LISTING

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) shall have the meanings set out in Part I of this Scheme Document.

A letter from the Board is set out in Part III of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders and the Option Holders in respect of the Proposal and the Option Offer is set out in Part IV of this Scheme Document. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Proposal and the Option Offer is set out in Part V of this Scheme Document. An Explanatory Memorandum regarding the Proposal and the Option Offer is set out in Part VI of this Scheme Document. The actions to be taken by the Shareholders and the Option Holders are set out in the section headed "IMPORTANT NOTICE AND ACTIONS TO BE TAKEN" of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Tuesday, 14 December 2021 at 10:30 a.m. and 11:00 a.m. (or, if later, immediately after the conclusion or adjournment of the Court Meeting) respectively are set out in Appendix IV and Appendix V to this Scheme Document respectively.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed on them respectively, and to deposit them at the Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed "IMPORTANT NOTICE AND ACTIONS TO BE TAKEN" of this Scheme Document. The **white** form of proxy in respect of the EGM will not be valid if it is not so lodged. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so deposited and the chairman shall have absolute discretion as to whether or not to accept it. If you attend and vote at the Court Meeting and the EGM, the authority of your proxy will be deemed to have been revoked.

This Scheme Document is issued jointly by Ocean Ease Global Limited and Hop Hing Group Holdings Limited. In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

17 November 2021

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM	ii
IMPORTANT NOTICE AND ACTIONS TO BE TAKEN	iii
PART I — DEFINITIONS	1
PART II — EXPECTED TIMETABLE	10
PART III — LETTER FROM THE BOARD	14
PART IV — LETTER FROM THE INDEPENDENT BOARD COMMITTEE ..	30
PART V — LETTER FROM SOMERLEY	32
PART VI — EXPLANATORY MEMORANDUM	59
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION	II-1
APPENDIX III — SCHEME OF ARRANGEMENT	III-1
APPENDIX IV — NOTICE OF COURT MEETING	IV-1
APPENDIX V — NOTICE OF EGM	V-1
APPENDIX VI — FORM OF THE OPTION OFFER LETTER	VI-1

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

Please see the notices of Court Meeting and EGM set out in Appendices IV and V to this Scheme Document for measures being taken with a view to preventing and controlling the spread of the Coronavirus Disease 2019 (“COVID-19”) at the Court Meeting and the EGM, including:

- compulsory body temperature checks will be conducted for every attending Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
- no refreshment will be served; and
- each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the Court Meeting/EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law. In view of the Regulation and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the Court Meeting and the EGM and only Shareholders and/or their proxies and relevant Court Meeting and/or EGM staff will be allowed entry into the Court Meeting and/or EGM venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the Court Meeting and the EGM as may be necessary to avoid overcrowding.

The Company reminds all Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Court Meeting or of the EGM (as the case may be) as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and returning the forms of proxy enclosed with this Scheme Document. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the Court Meeting and/or the EGM (as the case may be) or any adjournment thereof. In the event that an eligible Shareholder attends and votes at the Court Meeting and/or the EGM (as the case may be) or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy shall be deemed to have been revoked.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong Government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Court Meeting and/or the EGM.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use in connection with the Court Meeting and a **white** form of proxy for use in connection with the EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and if you are a Shareholder, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the EGM in accordance with the instructions printed on them respectively, and to deposit them at the Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use in connection with the Court Meeting should be lodged not later than 10:30 a.m. on Sunday, 12 December 2021. The pink form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The white form of proxy for use in connection with the EGM must be lodged not later than 11:00 a.m. on Sunday, 12 December 2021, failing which it will not be valid. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly encouraged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

In order to determine the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company in respect of the Shares will be closed from Thursday, 9 December 2021 to Tuesday, 14 December 2021 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 December 2021.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

Announcement of results of Court Meeting and the EGM

An announcement will be made jointly by the Company and the Offeror in relation to the results of the Court Meeting and the EGM. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to purchaser/transferee

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (i) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons if you wish the Shares beneficially owned by you to be voted at the Court Meeting and/or the EGM; or
- (ii) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Wednesday, 8 December 2021 with Computershare Hong Kong Investor Services Limited, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the EGM.

Beneficial Owners whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, must, unless being an Investor Participant, contact their broker, custodian, nominee or other relevant person in advance of the latest time to give instructions in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

The procedures for voting by the Investor Participants and Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OTHER THAN HKSCC NOMINEES LIMITED

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party (other than HKSCC Nominees Limited), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally, you should:

- (i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (ii) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Wednesday, 8 December 2021 with Computershare Hong Kong Investor Services Limited, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the EGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the relevant deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

ACTIONS TO BE TAKEN BY OPTION HOLDERS

The Option Offer Letter and the **yellow** Form of Acceptance are being sent to the Option Holders separately, together with this Scheme Document. If you are an Option Holder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance to the Offeror, care of the Company at Flats E & F, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong for the attention of the Company Secretary of the Company and marked “Hop Hing Group Holdings Limited — Option Offer” **by no later than 4:00 p.m. on Tuesday, 25 January 2022 (or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company)**. No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter and the Form of Acceptance.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner (including HKSCC Nominees Limited), you are strongly encouraged to exercise your right to vote (in the case of a Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote in person or by proxy at the Court Meeting and/or the EGM. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your Shares from CCASS and become a registered holder of such Shares and exercise your right to vote, in person or by proxy, at the Court Meeting and/or the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In respect of any Shares of which you are the Beneficial Owner and which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and/or the EGM without delay.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. In accordance with the direction from the Grand Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions as represented by the Scheme Shares it receives. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act should make arrangements to be registered as members of the Company in their own names by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Wednesday, 8 December 2021 with Computershare Hong Kong Investor Services Limited.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

If you are a Registered Owner holding Shares on behalf of Beneficial Owner(s), you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that such Beneficial Owner(s) should consider transferring some or all their Shares into their names if they wish to be counted individually for the purposes of the headcount test.

If approved and sanctioned by the Grand Court, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not you attended or voted at the Court Meeting or the EGM.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

NOTICE TO OVERSEAS SCHEME SHAREHOLDERS AND OPTION HOLDERS

The making and implementation of (i) the Proposal to certain Scheme Shareholders; and (ii) the Option Offer to certain Option Holders, may be subject to the laws of jurisdictions other than Hong Kong. Scheme Shareholders, Beneficial Owners and Option Holders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Scheme Shareholders, Beneficial Owners and Option Holders to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions applicable to them in connection with the Proposal and the Option Offer, as the case may be, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Any action taken by such Scheme Shareholders or Beneficial Owners in respect of the Proposal and such Option Holders in respect of the Option Offer will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror and their respective advisers, including UBS, that those local laws and regulatory requirements have been complied with.

Scheme Shareholders, Beneficial Owners and Option Holders residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be.

Overseas Scheme Shareholders, Beneficial Owners and Option Holders are advised to read the section headed “17. Overseas Shareholders and Option Holders” in the Explanatory Memorandum in Part VI of this Scheme Document for further information.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, the Company, UBS, Somerley, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “concert party” shall be construed accordingly
“AGVL”	Ample Great Ventures Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Marvin Hung
“Announcement Date”	6 September 2021, being the date of the Joint Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner(s) other than himself/herself
“Board”	the board of Directors
“Business Day”	a day on which Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Cancellation Price”	the cancellation price of HK\$0.08 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant, general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation
“close relative(s)”	has the meaning ascribed to it in the Takeovers Code
“Companies Act”	the Companies Act (2021 Revision) of the Cayman Islands
“Company”	Hop Hing Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 47)

“Condition(s)”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum in Part VI of this Scheme Document
“Consortium Members”	(a) Mr. Peter Hung; (b) Mr. Marvin Hung; (c) Mrs. Diana Hung; (d) HHHFL (as trustee of The HHH Discretionary Trust); (e) NCFFL (as trustee of The NCFE Discretionary Trust); and (f) LTIL (as trustee of The LTI Discretionary Trust)
“Consortium Offeror Concert Parties”	persons acting in concert with the Offeror under the Takeovers Code who are Consortium Members or their respective controlled companies
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Court Hearing”	the hearing of the petition by the Grand Court for the sanction of the Scheme and to confirm the reduction of the issued share capital of the Company involved in the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court to be held at 10:30 a.m. on Tuesday, 14 December 2021 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong, at which the Scheme (with or without modification) will be voted upon, the notice of which is set out in Appendix IV to this Scheme Document, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grant Court, becomes effective in accordance with the Companies Act, being the date on which a copy of the order of the Grant Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies for registration pursuant to Section 86(3) of the Companies Act, which is expected to be on Tuesday, 25 January 2022 (Cayman Islands time)

“EGM”	the extraordinary general meeting of Company to be held at 11:00 a.m. (or, if later, immediately after the conclusion or adjournment of the Court Meeting) on Tuesday, 14 December 2021 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong, to consider and vote on, among other things, the necessary resolutions for the implementation of the Proposal, the notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“exempt fund manager(s)”	has the meaning ascribed to it in the Takeovers Code
“exempt principal trader(s)”	has the meaning ascribed to it in the Takeovers Code
“Explanatory Memorandum”	the explanatory memorandum set out in Part VI of this Scheme Document
“Form of Acceptance”	the yellow form of acceptance to the Option Holders in connection with the Option Offer
“Grand Court”	the Grand Court of the Cayman Islands
“Grantee(s)”	holder(s) of the Share Awards
“Group”	the Company and its subsidiaries
“HHHFL”	H H Hung Foundation Limited, a company limited by guarantee in Hong Kong and the trustee of The HHH Discretionary Trust
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Holdco”	Joy Brilliant Group Limited, a company incorporated in the BVI with limited liability which is 50% owned by each of Topco 1 and Topco 2
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Disinterested Shareholders and the Option Holders in respect of the Proposal and the Option Offer, comprising all the independent non-executive Directors, namely Mr. Seto Gin Chung, John, Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph

“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Proposal and the Option Offer
“Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Joint Announcement”	the joint announcement published by the Offeror and the Company on 6 September 2021 in relation to the Proposal and the Option Offer
“Last Trading Day”	1 September 2021, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
“Latest Option Exercise Date”	4:30 p.m. on Friday, 14 January 2022, being the expected latest time and date upon which Option Holders must exercise their Share Options in order to qualify for entitlements to the Cancellation Price under the Scheme
“Latest Practicable Date”	12 November 2021, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“LGEFL”	Lion & Globe Educational Foundation Limited, a company limited by guarantee in Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 June 2022 or such later date as may be agreed by the Offeror and the Company, or to the extent applicable, as the Grand Court may direct
“LTIL”	LTI (2014T) Limited, a company incorporated in Hong Kong with limited liability and the trustee of The LTI Discretionary Trust
“Meeting Record Date”	Tuesday, 14 December 2021 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the EGM

“Mr. Marvin Hung”	Mr. Hung Ming Kei, Marvin, an executive Director and the chief executive officer of the Company, and a director of the Offeror
“Mr. Peter Hung”	Mr. Hung Hak Hip, Peter, the Honorary Chairman of the Company and a director of the Offeror
“Mrs. Diana Hung”	Mrs. Hung Diana Wan Ling, a director of the Offeror
“NCFFL”	North China Fast Food (2008) Limited, a company incorporated in Hong Kong with limited liability and the trustee of The NCFE Discretionary Trust
“Non-Consortium Offeror Concert Parties”	persons presumed to be acting in concert with the Offeror under the Takeovers Code, including, (a) Mr. Hung Hak Kan, Mr. Hung Hak Fu and Ms. Hung Siu Yee, Linda, being the siblings (and hence close relatives) of Mr. Peter Hung; (b) the late Mr. Hung Hak Shing, being the brother (and hence close relative) of Mr. Peter Hung; (c) Mr. Hung Hak Yau, being the brother (and hence close relative) of Mr. Peter Hung and the father (and hence close relative) of Mr. Marvin Hung; (d) Mrs. Hung Lui Suet Ying, Margaret, being the mother (and hence close relative) of Mr. Marvin Hung; (e) Ms. Hung Cee Kay, Celeste, Ms. Hung Wen Kay, Wendeline, Ms. Hung Wain Kay, Natalie and Ms. Hung Gi Kay, Zita, being the daughters (and hence close relatives) of Mr. Peter Hung and Mrs. Diana Hung; (f) Ms. Hung Sum Kay, Sandy and Ms. Hung On Kay, Angela, being the sisters (and hence close relatives) of Mr. Marvin Hung; (g) the SAS Trustee (as trustee of the Share Award Scheme); (h) LGEFL (as trustee of The Lion & Globe Educational Trust); and (i) members of the UBS group (except those which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code), and certain Directors presumed to be acting in concert with the Offeror under the Takeovers Code who are not Consortium Members, namely (j) Mr. Wong Kwok Ying, being an executive Director and also a director of certain companies indirectly controlled by the Offeror Group; and (k) Ms. Lam Fung Ming, Tammy, being a non-executive Director and also a director and an employee of certain companies which are indirectly controlled by the Offeror Group
“Offeror”	Ocean Ease Global Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Holdco

“Offeror Concert Parties”	all persons acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, namely, the Consortium Offeror Concert Parties and the Non-Consortium Offeror Concert Parties
“Offeror Group”	the Offeror, Holdco, Topco 1, Topco 2, HHHFL (as trustee of The HHH Discretionary Trust), NCFFL (as trustee of The NCFE Discretionary Trust) and AGVL
“Option Holder(s)”	holder(s) of the Share Option(s)
“Option Offer”	the offer being made by or on behalf of the Offeror to the Option Holders
“Option Offer Letter”	the letter dated 17 November 2021 setting out the terms and conditions of the Option Offer sent separately to the Option Holders, a form of which is set out in Appendix VI to this Scheme Document
“Option Offer Price”	the price of HK\$0.001 per Share Option payable in cash by the Offeror to the Option Holders accepting the Option Offer for the cancellation of their Share Options pursuant to the Option Offer
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macau Special Administrative Region and the Republic of Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the Conditions set out in this Scheme Document
“Registered Owner(s)”	any person(s) (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name(s) is(are) entered in the register of members of the Company as the holder(s) of the Shares
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Regulation”	the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time)

“Relevant Authorities”	competent governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on the date which is six months prior to the Announcement Date (i.e. 6 March 2021) and ending on the Latest Practicable Date, both days inclusive
“SAS Trustee”	Computershare Hong Kong Trustees Limited, the trustee of the Share Award Scheme
“SAS Trustee Held Shares”	existing issued Shares held by the SAS Trustee (as trustee of the Share Award Scheme) which are to be utilised for satisfying Share Awards on vesting
“Scheme”	a scheme of arrangement under Section 86 of the Companies Act involving, among other matters, the cancellation of all of the Scheme Shares and the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Record Date”	25 January 2022 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme and the Option Holders under the Option Offer
“Scheme Share(s)”	Shares in issue on the Scheme Record Date other than the Shares held by the Consortium Offeror Concert Parties
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Share Award(s)”	the Share(s) awarded or to be awarded under the Share Award Scheme from time to time which have not been vested to the Grantees or lapsed according to the terms thereof

“Share Award Scheme”	the share award scheme adopted by the Company on 20 March 2015
“Share Option(s)”	the outstanding, vested and unvested, share option(s), each relating to one Share, granted under the Share Option Schemes from time to time
“Share Option Schemes”	(i) the share option scheme adopted by the Company on 12 March 2008 (which expired on 24 April 2018); and (ii) the new share option scheme adopted by the Company on 8 June 2018
“Share Registrar”	Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being the Company’s Hong Kong branch share registrar
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“The HHH Discretionary Trust”	The HH Hung (2016) Discretionary Trust
“The Lion & Globe Educational Trust”	The Lion & Globe Educational Trust
“The LTI Discretionary Trust”	The LTI Discretionary Trust
“The NCFE Discretionary Trust”	The North China Fast Food Discretionary Trust
“Topco 1”	Prestige Record Limited, a company incorporated in the BVI with limited liability which is wholly-owned by HHHFL (as trustee of The HHH Discretionary Trust)
“Topco 2”	Marvel Choice International Limited, a company incorporated in the BVI with limited liability which is wholly-owned by NCFFL (as trustee of The NCFE Discretionary Trust)

“UBS”

UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the exclusive financial adviser to the Offeror in relation to the Proposal and the Option Offer. UBS AG is incorporated in Switzerland with limited liability

“%”

per cent.

The timetable sets out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court Hearing and the Effective Date which are the relevant times and dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time.

**Hong Kong time
(unless otherwise stated)**

Date of despatch of this Scheme Document Wednesday, 17 November 2021

Date of despatch of the Option Offer Letter for
the Option Offer Wednesday, 17 November 2021

Latest time for Option Holders to lodge notices of exercise
(accompanied by full payment of the exercise price) of
their Share Options in order to become entitled to vote
at the Court Meeting and the EGM⁽¹⁾ Wednesday, 8 December 2021

Latest time for lodging transfers of Shares to qualify for
the entitlement to attend and vote at
the Court Meeting and the EGM 4:30 p.m. on
Wednesday, 8 December 2021

Closure of the register of members of the Company for
determining entitlement to attend and vote at
the Court Meeting and the EGM⁽²⁾ from Thursday, 9 December 2021
to Tuesday, 14 December 2021
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

Court Meeting⁽³⁾ 10:30 a.m. on Sunday, 12 December 2021

EGM⁽³⁾ 11:00 a.m. on Sunday, 12 December 2021

Meeting Record Date Tuesday, 14 December 2021

Court Meeting⁽³⁾ & ⁽⁴⁾ 10:30 a.m. on Tuesday, 14 December 2021

EGM⁽³⁾ & ⁽⁴⁾ 11:00 a.m. on Tuesday, 14 December 2021
(or, if later, immediately after the conclusion or
adjournment of the Court Meeting)

**Hong Kong time
(unless otherwise stated)**

Announcement of the results of the Court Meeting and the EGM, published on the website of the Stock Exchange and the website of the Company.....	not later than 7:00 p.m. on Tuesday, 14 December 2021
Expected latest time for trading in the Shares on the Stock Exchange	4:10 p.m. on Thursday, 16 December 2021
Latest Option Exercise Date ⁽⁵⁾	4:30 p.m. on Friday, 14 January 2022
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Friday, 14 January 2022
Closure of the register of members for determining the entitlements under the Scheme ⁽⁶⁾	from Monday, 17 January 2022 onwards
Court Hearing.....	Thursday, 20 January 2022 (Cayman Islands time)
Lapse of all Share Options ⁽⁷⁾	the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two months' period from the date of the Option Offer Letter
Announcement of (1) the results of the Court Hearing, (2) the expected Effective Date and (3) the expected date of the withdrawal of the listing of the Shares on the Stock Exchange, published on the Stock Exchange's website	Friday, 21 January 2022
Scheme Record Date	Tuesday, 25 January 2022
Latest time to lodge the Form of Acceptance ^{(1) & (8)}	4:00 p.m. on Tuesday, 25 January 2022
Close of Option Offer	4:00 p.m. on Tuesday, 25 January 2022
Effective Date ⁽⁹⁾	Tuesday, 25 January 2022 (Cayman Islands time)

**Hong Kong time
(unless otherwise stated)**

Announcement of (1) the Effective Date,
(2) the withdrawal of listing of Shares
on the Stock Exchange and
(3) the results of the Option Offer,
published on the Stock Exchange's website at or before 8:30 a.m. on
Wednesday, 26 January 2022

Expected withdrawal of listing of Shares
on the Stock Exchange 9:00 a.m. on
Thursday, 27 January 2022

Latest date to despatch:

- Cheques for payment of the Cancellation Price to
the Scheme Shareholders⁽¹⁰⁾ on or before
Tuesday, 8 February 2022
- Cheques for payment of the Option Offer Price to
the Option Holders for accepting the Option Offer⁽¹¹⁾ on or before
Tuesday, 8 February 2022

Notes:

- (1) The relevant latest time is a recommended time only and the Offeror and the Company may at their sole discretion accept a later date and time.
- (2) The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
- (3) The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. The **white** form of proxy in respect of the EGM will not be valid if it is not so lodged. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he, she or it so wishes. In such event, the authority of your proxy will be deemed to have been revoked.
- (4) If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be postponed and by virtue of the same notices of the Court Meeting and the EGM set out in Appendices IV and V to this Scheme Document, the Court Meeting and the EGM will be held instead on Thursday, 16 December 2021 at 10:30 a.m. and 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven (7) Business Days of the original date scheduled for the Court Meeting and the EGM in the event that a tropical cyclone warning signal no. 8 or above is hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is in force at 8:00 a.m. on Thursday, 16 December 2021. The Company may post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders

of the details of alternative meeting arrangements. The Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Court Meeting and the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

- (5) If Option Holders wish to be qualified for entitlements under the Scheme, they must exercise their Share Options in accordance with the relevant Share Option Schemes and lodge their notices of exercise before the time specified above on the Latest Option Exercise Date and, subject to the customary process for allotment and issue of Shares by the Company, become registered holders of Shares by the time of the Scheme Record Date.
- (6) The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders who are qualified for entitlements under the Scheme.
- (7) Pursuant to the terms of the Share Option Schemes, all Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two months' period from the date of the Option Offer Letter (which is given at the same time as the despatch of this Scheme Document). Notwithstanding such automatic lapse of the Share Options, the duly completed and executed Form of Acceptance may be lodged by the Option Holders by not later than 4:00 p.m. on Tuesday, 25 January 2022 (or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company).
- (8) The duly completed and executed Form of Acceptance must be lodged by the Option Holders to the Offeror, care of the Company at Flats E & F, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong for the attention of the Company Secretary of the Company and marked "Hop Hing Group Holdings Limited — Option Offer" by not later than 4:00 p.m. on Tuesday, 25 January 2022 (or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company).
- (9) The Scheme will become effective upon all the Conditions set out in the section headed "3. Conditions of the Proposal and the Scheme" in the Explanatory Memorandum in Part VI of this Scheme Document having been fulfilled or waived (as applicable). Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective. The withdrawal of listing of Shares will take place following the Scheme becoming effective on the Effective Date and it is expected that the listing of Shares will be withdrawn at 9:00 a.m. on Thursday, 27 January 2022. All of the Conditions will have to be fulfilled or waived (as applicable) on or before 30 June 2022 (or such later date as may be agreed by the Offeror and the Company, or to the extent applicable, as the Grand Court may direct), otherwise the Proposal and the Scheme will lapse.
- (10) Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) Business Days following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, UBS, Somerley and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.
- (11) Cheques for payment for acceptances under the Option Offer in respect of the outstanding Share Options as at the Scheme Record Date will be despatched within seven (7) Business Days following the Effective Date by ordinary post in postage pre-paid envelopes addressed to the Option Holders at their respective last known addresses as notified by the Option Holders to the Company. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, UBS, Somerley and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal or the Option Offer shall be responsible for any loss or delay in transmission.



HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

Board of Directors:

Executive Directors

Mr. Hung Ming Kei, Marvin (*Chief Executive Officer*)

Mr. Wong Kwok Ying

Non-executive Directors

Ms. Lam Fung Ming, Tammy

Independent Non-executive Directors

Mr. Seto Gin Chung, John (*Chairman*)

Mr. Sze Tsai To, Robert

Mr. Wan Sai Cheong, Joseph

Registered Office:

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

***Principal Place of Business in
Hong Kong:***

Flats E & F, 2/F

Hop Hing Building

9 Ping Tong Street East

Tong Yan San Tsuen

Yuen Long

New Territories

Hong Kong

17 November 2021

To the Shareholders and the Option Holders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
HOP HING GROUP HOLDINGS LIMITED BY
OCEAN EASE GLOBAL LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF
THE COMPANIES ACT OF THE CAYMAN ISLANDS
(2) OPTION OFFER
AND
(3) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

On 6 September 2021, the respective directors of the Offeror and the Company jointly announced that on 1 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. The Offeror is also making an appropriate offer to all the Option Holders for the cancellation of every vested and unvested

Share Option in accordance with Rule 13 of the Takeovers Code on the terms and conditions set out in the Option Offer Letter, which is substantially in the form set out in Appendix VI to this Scheme Document. The Option Offer is conditional upon the Scheme becoming effective.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled on the Effective Date in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled;
- (b) those Option Holders who accept the Option Offer will be entitled to receive the Option Offer Price for each Share Option in exchange for the cancellation of their Share Options;
- (c) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled. The credit arising in the books of accounts of the Company as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued, credited as fully paid, to the Offeror;
- (d) assuming no Share Options are exercised and that there is no other change in the issued share capital of the Company before implementation of the Proposal, on the Effective Date, the Consortium Offeror Concert Parties will directly or indirectly hold approximately 71.64% of the issued share capital of the Company and the Offeror will directly hold approximately 28.36% of the issued share capital of the Company; and
- (e) the Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules and such withdrawal is expected to take place immediately following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable as well as to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is drawn to the following sections of this Scheme Document: (i) the letter from the Independent Board Committee set out in Part IV; (ii) the letter from the Independent Financial Adviser set out in Part V; (iii) the Explanatory Memorandum set out in Part VI; (iv) the terms of the Scheme set out in Appendix III to this Scheme Document; and (v) the Option Offer Letter, substantially in the form set out in Appendix VI to this Scheme Document.

2. TERMS OF THE PROPOSAL

Cancellation Price for the Scheme Shares

Under the Scheme, the Scheme Shares will be cancelled and extinguished by way of the reduction of the issued share capital of the Company and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.08 in cash for each Scheme Share cancelled. **The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

Comparison of value

The Cancellation Price of HK\$0.08 per Scheme Share represents:

- a premium of approximately 6.7% over the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 73.9% over the closing price of HK\$0.0460 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 74.7% over the average closing price of approximately HK\$0.0458 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 70.9% over the average closing price of approximately HK\$0.0468 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 62.9% over the average closing price of approximately HK\$0.0491 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 61.0% over the average closing price of approximately HK\$0.0497 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 62.9% over the average closing price of approximately HK\$0.0491 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;

- a premium of approximately 66.3% over the average closing price of approximately HK\$0.0481 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 63.9% over the audited net asset value per Share of approximately HK\$0.0488 as at 31 December 2020, based on the audited net assets of the Group as stated in the audited consolidated statement of financial position of the Company included in its annual report for the year ended 31 December 2020 and 10,070,431,786 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 57.8% over the unaudited net asset value per Share of approximately HK\$0.0507 as at 30 June 2021, based on the unaudited net assets of the Group as stated in the condensed consolidated statement of financial position of the Company included in its interim report for the six months ended 30 June 2021 and 10,070,431,786 Shares in issue as at the Latest Practicable Date.

The Offeror has advised the Company that the Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

Assuming that the Scheme becomes effective on Tuesday, 25 January 2022 (Cayman Islands time), cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within seven (7) Business Days following the Effective Date and accordingly, the cheques are expected to be despatched on or before 8 February 2022. Cheques will be posted at the risk of the addressees and none of the Offeror, the Company, UBS, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

SAS Trustee Held Shares

The Share Award Scheme was adopted by the Company as a means to recognise the contribution of and to provide incentives for the eligible key management personnel including directors and senior management of the Group, consultants, experts, agents, representatives of the Group and employees of the Group. As at the Latest Practicable Date, there are 258,174,619 SAS Trustee Held Shares (representing approximately 2.56% of the issued share capital of the Company), which have been acquired by the SAS Trustee for satisfying Share Awards on vesting, and 87,415,457 Share Awards (which may vest in the form of 87,415,457 Shares, representing approximately 0.87% of the issued share capital of the Company) have been granted to the Grantees which all remain unvested. The SAS Trustee, as the trustee of the Share Award Scheme, is regarded as

acting in concert with the Offeror in relation to the Company. None of the Grantees of such 87,415,457 Share Awards is a member of the Offeror Group or the Offeror Concert Parties.

If any Share Awards are vested and the corresponding Shares are transferred by the SAS Trustee to the relevant Grantee who is a Disinterested Shareholder or sold on the Stock Exchange by the SAS Trustee on behalf of the relevant Grantee to any Disinterested Shareholder (the proceeds of which will be paid to the relevant Grantee) in accordance with the terms of the Share Award Scheme and the relevant transfer documents are lodged no later than 4:30 p.m. on Friday, 14 January 2022, such Disinterested Shareholders will be entitled to receive the Cancellation Price in respect of the relevant Shares (which will be Scheme Shares).

Among the 87,415,457 outstanding Share Awards, the vesting date of 51,622,316 Share Awards (which may vest in the form of 51,622,316 Shares, representing approximately 0.51% of the issued share capital of the Company as at the Latest Practicable Date) falls before 30 June 2022 (being the current Long Stop Date). Among such 51,622,316 Share Awards, (i) 10,107,168 Share Awards will be vested to a Grantee automatically in January 2022; (ii) 9,237,678 Share Awards will be vested to certain Grantees automatically in April 2022 so long as they remain to be employees of the Group; and (iii) 32,277,470 Share Awards will be vested to certain Grantees subject to their continued employment with the Group and their satisfaction of performance target.

Pursuant to the trust deed and the rules of the Share Award Scheme, so long as no beneficial interest in the relevant SAS Trustee Held Shares has been vested, neither the Grantees nor the SAS Trustee shall exercise any voting rights in respect of such SAS Trustee Held Shares.

All of the SAS Trustee Held Shares which are still held by the SAS Trustee as trustee of the Share Award Scheme on the Scheme Record Date shall form part of the Scheme Shares and be cancelled and extinguished upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror will pay to the SAS Trustee an amount equivalent to the Cancellation Price multiplied by the number of the SAS Trustee Held Shares as at the Effective Date, which will be held on trust by the SAS Trustee in accordance with the Share Award Scheme. After the receipt of such Cancellation Price for the SAS Trustee Held Shares by the SAS Trustee, the Board shall as soon as practicable direct the termination of the Share Award Scheme, upon which an amount equivalent to the Cancellation Price multiplied by the number of outstanding Share Awards held by each Grantee at such termination will be paid by the SAS Trustee to the relevant Grantee, and any remaining proceeds (net of expenses) will be remitted to the Company.

3. FINANCIAL RESOURCES

On the assumption that before the Scheme Record Date, (i) no further Shares are issued; and (ii) no Share Options are exercised, and all the Option Holders elect to receive the Option Offer Price of a nominal value of HK\$0.001 per Share Option, the amount of cash required to implement the Proposal and the Option Offer would be approximately HK\$228,458,000 and approximately HK\$600,000, respectively (i.e. a total amount of approximately HK\$229,058,000).

The Offeror intends to finance the cash required for the Proposal and the Option Offer using internal resources from Holdco.

UBS, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal and the Option Offer in accordance with its terms.

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before the Long Stop Date, otherwise the Proposal and the Scheme will lapse.

Warning: Shareholders and potential investors of the Company should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

For details of the Conditions, your attention is drawn to the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum in Part VI of this Scheme Document.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (1) there are 10,070,431,786 Shares in issue, including 258,174,619 SAS Trustee Held Shares (representing approximately 2.56% of the issued share capital of the Company);
- (2) the Offeror does not legally or beneficially own, control or have direction over any Shares;
- (3) the Consortium Offeror Concert Parties beneficially own, control or have direction over 7,214,706,432 Shares, representing approximately 71.64% of the issued share capital of the Company;

- (4) the Non-Consortium Offeror Concert Parties beneficially own, control or have direction over 430,902,120 Shares, representing approximately 4.28% of the issued share capital of the Company;
- (5) the Scheme Shareholders (which include the Non-Consortium Offeror Concert Parties) hold 2,855,725,354 Shares, representing approximately 28.36% of the issued share capital of the Company; and
- (6) there are 600,099,000 outstanding Share Options granted under the Share Option Schemes, among which (i) 72,500,000 Share Options (of which 8,700,000 have been vested) are held by Mr. Wong Kwok Ying, an executive Director and a member of the Non-Consortium Offeror Concert Parties; and (ii) 527,599,000 Share Options (of which 58,880,000 have been vested) are held by individuals who are not members of the Offeror Concert Parties.

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto) is to be found in the section headed “8. Effect of the Proposal on the Shareholding Structure of the Company” in the Explanatory Memorandum in Part VI of this Scheme Document.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

For the avoidance of doubt, all Scheme Shares, including the Shares held or beneficially owned by the Non-Consortium Offeror Concert Parties, will be cancelled upon the Scheme becoming effective.

All Scheme Shareholders will be entitled to attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Shareholders will be taken into account in determining if the Condition in paragraph (b) of the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum in Part VI of this Scheme Document is satisfied.

All Shareholders will be entitled to vote on the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company and the implementation of the Scheme (except that the Grantees and the SAS Trustee will not exercise the voting rights attached to the unvested SAS Trustee Held Shares in accordance with the trust deed and the rules of the Share Award Scheme).

The Consortium Offeror Concert Parties, Mr. Seto Gin Chung, John (an independent non-executive Director) and Mr. Sze Tsai To, Robert (an independent non-executive Director) have indicated that they will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished. Save for the above, no indication has been received from the Non-Consortium Offeror Concert Parties as to whether or how they will vote at the EGM.

Please refer to the section headed “19. Court Meeting and EGM” in the Explanatory Memorandum set out in Part VI of this Scheme Document for details on the undertakings not to vote by certain Non-Consortium Offeror Concert Parties and the restriction on voting in respect of the SAS Trustee Held Shares.

Upon the Scheme becoming effective, the Consortium Offeror Concert Parties will directly or indirectly hold 71.64% of the total issued Shares and the Offeror will directly hold 28.36% of the total issued Shares.

6. THE OPTION OFFER

As at the Latest Practicable Date, there are 600,099,000 outstanding Share Options granted under the Share Option Schemes (among which 67,580,000 Share Options have been vested and 532,519,000 Share Options have not been vested), each giving the Option Holder the right to subscribe for one new Share. The relevant exercise price applicable to each such Share Option ranges from HK\$0.127 to HK\$0.189. The exercise of all such Share Options in full would result in the issue of 600,099,000 new Shares, representing approximately 5.96% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.62% of the issued share capital of the Company as enlarged by the issue of such new Shares.

Pursuant to the rules of the Share Option Schemes, when a scheme of arrangement between the Company and the Shareholders is proposed, the Company shall notify each Option Holder as it gives notice to the Shareholders for the convening of the Court Meeting and thereupon each Option Holder may exercise his or her Share Options in whole or in part.

The Offeror is making an appropriate offer to all the Option Holders for the cancellation of every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Under the Option Offer, the Offeror is offering the Option Holders the Option Offer Price, which is a nominal value of HK\$0.001 for every Share Option they hold, for the cancellation of each Share Option, as the exercise price of each of the Share Options exceeds the Cancellation Price and the “see-through” price is negative.

The following table sets out the exercise price of the outstanding Share Options as at the Latest Practicable Date and the “see-through” price of such Share Options under the Option Offer:

Date of Grant	Exercise price (HK\$)	Exercise period	“See through” price (HK\$)	Number of Shares into which Share Options are not yet vested	Number of Shares into which Share Options are exercisable
9 April 2015	0.127	9 April 2018 to 8 April 2025	-0.047	—	27,300,000
9 April 2015	0.127	From the date of notification by the Board (<i>Note</i>) up to 8 April 2025	-0.047	200,200,000	—
8 June 2018	0.189	From the date of notification by the Board (<i>Note</i>) up to 7 June 2028	-0.109	332,319,000	—
8 June 2018	0.189	8 June 2019 to 7 June 2028	-0.109	—	40,280,000
Total				532,519,000	67,580,000

Note: The Board will notify the relevant Option Holders the number of Share Options that have been vested upon their achievement of the performance target set by the Board.

Further information on the Option Offer is set out in the section headed “4. The Option Offer” in the Explanatory Memorandum set out in Part VI of this Scheme Document and the Option Offer Letter, substantially in the form set out in Appendix VI to this Scheme Document.

If any of the outstanding Share Options is exercised in accordance with the terms of the relevant Share Option Schemes by no later than 4:30 p.m. on Friday, 14 January 2022, any Shares so issued will be subject to and eligible to participate in the Scheme. **Pursuant to the terms of the Share Option Schemes, all Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two months’ period from the date of the Option Offer Letter (which is given at the same time as the despatch of this Scheme Document). Notwithstanding such automatic lapse of the Share Options, the Option Holders may choose to accept the Option Offer in respect of the outstanding Share Options (whether vested or unvested) to the extent that they have not otherwise lapsed or been cancelled or exercised, by lodging the duly completed and executed Form of Acceptance by not later than 4:00 p.m. on Tuesday, 25 January 2022**

(or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company).

7. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “10. Reasons for and Benefits of the Proposal” in the Explanatory Memorandum in Part VI of this Scheme Document.

On the bases set out therein, the Board considers that the terms of the Proposal, the Option Offer and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

Among the members of the Board, the following members are considered to be interested in the Proposal and the Option Offer, and therefore have abstained and will continue to abstain from voting on the Board resolutions of the Company in relation to the Proposal and the Option Offer where required under the articles of association of the Company and subject to the compliance with the Takeovers Code:

- (i) Mr. Marvin Hung, an executive Director, by virtue of him being a member of the Consortium Offeror Concert Parties;
- (ii) Mr. Wong Kwok Ying, an executive Director, by virtue of him being a member of the Non-Consortium Offeror Concert Parties; and
- (iii) Ms. Lam Fung Ming, Tammy, a non-executive Director, by virtue of her being a member of the Non-Consortium Offeror Concert Parties.

8. INFORMATION ON THE GROUP, THE OFFEROR AND THE CONSORTIUM MEMBERS

Information of the Company and the Group

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are the operation of quick service restaurants business under the brand names of Yoshinoya and Dairy Queen in northern China.

Your attention is drawn to Appendix I headed “Financial Information of the Group” to this Scheme Document.

Information of the Offeror Group and the Consortium Members

The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. Each of Holdco, Topco 1 and Topco 2 are companies incorporated in the BVI with limited liability, and each of which is principally engaged in investment holding.

As at the Latest Practicable Date, the Offeror is wholly-owned by Holdco, which is 50% owned by each of Topco 1 and Topco 2. The board of directors of each of the Offeror and Holdco comprises Mr. Peter Hung, Mr. Marvin Hung and Mrs. Diana Hung.

Topco 1 is wholly-owned by HHHFL, as trustee of The HHH Discretionary Trust. Mr. Peter Hung is the settlor of The HHH Discretionary Trust, the discretionary beneficiaries of which are Mrs. Diana Hung and certain children of Mr. Peter Hung and Mrs. Diana Hung. Mr. Peter Hung and Mrs. Diana Hung each owns one-third, and Mr. Marvin Hung owns one-sixth, of the voting power at general meeting of HHHFL. As at the Latest Practicable Date, HHHFL, as trustee of The HHH Discretionary Trust, indirectly controls 3,579,187,103 Shares, representing approximately 35.54% of the issued share capital of the Company. The board of directors of Topco 1 comprises Mr. Peter Hung and Mrs. Diana Hung. The board of directors of HHHFL comprises Mr. Peter Hung, Mrs. Diana Hung, Ms. Hung Wen Kay, Wendeline and Ms. Hung Wain Kay, Natalie.

Topco 2 is wholly-owned by NCFFL, as trustee of The NCFF Discretionary Trust. The discretionary beneficiaries of The NCFF Discretionary Trust include a company wholly-owned by Mr. Marvin Hung and certain close relatives of Mr. Marvin Hung and Mr. Peter Hung. NCFFL is wholly-owned by AGVL, which is in turn wholly-owned by Mr. Marvin Hung. As at the Latest Practicable Date, NCFFL, as trustee of The NCFF Discretionary Trust, indirectly controls 3,412,399,373 Shares, representing approximately 33.89% of the issued share capital of the Company. The sole director of each of Topco 2, NCFFL and AGVL is Mr. Marvin Hung.

LTIL is the trustee of The LTI Discretionary Trust. The discretionary beneficiaries of The LTI Discretionary Trust include a company wholly-owned by HHHFL and a company wholly-owned by Mr. Marvin Hung. LTIL is wholly-owned by a company which is in turn wholly-owned by Mr. Peter Hung. As at the Latest Practicable Date, LTIL, as trustee of The LTI Discretionary Trust, indirectly controls 73,332,815 Shares, representing approximately 0.73% of the issued share capital of the Company. The board of directors of LTIL comprises Mr. Peter Hung, Mr. Marvin Hung, Ms. Hung Cee Kay, Celeste and Ms. Hung Wen Kay, Wendeline.

As at the Latest Practicable Date, Mr. Peter Hung and his spouse Mrs. Diana Hung are interested in 3,929,297,734 Shares (including deemed interests under the SFO), representing approximately 39.02% of the issued share capital of the Company. Mr. Peter Hung is also an uncle of Mr. Marvin Hung.

As at the Latest Practicable Date, Mr. Marvin Hung is an executive Director and the chief executive officer of the Company and is interested in 3,558,384,351 Shares (including deemed interests under the SFO), representing approximately 35.33% of the issued share capital of the Company. He is a nephew of Mr. Peter Hung.

For details of the shareholding of the Offeror Group in the Company, please refer to the section headed “8. Effect of the Proposal on the Shareholding Structure of the Company” in the Explanatory Memorandum in Part VI of this Scheme Document.

9. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to the section headed “11. Intentions of the Offeror with regard to the Group” in the Explanatory Memorandum in Part VI of this Scheme Document.

10. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Seto Gin Chung, John, Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph, has been established by the Board to make a recommendation to the Disinterested Shareholders and the Option Holders as to: (i) whether the terms of the Proposal, the Scheme and the Option Offer are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM. As at the Latest Practicable Date, 500,847 Shares (representing approximately 0.005% of the issued share capital of the Company) are held by Mr. Seto Gin Chung, John, and 2,454,678 Shares (representing approximately 0.024% of the issued share capital of the Company) are held by Mr. Sze Tsai To, Robert.

Ms. Lam Fung Ming, Tammy, being a non-executive Director, does not form part of the Independent Board Committee as she is a member of the Non-Consortium Offeror Concert Parties by virtue of her being a director and an employee of certain companies which are indirectly controlled by the Offeror Group.

The full text of the letter from the Independent Board Committee is set out in the “Letter from the Independent Board Committee” in Part IV of this Scheme Document.

11. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Option Offer. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out in the “Letter from Somerley” in Part V of this Scheme Document.

12. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, subject to the Scheme becoming effective, immediately following the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in the section headed “Expected Timetable” in Part II of this Scheme Document.

13. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation of Scheme Shares and assuming that there is no change in the shareholding of the Company.

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made jointly by the Offeror and the Company.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Scheme will be borne by the Offeror. Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal, the Company and the Offeror have agreed that each party shall bear their own costs, charges and expenses of and incidental to the Scheme and the Proposal.

14. COURT MEETING AND EGM

Notices convening the Court Meeting and the EGM to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Tuesday, 14 December 2021 at 10:30 a.m. and 11:00 a.m. (or, if later, immediately after the conclusion or adjournment of the Court Meeting), respectively, are set out in Appendix IV and Appendix V to this Scheme Document.

The Grand Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in Condition (a) in the section headed “3. Conditions of the Proposal and

the Scheme” in the Explanatory Memorandum in Part VI of this Scheme Document. The Scheme must also be sanctioned by the Grand Court as required by Section 86 of the Companies Act.

Immediately after the conclusion or adjournment of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Proposal in the manner referred to in Condition (c) in the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum in Part VI of this Scheme Document.

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “19. Court Meeting and EGM” in the Explanatory Memorandum set out in Part VI of this Scheme Document, the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” of this Scheme Document, and the notices of the Court Meeting and the EGM set out in Appendix IV and Appendix V to this Scheme Document.

An announcement will be jointly made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code.

15. OVERSEAS SCHEME SHAREHOLDERS AND OPTION HOLDERS

Your attention is drawn to the section headed “17. Overseas Shareholders and Option Holders” in the Explanatory Memorandum in Part VI of this Scheme Document.

16. ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” and the section headed “21. Actions to be taken” in the Explanatory Memorandum in Part VI of this Scheme Document for details of the actions you should take as a Shareholder, as a Beneficial Owner whose Shares are held by a Registered Owner, or as a Beneficial Owner whose Shares are deposited in CCASS.

17. RECOMMENDATIONS

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal, the Scheme and the Option Offer are fair and reasonable so far as the Scheme Shareholders and the Option Holders are concerned and accordingly advises the Independent Board Committee to recommend the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme, and the Option Holders to accept the Option Offer.

The Independent Board Committee, having considered the terms of the Proposal and the Option Offer, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal, the Scheme and the Option Offer are fair and reasonable so far as

the Scheme Shareholders and the Option Holders are concerned. Accordingly, the Independent Board Committee recommends the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme, and the Option Holders to accept the Option Offer.

Your attention is drawn to (i) the letter from the Independent Board Committee in Part IV in this Scheme Document; and (ii) the letter from Somerley in Part V of this Scheme Document which sets out the factors and reasons taken into account by Somerley in arriving at its advice to the Independent Board Committee.

18. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “18. Taxation” of the Explanatory Memorandum in Part VI of this Scheme Document.

It is emphasised that none of the Offeror, the Company, UBS, Somerley nor any of their respective directors, officers or associates or any other person involved in the Proposal and the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Proposal or the Option Offer. All Scheme Shareholders and Option Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of accepting or rejecting the Proposal or the Option Offer.

19. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular:

- (i) the letter from the Independent Board Committee in Part IV of this Scheme Document;
- (ii) the letter from Somerley in Part V of this Scheme Document;
- (iii) the Explanatory Memorandum in Part VI of this Scheme Document;
- (iv) the Appendices to this Scheme Document;
- (v) the Scheme as set out in Appendix III to this Scheme Document; and
- (vi) the notice of Court Meeting and the notice of EGM as set out in Appendix IV and Appendix V to this Scheme Document.

In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the EGM are enclosed with this Scheme Document.

Option Holders are urged to read the Option Offer Letter carefully, which is being sent separately to Option Holders on the date of this Scheme Document and is substantially in the form set out in “Form of the Option Offer Letter” in Appendix VI to this Scheme Document, and the **yellow** Form of Acceptance in respect of the Option Offer.

Yours faithfully,
For and on behalf of
HOP HING GROUP HOLDINGS LIMITED
Wong Kwok Ying
Executive Director and Company Secretary

**HOP HING GROUP HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

17 November 2021

To the Disinterested Shareholders and the Option Holders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
HOP HING GROUP HOLDINGS LIMITED BY
OCEAN EASE GLOBAL LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF
THE COMPANIES ACT OF THE CAYMAN ISLANDS
(2) OPTION OFFER
AND
(3) PROPOSED WITHDRAWAL OF LISTING**

We refer to the document dated 17 November 2021 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We, being all the independent non-executive Directors, have been appointed by the Board as members of the Independent Board Committee to make a recommendation to the Disinterested Shareholders and the Option Holders as to: (i) whether the terms of the Proposal, the Scheme and the Option Offer are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM.

Somerley Capital Limited (“**Somerley**”) has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Proposal and the Option Offer. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from Somerley” in Part V of the Scheme Document. In the letter from Somerley, it is stated that Somerley considers the terms of the Proposal, the Scheme and the Option Offer to be fair and reasonable and advises the Independent Board Committee to recommend the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Scheme, and the Option Holders to accept the Option Offer.

Having considered the terms of the Proposal, the Scheme and the Option Offer, and having taken into account the advice of Somerley, and in particular, the factors, reasons and recommendations set out in the letter from Somerley, we consider that the terms of the Proposal, the Scheme and the Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Option Holders are concerned.

Accordingly, we recommend that:

- (i) the Disinterested Shareholders to vote **IN FAVOUR OF** the resolution to approve the Scheme at the Court Meeting;
- (ii) the Shareholders to vote **IN FAVOUR OF**: (i) the special resolution to approve the implementation of the Proposal and give effect to the reduction of the issued share capital of the Company by cancelling the Scheme Shares; and (ii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme for issue to the Offeror at the EGM; and
- (iii) the Option Holders to **ACCEPT** the Option Offer.

We draw the attention of the Scheme Shareholders and the Option Holders to (1) the letter from the Board as set out in Part III of the Scheme Document; (2) the letter from Somerley, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice to the Independent Board Committee as set out in Part V of the Scheme Document; and (3) the Explanatory Memorandum as set out in Part VI of the Scheme Document.

Yours faithfully,
Independent Board Committee

Mr. SETO Gin Chung John
Independent
non-executive Director

Mr. SZE Tsai To, Robert
Independent
non-executive Director

Mr. WAN Sai Cheong, Joseph
Independent
non-executive Director

Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

17 November 2021

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF
HOP HING GROUP HOLDINGS LIMITED BY
OCEAN EASE GLOBAL LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF
THE COMPANIES ACT OF THE CAYMAN ISLANDS
(2) OPTION OFFER
AND
(3) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer, details of which are set out in the Scheme Document dated 17 November 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 6 September 2021 (after trading hours), the respective directors of the Offeror and the Company jointly announced that on 1 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled. If the Proposal is approved and implemented, all the Scheme Shares held by the Scheme Shareholders will be cancelled on the Effective Date in exchange for the Cancellation Price of HK\$0.08 in cash for each Scheme Share cancelled. Option Holders who accept the Option Offer will be entitled to receive the Option Offer Price of HK\$0.001 in cash for each Share Option cancelled. The listing of the Shares is expected to be withdrawn from the Stock Exchange following the Scheme becoming effective on the Effective Date.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Seto Gin Chung, John, Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph, has been established by the Board to make a recommendation to the Disinterested Shareholders and the Option Holders as to: (i) whether the terms of the Proposal, the Scheme and the Option Offer are, or are not, fair and reasonable; (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM; and (iii) whether to accept the Option Offer. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee on these matters.

During the past two years, we have not acted as a financial adviser (independent or otherwise) to the Company or the Offeror. We are not associated with the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider ourselves eligible to give independent advice on the Proposal, the Scheme and the Option Offer pursuant to Rule 2.1 and Rule 2.6 of the Takeovers Code. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the annual report of the Company for the year ended 31 December 2020; (iii) the interim report of the Company for the six months ended 30 June 2021; (iv) the unaudited management accounts of the Company for the eight months ended 31 August 2021; (v) the announcements published by the Company on the website of the Stock Exchange since 1 January 2020; and (vi) the material change statement set out in Appendix I to the Scheme Document.

We have relied on the information and facts supplied by the Company and the opinions expressed by the executive Directors and the management of the Company, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations/our opinion up to the Effective Date. We have sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Scheme Shareholders and the Option Holders of acceptance or non-acceptance of the Scheme or the Option Offer, as the case may be, since these are particular to their individual circumstances. In particular, the Scheme Shareholders and the Option Holders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME

The terms set out below are summarised from the “Letter from the Board” and the Explanatory Memorandum contained in the Scheme Document. The Scheme Shareholders and the Option Holders are encouraged to read the Scheme Document and its appendices in full.

Cancellation Price for the Scheme Shares

Under the Scheme, the Scheme Shares will be cancelled and extinguished by way of reduction of the issued share capital of the Company and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.08 in cash for each Scheme Share cancelled. **The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

As set out in “Letter from the Board” contained in the Scheme Document, the Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which has not been paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions until after the implementation or lapse of the Scheme.

SAS Trustee Held Shares

The Share Award Scheme was adopted by the Company as a means to recognise the contribution of and to provide incentives for the eligible key management personnel including directors and senior management of the Group, consultants, experts, agents, representatives of the Group and employees of the Group. As at the Latest Practicable Date, there were 258,174,619 SAS Trustee Held Shares, representing approximately 2.56% of the issued share capital of the Company, which had been acquired by the SAS Trustee for satisfying Share Awards on vesting, and 87,415,457 Share Awards (which may vest in the form of 87,415,457 Shares, representing approximately 0.87% of the issued share capital of the Company) had been granted to the Grantees which all remain unvested. The SAS Trustee, as the trustee of the Share Award Scheme, is regarded as acting in concert with the Offeror in relation to the Company. None of the Grantees of such 87,415,457 Share Awards is a member of the Offeror Group or the Offeror Concert Parties.

If any Share Awards are vested and the corresponding Shares are transferred by the SAS Trustee to the relevant Grantee who is a Disinterested Shareholder or sold on the Stock Exchange by the SAS Trustee on behalf of the relevant Grantee to any Disinterested Shareholder (the proceeds of which will be paid to the relevant Grantee) in accordance with the terms of the Share Award Scheme and the relevant transfer documents are lodged no later than 4:30 p.m. on Friday, 14 January 2022, such Disinterested Shareholders will be entitled to receive the Cancellation Price in respect of the relevant Shares (which will be Scheme Shares).

All of the SAS Trustee Held Shares which are still held by the SAS Trustee as trustee of the Share Award Scheme on the Scheme Record Date shall form part of the Scheme Shares and be cancelled and extinguished upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror will pay to the SAS Trustee an amount equivalent to the Cancellation Price multiplied by the number of the SAS Trustee Held Shares as at the Effective Date, which will be held on trust by the SAS Trustee in accordance with the Share Award Scheme. After the receipt of such Cancellation Price for the SAS Trustee Held Shares by the SAS Trustee, the Board shall as soon as practicable direct the termination of the Share Award Scheme, upon which an amount equivalent to the Cancellation Price multiplied by the number of outstanding Share Awards held by each Grantee at such termination will be paid by the SAS Trustee to the relevant Grantee, and any remaining proceeds (net of expenses) will be remitted to the Company. Further details with respect to the SAS Trustee Held Shares are set out in the “Letter from the Board” and the Explanatory Memorandum contained in the Scheme Document.

Reduction and restoration of issued share capital

The issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled.

Conditions of the Proposal, the Scheme and the Option Offer

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions on or before the Long Stop Date. Details of the Conditions are set out in the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum. Main Conditions include, among others:

- (i) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting;

- (ii) the approval of the Scheme (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy against the resolution to approve the Scheme is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Shareholders;
- (iii) (a) the passing of a special resolution by a majority of not less than $\frac{3}{4}$ of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM to approve and give effect to the reduction of the share capital of the Company by the cancellation and extinguishment of the Scheme Shares; (b) the passing of an ordinary resolution by a simple majority of the Shareholders present and voting, in person or by proxy, at the EGM to approve and give effect to the restoration of the share capital of the Company to its former amount by allotting and issuing to the Offeror the same number of new Shares as the number of Scheme Shares cancelled and extinguished and the application of the credit arising in the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par the new Shares issued to the Offeror, credited as fully paid; and
- (iv) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the reduction of the issued share capital of the Company for registration.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, otherwise the Proposal and the Scheme will lapse.

The Option Offer is conditional upon the Scheme becoming effective.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED**A. The Proposal and the Scheme*****1. Background to and reasons for the Proposal***

As set out in the section headed “10. Reasons for and Benefits of the Proposal” in the Explanatory Memorandum, the trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years, with an average daily trading volume of approximately 4,304,031 Shares for the 24 months up to and including the Last Trading Day, representing approximately 0.04% of the total issued Shares as at the Last Trading Day. Given the continued low liquidity of the Shares, it is difficult for the Scheme Shareholders to execute on-market disposals efficiently without adversely affecting the market price of the Shares, and to dispose of a large number of Shares when any event that has an adverse impact on the price of the Shares occurs. The Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares for cash at a price at premia ranging from approximately 61.0% to 74.7% over the closing Share prices for different periods up to and including the Last Trading Day, and premia of approximately 63.9% and 57.8% over the net asset value per Share of the Group as at 31 December 2020 and 30 June 2021, respectively, without having to suffer any illiquidity discount and settlement risk.

It is further stated in the abovementioned section in the Explanatory Memorandum that the successful implementation of the Proposal will provide more flexibility to the Group as a privately-operated business in formulating and implementing its long-term business strategies, or to pursue other business opportunities that it may not be practicable to pursue as a public company, without being subject to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange, and without having to focus on the short-term market reaction. Additionally, the Proposal, which will result in the delisting of the Company if implemented successfully, will reduce the administrative costs and management resources required for maintaining the Company’s listing status.

2. Information and prospects of the Group***(i) Information of the Company and the Group***

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are the operation of quick service restaurants under the brand names Yoshinoya and Dairy Queen in northern China.

(ii) *Financial information of the Group*

(a) Financial performance

The following is a summary of the financial results of the Group for (a) the two years ended 31 December 2019 and 2020 (both 2019 and 2020 annual results having been extracted from the Company's 2020 annual report); and (b) the six months ended 30 June 2020 and 2021 (both 2020 and 2021 interim results having been extracted from the Company's 2021 interim report).

	For the six months ended 30 June		For the year ended 31 December	
	2021 (Unaudited) (RMB'000)	2020 (Unaudited) (RMB'000)	2020 (Audited) (RMB'000)	2019 (Audited) (RMB'000)
Revenue	884,478	654,723	1,590,270	2,102,814
Profit/(loss) attributable to equity holders of the Company	8,698	(66,326)	(81,901)	104,110
Earnings/(loss) per Share attributable to equity holders of the Company (in RMB'cents)				
— Basic	0.09	(0.68)	(0.84)	1.07
— Diluted	0.09	(0.68)	(0.84)	1.06

(1) Revenue

A breakdown of the Group's revenue by brands and geographical markets are as follows:

	For the six months ended 30 June		For the year ended 31 December	
	2021 (Unaudited) (RMB'000)	2020 (Unaudited) (RMB'000)	2020 (Audited) (RMB'000)	2019 (Audited) (RMB'000)
<i>Brands</i>				
— Yoshinoya	741,217	551,382	1,350,326	1,782,062
— Dairy Queen	120,154	72,951	177,337	230,809
— Others ¹	<u>23,107</u>	<u>30,390</u>	<u>62,607</u>	<u>89,943</u>
	<u>884,478</u>	<u>654,723</u>	<u>1,590,270</u>	<u>2,102,814</u>
<i>Geographical markets</i>				
— Beijing-Tianjin-Hebei Province Metropolitan Region	658,203	476,948	1,167,975	1,568,417
— Other northern areas of China	<u>226,275</u>	<u>177,775</u>	<u>422,295</u>	<u>534,397</u>
	<u>884,478</u>	<u>654,723</u>	<u>1,590,270</u>	<u>2,102,814</u>

As disclosed in the Company's 2020 annual report and 2021 interim report, revenue derived from the brand "Yoshinoya" accounted for over 80% of the Group's total revenue and over 70% of the Group's total revenue was contributed from Beijing, Tianjin and Hebei province metropolitan region for the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021. For the year ended 31 December 2020, the Group recorded a total revenue of approximately RMB1,590.3 million, representing a decline of approximately RMB512.5 million or 24.4% as compared to approximately RMB2,102.8 million for the year ended 31 December 2019. Such decrease in total revenue was primarily due to the operation suspension of certain stores as a result of the outbreak of the COVID-19. For the six months ended 30 June 2021, the Group recorded total revenue of approximately RMB884.5 million, representing an increase of approximately 35.1% as compared to approximately RMB654.7 million in the corresponding period of 2020. As disclosed in the Company's 2021 interim report, the public largely returned to normal life throughout the majority of the first quarter of 2021 as a result of widespread vaccination. The rollout of the national vaccination

¹ Mainly comprise of revenue generated from food delivery services.

program has proved efficient, providing a boost to consumption as consumers were encouraged to spend more time in public. The Company also took steps to encourage customers to visit the stores by increasing sales promotion activities, launching several new beef products featuring new styles of serving and opening stores based on the profitable store model.

(2) Profit/(loss) attributable to equity holders of the Company

Due to the significant decline in the revenue for the year ended 31 December 2020, the Company recorded a loss attributable to the equity holders of the Company of approximately RMB81.9 million in 2020, whereas a profit attributable to the equity holders of the Company of approximately RMB104.1 million was recorded for the year ended 31 December 2019. The Company recorded a profit attributable to equity holders of the Company of approximately RMB8.7 million for the six months ended 30 June 2021 compared to a loss attributable to equity holders of the Company of approximately RMB66.3 million for the six months ended 30 June 2020. Such improvement in financial results were mainly attributable to, among others, (i) the business recovery after the ease of COVID-19 restrictions; (ii) the tight cost control exercised by the Group; and (iii) the lower rental level of commercial properties.

(3) Earnings/(loss) per Share

Basic and diluted earnings/(loss) per Share for (i) the year ended 31 December 2019; (ii) the year ended 31 December 2020; (iii) the six months ended 30 June 2020; and (iv) the six months ended 30 June 2021 was approximately (a) RMB1.07 cents and RMB1.06 cents; (b) RMB(0.84) cent and RMB(0.84) cent; (c) RMB(0.68) cent and RMB(0.68) cent; and (d) RMB0.09 cent and RMB0.09 cent respectively. The movements in the earnings/(loss) per Share generally followed the movements of the Group's financial results.

(4) Dividends

Total dividend per Share for the financial years ended 31 December 2019 and 2020 was HK0.248 cent and nil respectively. No interim dividend was declared for the six months ended 30 June 2020 and 2021. The Company's implied dividend yield based on the Cancellation Price of HK\$0.08 for each Scheme Share and the total dividend of the Company of HK0.248 cent per share for the year ended 31 December 2019 is 3.1%.

(b) Financial position

Set out below is an extract of the financial position of the Group (a) as at 31 December 2019 and 2020 (both 2019 and 2020 financial position having been extracted from the Company's 2020 annual report); and (b) as at 30 June 2021 (having been extracted from the Company's 2021 interim report).

	As at 30 June 2021	As at 31 December	
	(Unaudited)	2020	2019
	<i>(RMB'000)</i>	<i>(Audited)</i>	<i>(Audited)</i>
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets	1,752,164	1,639,515	1,805,600
Total liabilities	1,327,531	1,226,106	1,282,439
Equity attributable to equity holders of the Company	424,633	413,409	523,161

As at 30 June 2021, the Group's total assets were approximately RMB1,752.2 million. Assets of the Group mainly include, among others, (a) right-of-use assets of approximately RMB554.5 million; (b) cash and cash equivalents of approximately RMB526.2 million; and (c) property, plant and equipment of approximately RMB160.3 million. As at 30 June 2021, the Group recorded total liabilities amounted to approximately RMB1,327.5 million, which mainly consisted of, among others, (a) lease liabilities of approximately RMB766.5 million; and (b) other payables, accrued charges and contract liabilities of approximately RMB379.0 million.

As at 30 June 2021, the Group had unsecured interest-bearing bank borrowings of approximately RMB8.3 million. Taking into account the cash and cash equivalents amounting to approximately RMB526.2 million, the Group had a net position of approximately RMB517.9 million as at 30 June 2021. The gearing ratio of the Group as at 30 June 2021, measured by total interest-bearing bank borrowings divided by equity attributable to equity holders of the Company, was approximately 2.0%, as compared to nil as at 31 December 2020. The change in the gearing ratio was mainly due to the new bank borrowings for the six months ended 30 June 2021. As set out in Appendix I to the Scheme Document, as at 31 August 2021, the Group had no bank borrowings and lease liabilities of approximately RMB762.2 million.

The Group's consolidated net asset value as at 31 December 2020 and 30 June 2021 amounted to approximately RMB413.4 million and RMB424.6 million, with a net asset value per Share of approximately RMB0.04105 (equivalent to approximately HK\$0.0488 at the exchange rate of HK\$1 to RMB0.8416, which was the middle rate published by the People's Bank of China on its website on 31 December 2020) and RMB0.04216 (equivalent to approximately HK\$0.0507, at the exchange rate of HK\$1 to RMB0.8321, which

was the middle rate published by the People's Bank of China on its website on 30 June 2021) respectively. The Cancellation Price of HK\$0.08 for each Scheme Share represents a substantial premium of approximately 63.9% and 57.8% to the consolidated net asset value per Share as at 31 December 2020 and 30 June 2021 respectively.

(iii) Prospects of the Group

As set out in paragraph headed "Financial information of the Group" above, the Group's total revenue for the year ended 31 December 2020 decreased by approximately 24.4% as compared to that in 2019, and recorded a loss attributable to the equity holders of the Company of approximately RMB81.9 million. Such decrease in revenue was primarily due to the operation suspension of certain stores as a result of the outbreak of the COVID-19. The Group's financial performance was improved as a result of the gradual recovery of its business after the ease of COVID-19 restrictions in the PRC in the first half of 2021. According to the statistics published by the Ministry of Commerce of the PRC* (中華人民共和國商務部), the turnover amount of the key retail sales and catering services companies reached approximately RMB821 billion during the week of the Chinese New Year in 2021, representing an increase of approximately 4.9% and 28.7% as compared to that in 2019 and 2020 respectively. The number of orders on some food delivery platforms increased by approximately 70% on the 2021 Chinese New Year's Eve as compared to that in 2020. The economic activities in the PRC have been normalised with output levels returning to the previous long-term growth trend and the national economy experiencing growth again. As set out in the 2021 interim report of the Company, in addition, the successful implementation of the national vaccination programme across the PRC boosted the consumers' sentiment and the consumers were encouraged to spend time and money in the catering industries. This can be demonstrated by the abovementioned statistics published by the PRC government.

As further disclosed in the Company's 2021 interim report, with imported cases of COVID-19 from overseas rising and sporadic outbreaks still occurring in some regions, the consumer market continues to face uncertainty. According to the data published by World Health Organisation, the daily average new confirmed COVID-19 cases in the PRC in June 2021 amounted to approximately 245 cases. As a result of the strict control measure implemented by the PRC government, the daily new confirmed COVID-19 cases decreased in the third quarter of 2021, ranged within 25 cases to 153 cases each day. The pandemic also changed the consumption habits of consumers so the recovery of the Group's dine-in catering business has been lackluster during the first half of 2021. The Group is also facing the challenge of increase in raw food material prices. For example, based on the statistics published by the Ministry of Agriculture and Rural Affairs of the PRC* (中華人民共和國農業農村部), prices of beef, being the key raw material for the Group's products, increased from approximately RMB70 per kilogram in November 2019 to approximately RMB77 per kilogram in October 2021, representing an increase of approximately 10%. Current global economic trends remain complex and severe, and the rise in global inflationary pressure has led to a sharp increase in bulk commodity

prices which has affected business in the PRC, although the Group's cash position should help it weather these problems. Taking into account the above factors, the management of the Company considers, and we concur, while the COVID-19 pandemic has largely been contained in the PRC, the catering industry, like the majority of other industries, still faces challenges caused by the fallout from the pandemic.

3. *Information on the Offeror Group and the intentions of the Offeror regarding the Group*

The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. Each of Holdco, Topco 1 and Topco 2 are companies incorporated in the BVI with limited liability, and each of which is principally engaged in investment holding. As at the Latest Practicable Date, the Offeror is wholly-owned by Holdco, which is 50% owned by each of Topco 1 and Topco 2. The board of directors of each of the Offeror and Holdco comprises Mr. Peter Hung, Mr. Marvin Hung and Mrs. Diana Hung.

Topco 1 is wholly-owned by HHHFL, as trustee of The HHH Discretionary Trust. Mr. Peter Hung is the settlor of The HHH Discretionary Trust, the discretionary beneficiaries of which are Mrs. Diana Hung and certain children of Mr. Peter Hung and Mrs. Diana Hung.

Topco 2 is wholly-owned by NCFFL, as trustee of The NCFD Discretionary Trust. The discretionary beneficiaries of The NCFD Discretionary Trust include a company wholly-owned by Mr. Marvin Hung and certain close relatives of Mr. Marvin Hung and Mr. Peter Hung.

Further details are set out in the section headed "8. Information on the Group, the Offeror and the Consortium Members" under the "Letter from the Board" and section headed "12. Information on the Group, the Offeror and the Consortium Members" in the Explanatory Memorandum contained in the Scheme Document.

As set out in the section headed "11. Intentions of the Offeror with regard to the Group" in the Explanatory Memorandum contained in the Scheme Document, following the implementation of the Proposal, the Offeror intends to focus on the existing business of the Group upon the Scheme becoming effective, while at the same time exploring and pursuing other business strategies which are or may be impracticable to be sought and pursued as a listed company. The successful implementation of the Proposal will provide more flexibilities to the Group as a privately-operated business in formulating and implementing its long-term business strategies, without being subject to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange, and without having to focus on the short-term market reaction.

In terms of the existing business strategies of the Group, apart from maintaining good relationship with its existing franchisors, the Group has been exploring with Yoshinoya various possibilities of increasing the width and depth of their cooperation in China beyond the existing franchise regions in the northern part of China, such as

Shandong province. The Group will also actively seek new opportunities, particularly those that may facilitate its technological transformation into an internet-proficient catering enterprise, further strengthening its ties with franchisors and current business partners. The Group will further explore potential mergers and acquisitions opportunities with the aim of developing into a leading multi-brand QSR (quick service restaurant) chain in China. If the Scheme becomes effective, the Offeror intends to continue to adopt such business strategies of the Group.

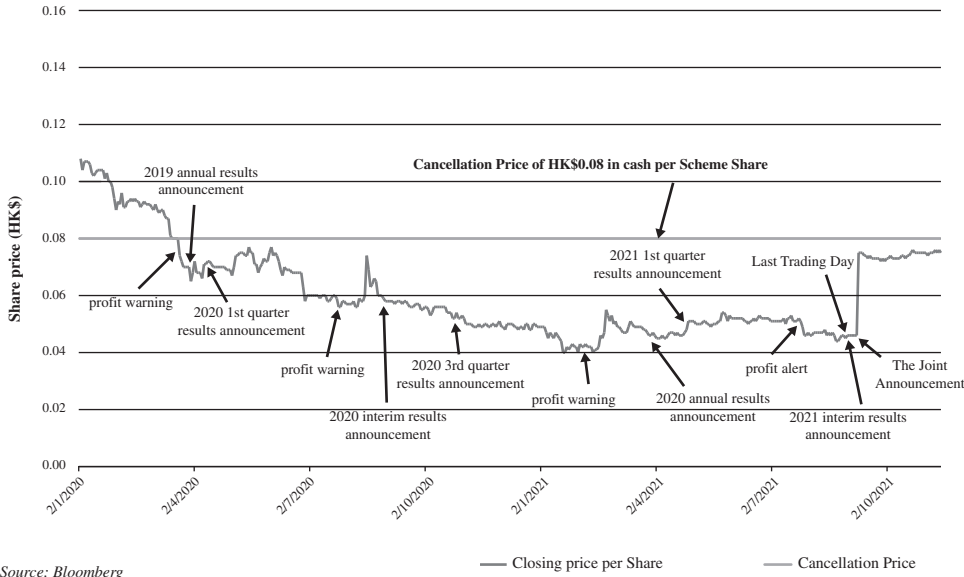
The Offeror does not intend to introduce any major changes to the business or deployment of any fixed assets of the Group. The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group. The Offeror will continue to carefully monitor the general business conditions, especially with regard to uncertainties created by the COVID-19 crisis.

4. Analysis of price performance and trading liquidity of the Shares

(i) Historical price performance of the Shares

The chart below illustrates the daily closing price per Share from 1 January 2020 up to and including the Latest Practicable Date (the “Review Period”), and the comparison of the Share price performance with the Cancellation Price of HK\$0.08 per Scheme Share.

Share price performance compared to the Cancellation Price



Source: Bloomberg

As illustrated in the chart above, after 18 March 2020, all trading days during the Review Period saw a closing Share price below the Cancellation Price of HK\$0.08 per Scheme Share. From 19 March to 14 August 2020, the Shares closed between HK\$0.056 to HK\$0.077 per Share. Since then, the Shares were traded in a downward direction and hit a low of HK\$0.040 per Share in the Review Period on 18 January, 19 January, 28 January and 9 February 2021. We are advised by the management of the Company that they are not aware of any reasons for the downward movement since 14 August 2020. After that low, the Share price started to pick up slightly and closed in a range of HK\$0.041 to HK\$0.055 per Share from 10 February to 31 August 2021.

The Shares closed at HK\$0.046 on 1 September 2021 (i.e. the Last Trading Day) and trading in Shares was suspended from 9:00 a.m. on 2 September 2021. The Joint Announcement was published after trading hours on 6 September 2021 and trading in the Shares resumed at 9:00 a.m. on 7 September 2021. The Shares closed at HK\$0.075 on 7 September 2021, representing an increase of approximately 63% compared to the closing Share price of HK\$0.046 on the Last Trading Day.

Since then and up to the Latest Practicable Date, the Shares closed between HK\$0.072 to HK\$0.076, suggesting that the Share price is being principally determined by the Cancellation Price. The Shares closed at HK\$0.075 as at the Latest Practicable Date. The Cancellation Price of HK\$0.08 represents a premium of approximately 6.7% over the closing Share price on the Latest Practicable Date.

(ii) Trading liquidity

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of the Company during the Review Period:

	Monthly total trading volume of the Shares <i>(Note 1)</i>	Percentage of the monthly total trading volume of the Shares to the total issued share capital of the Company <i>(Note 2)</i>	Percentage of the monthly total trading volume of the Shares to the public float of the Company <i>(Note 2 & 3)</i>
2020			
January	17,852,000	0.18%	0.66%
February	13,488,000	0.13%	0.50%
March	8,752,000	0.09%	0.32%
April	8,072,000	0.08%	0.30%
May	14,814,538	0.15%	0.55%
June	20,752,000	0.21%	0.77%
July	28,040,000	0.28%	1.04%
August	342,097,097	3.40%	12.66%
September	40,912,000	0.41%	1.51%
October	17,432,000	0.17%	0.65%
November	106,780,000	1.06%	3.95%
December	31,984,000	0.32%	1.18%
2021			
January	160,734,000	1.60%	5.95%
February	728,300,001	7.23%	26.95%
March	102,562,000	1.02%	3.80%
April	86,325,445	0.86%	3.19%
May	167,626,730	1.66%	6.20%
June	68,890,530	0.68%	2.55%
July	68,065,824	0.68%	2.52%
August	50,222,000	0.50%	1.86%
September	601,782,806	5.98%	22.27%
October	109,904,001	1.09%	4.07%
From 1 November 2021 to the Latest Practicable Date	25,788,000	0.26%	0.95%

Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company or the total number of the Shares in public float at the end of each month (or as at the Latest Practicable Date for November 2021).
3. The total number of Shares in public float is calculated based on the total number of Shares held by the public (within the meaning of the Listing Rules) at the end of each month (or as at the Latest Practicable Date for November 2021).

From January 2020 to October 2021, except for August 2020, February 2021 and September 2021, the percentages of the monthly total trading volume of the Shares to the total issued share capital of the Company were within the range of approximately 0.08% to 1.66%, and the percentages of the monthly total trading volume of the Shares to the public float of the Company were within the range of approximately 0.30% to 6.20%, which we regard as generally low. We are advised by the management of the Company that they are not aware of any reasons for the higher trading volume in August 2020 and February 2021. After the publication of the Joint Announcement on 6 September 2021 (after trading hours), trading volume was heightened, with total trading volume of Shares increasing to approximately 601.8 million in September 2021. From 1 November 2021 up to the Latest Practicable Date, the total trading volume represents approximately 0.26% of the total issued share capital and 0.95% of the public float of the Company.

Given the generally low trading volume except for certain periods set out above, if Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume following the publication of the Joint Announcement may not, in our view, be sustained if the Proposal lapses. Therefore, the Proposal provides an opportunity for the Scheme Shareholders to realise their investments in the Company for cash at substantial premia if they so wish.

(iii) Cancellation Price comparisons

The Cancellation Price of HK\$0.08 per Scheme Share represents:

- a premium of approximately 6.7% over the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 73.9% over the closing price of HK\$0.0460 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 74.7% over the average closing price of approximately HK\$0.0458 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 70.9% over the average closing price of approximately HK\$0.0468 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 62.9% over the average closing price of approximately HK\$0.0491 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 61.0% over the average closing price of approximately HK\$0.0497 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 62.9% over the average closing price of approximately HK\$0.0491 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 66.3% over the average closing price of approximately HK\$0.0481 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 63.9% over the audited net asset value per Share of approximately HK\$0.0488 as at 31 December 2020, based on the audited net assets of the Group as stated in the audited consolidated statement of financial position of the Company included in its annual report for the year ended 31 December 2020 and 10,070,431,786 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 57.8% over the unaudited net asset value per Share of approximately HK\$0.0507 as at 30 June 2021, based on the unaudited net assets of the Group as stated in the condensed consolidated statement of financial position of the Company included in its interim report for the six months ended 30 June 2021 and 10,070,431,786 Shares in issue as at the Latest Practicable Date.

In summary, the Cancellation Price of HK\$0.08 for each Scheme Share represents (a) a premium in a range of approximately 61.0% to 74.7% over the closing Share prices for different periods up to and including the Last Trading Day; and (b) a premium of approximately 63.9% and 57.8% over the consolidated net asset value

per Share as at 31 December 2020 and 30 June 2021 respectively. The price of the Shares closed at HK\$0.075 on the Latest Practicable Date, the Cancellation Price represents a premium of approximately 6.7% over it.

5. *Comparable companies*

As mentioned in the sub-section headed “Information and prospects of the Group” of this letter, the principal activities of the subsidiaries of the Company are the operation of quick service restaurants under the brand names “Yoshinoya” and “Dairy Queen” in northern China. Based on the Cancellation Price of HK\$0.08 per Scheme Share and the number of issued Shares of 10,070,431,786 on the Latest Practicable Date, the implied market capitalisation of the Company under the Proposal (the “**Implied Market Value**”) was approximately HK\$805.6 million. Based on the Company’s Implied Market Value, we consider the range of market capitalisation of the Comparable Companies (as defined below) between HK\$500 million and HK\$2,500 million to be reasonable for this analysis.

Taking into consideration of the Group’s business nature and the Implied Market Value of the Company, we have, on best effort basis, identified a list of companies which are (i) listed on Main Board of the Stock Exchange; (ii) with market capitalisation between HK\$500 million and HK\$2,500 million as at the Latest Practicable Date; (iii) principally engaged in the operation of quick service restaurants or fast food restaurant business with over 50% of the latest reported annual revenue generated from such business; and (iv) over 50% of the latest reported annual revenue was generated in the PRC and/or Hong Kong. Based on the above selection criteria, we could only identify two comparable companies, namely Fairwood Holdings Limited (stock code: 52) (“**Fairwood**”) and Ajisen (China) Holdings Limited (stock code: 538) (“**Ajisen**”).

In order to provide Shareholders a more comprehensive analysis with respect to the restaurant sector in general, we have extended the selection criteria (iii) above (in relation to business operation) to further include those companies which are principally engaged in operation of chain restaurants while the other selection criteria remain unchanged. As such, we have identified eight comparable companies (the “**Comparable Companies**”) from Bloomberg (including Fairwood and Ajisen). We are of the view that the selection of the Comparable Companies in the table below based on the abovementioned selection criteria is fair and representative while allowing a sufficient number of Comparable Companies to be obtained for the purpose of this analysis.

The Comparable Companies set out in the table (and notes) below represent an exhaustive list of companies comparable to the Company based on the above selection criteria.

Comparable Companies	Stock code	Closing market capitalisation as at the Latest Practicable Date (Approximate HK\$' million)	EV/EBITDA for the latest financial year (Approximate times) (Note 1)	Trailing 12 months EV/EBITDA (Approximate times) (Note 2)
Fairwood	52	2,161	3.9	3.9
Tai Hing Group Holdings Limited	6811	1,525	3.6	3.3
Ajisen	538	1,397	0.8	0.5
Best Food Holding Company Limited (“Best Food”)	1488	1,405	30.8 (Note 3 & 4)	10.1
Palace Banquet Holdings Limited (“Palace Banquet”)	1703	1,012	21.9	21.9 (Note 3 & 5)
Tao Heung Holdings Limited	573	884	3.5	3.0
LH Group Limited	1978	840	2.9	2.9
Tang Palace (China) Holdings Limited	1181	775	2.5	1.5
		Maximum	21.9	10.1
		Minimum	0.8	0.5
		Mean	5.6	3.6
		Median	3.5	3.0
The Company	47	806 (Note 6)	5.0 (Note 7)	3.1 (Note 8)

Notes:

1. Enterprise Value (“EV”) is generally derived based on the market capitalisation of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares. EV/EBITDA multiples of the Comparable Companies are calculated by dividing their

respective EV as at the Latest Practicable Date by their respective earnings before interest, tax, depreciation and amortisation (“EBITDA”) for the latest financial year as extracted from Bloomberg.

2. Trailing 12 months EV/EBITDA multiples of the Comparable Companies are calculated by dividing their respective EV as at the Latest Practicable Date by their respective EBITDA for the trailing 12 months as extracted from Bloomberg.
3. EV/EBITDA multiple of Best Food and trailing 12 months EV/EBITDA multiple of Palace Banquet are considered outliers and have been excluded from the analysis of EV/EBITDA multiple and trailing 12 months EV/EBITDA multiple respectively.
4. According to the data extracted from Bloomberg, the EBITDA of Best Food decreased from approximately HK\$202.3 million in 2019 to approximately HK\$75.4 million in 2020, representing a decrease of approximately 62.7% while the EV of Best Food only dropped by approximately 11.4% during the period from 31 December 2019 to the Latest Practicable Date. The EV/EBITDA multiple of Best Food rose from approximately 12.9 times as at 31 December 2019 to approximately 30.8 times as at the Latest Practicable Date.
5. According to the data extracted from Bloomberg, the EBITDA of Palace Banquet decreased from approximately HK\$66.1 million for the year ended 31 March 2020 to approximately HK\$57.9 million for the year ended 31 March 2021, representing a decrease of approximately 12.4%, while the EV of Palace Banquet increased by approximately 72.7% during the period from 31 March 2020 to the Latest Practicable Date. The EV/EBITDA multiple of Palace Banquet rose from approximately 11.1 times as at 31 March 2020 to approximately 21.9 times as at Latest Practicable Date.
6. The Implied Market Value of the Company of approximately HK\$805.6 million is calculated by multiplying the Cancellation Price of HK\$0.08 per Scheme Share and the number of issued Shares of 10,070,431,786 Shares as at the Latest Practicable Date.
7. EV/EBITDA multiple of the Company under the Proposal (the “**Implied EV/EBITDA**”) of approximately 5.0 times is calculated by dividing the EV of the Company of approximately HK\$1,077.6 million (derived by adding the Implied Market Value of approximately HK\$805.6 million as at the Latest Practicable Date with the EV component extracted from Bloomberg of approximately HK\$272.0 million) by the EBITDA of approximately RMB177.5 million (equivalent to approximately HK\$216.5 million at the exchange rate of HK\$1.22 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date).
8. Trailing 12 months EV/EBITDA multiple of the Company under the Proposal (the “**Implied Trailing EV/EBITDA**”) of approximately 3.1 times is calculated by dividing the EV of the Company of approximately HK\$1,077.6 million (derived by adding the Implied Market Value of approximately HK\$805.6 million as at the Latest Practicable Date with the EV component extracted from Bloomberg of approximately HK\$272.0 million) by the EBITDA for the trailing 12 months of approximately RMB280.8 million (equivalent to approximately HK\$342.6 million at the exchange rate of HK\$1.22 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date).

The Company recorded a loss for the year ended 31 December 2020 and for the trailing twelve months period ended 30 June 2021, therefore analysis on price-to-earnings multiples is not applicable. Alternatively, the EV/EBITDA multiple, being a commonly used multiple, is adopted. EV is generally derived based on the market capitalisation of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares. EBITDA removes any tax effect on earnings as well as non-cash items in earnings and is considered to be a proxy in analysing the operating cash flow of a company. EV/EBITDA multiple is useful for comparison of the company’s

value by removing the discrepancy among the taxation policies and the debt structures of the comparable companies. As such, we considered EV/EBITDA multiple is appropriate for this analysis.

As set out in the table above, the Implied EV/EBITDA of approximately 5.0 times is above the EV/EBITDA multiple of approximately 3.9 times and 0.8 times of Fairwood and Ajisen respectively. The Company's Implied Trailing EV/EBITDA of approximately 3.1 times is above the trailing 12 months EV/EBITDA multiple of Ajisen of approximately 0.5 times, but below that of Fairwood of approximately 3.9 times.

The EV/EBITDA multiples of the Comparable Companies (with outlier excluded) illustrated above ranged from approximately 0.8 times to 21.9 times, the Implied EV/EBITDA of approximately 5.0 times is above the median of approximately 3.5 times of the EV/EBITDA multiples of the Comparable Companies, despite lower than the mean of approximately 5.6 times. The trailing 12 months EV/EBITDA multiples of the Comparable Companies (with outlier excluded) ranged from approximately 0.5 times to 10.1 times, the Implied Trailing EV/EBITDA of approximately 3.1 times is slightly above the median of the trailing 12 months EV/EBITDA multiples of the Comparable Companies of approximately 3.0 times (despite lower than the mean of approximately 3.6 times). We consider, on balance, the above to be a favourable factor to the Disinterested Shareholders.

6. *Privatisation precedents*

We have compared the Proposal to privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 July 2020 and up to the Latest Practicable Date, which have been approved by disinterested shareholders or the required acceptance level was achieved, and involve a cash consideration (excluding combined consideration of cash and shares) (the “**Privatisation Precedents**”). We consider that the analysis of the Privatisation Precedents announced since the second half of 2020 up to the Latest Practicable Date, covering more than one year, to be appropriate and sufficient to demonstrate the pricing of recent successful privatisations of Main Board listed companies in Hong Kong under recent market sentiment. The Privatisation Precedents represent an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange's website satisfying the above selection criteria. The table below illustrates the premia/discounts represented by the cancellation/offer price over/to the

respective last trading day and respective last 5 trading days, last 30 trading days, last 60 trading days, last 90 trading days, last 120 trading days and last 180 trading days average share prices in respect of such Privatisation Precedents:

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Market capitalisation as at the date of announcement (Approximately HK\$ million)	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over						
			Last trading day (Notes 1 and 2)	5 trading days (Notes 1 and 2)	30 trading days (Notes 1 and 2)	60 trading days (Notes 1 and 2)	90 trading days (Notes 1 and 2)	120 trading days (Notes 1 and 2)	180 trading days (Notes 1 and 2)
27-Jul-21	Nature Home Holding Company Limited (2083)	1,998	39.3%	38.2%	31.6%	30.9%	38.4%	45.2%	53.1%
9-Jul-21	Beijing Capital Land Ltd. (2868)	7,504	62.8%	62.2%	127.4%	149.9%	142.5%	132.3%	122.6%
25-Jun-21	Bestway Global Holding Inc. (3358)	3,651	27.0%	29.5%	47.1%	62.8%	72.1%	84.3%	101.7%
18-May-21	Chong Hing Bank Limited (1111)	13,387	51.2%	88.4%	104.7%	108.3%	112.5%	114.1%	118.8%
20-Apr-21	Inner Mongolia Energy Engineering Co. Ltd. (1649)	3,388	51.3%	55.4%	41.0%	30.1%	25.5%	28.6%	34.2%
28-Feb-21	Xiezhong International Holdings Limited (3663)	544	17.6%	17.6%	25.9%	38.7%	41.8%	36.0%	15.6%
25-Feb-21	Sichuan Languang Justbon Services Group Co., Ltd. (2606)	6,937	39.4%	45.4%	46.8%	59.6%	57.4%	45.0%	26.5%
5-Feb-21	Zhejiang Cangnan Instrument Group Company Limited (1743)	1,333	15.2%	13.6%	18.0%	25.2%	4.4%	(15.4)%	(35.9)%
22-Jan-21	Zhuhai Holdings Investment Group Limited (908)	3,170	37.8%	36.7%	52.4%	56.1%	57.4%	63.6%	82.7%
21-Jan-21	Polytec Asset Holdings Limited (208)	4,128	61.3%	58.6%	72.5%	94.2%	104.1%	105.8%	99.1%
20-Jan-21	Zhejiang New Century Hotel Management Co., Ltd. (1158)	4,077	24.7%	23.9%	20.8%	19.7%	20.3%	22.8%	27.7%
17-Jan-21	HKC (Holdings) Limited (190)	1,855	120.4%	122.3%	119.5%	109.3%	100.3%	93.7%	79.1%
13-Jan-21	China Machinery Engineering Corporation (1829)	10,521	45.1%	73.4%	118.5%	126.9%	126.3%	118.0%	105.1%
22-Dec-20	Huifu Payment Limited (1806)	3,595	26.8%	39.1%	47.0%	55.4%	44.9%	36.6%	45.7%
18-Dec-20	SHK Hong Kong Industries Limited (666)	576	50.0%	54.4%	57.1%	66.2%	69.4%	69.7%	71.5%
17-Dec-20	Rivera (Holdings) Limited (281)	1,252	62.5%	65.0%	63.6%	71.1%	73.3%	71.8%	63.9%
14-Dec-20	Creative Enterprise Holdings Limited (3992)	750	(23.4)%	(6.9)%	14.5%	17.0%	27.3%	33.3%	42.2%
6-Dec-20	I.T Limited (999)	2,320	54.6%	84.7%	135.5%	162.4%	173.0%	170.4%	156.7%
13-Nov-20	CAR Inc. (699)	7,192	18.0%	22.3%	52.2%	55.8%	57.1%	64.1%	45.7%
30-Oct-20	Tonly Electronic Holdings Limited (1249)	2,756	19.0%	19.7%	28.0%	25.5%	35.8%	45.5%	59.4%
15-Oct-20	Shanghai Prime Machinery Company Limited (2345)	1,640	68.4%	101.0%	110.9%	112.6%	129.8%	139.7%	138.4%
4-Oct-20	CIMC-TianDa Holdings Company Limited (445)	3,584	20.4%	21.9%	18.5%	26.8%	36.8%	46.2%	40.3%
27-Sep-20	China Zhongdi Dairy Holdings Company Limited (1492)	2,659	11.0%	16.9%	22.8%	44.9%	77.6%	100.1%	124.7%
24-Sep-20	AMVIG Holdings Limited (2300)	1,338	51.4%	51.6%	56.5%	57.7%	56.1%	54.7%	40.5%
7-Sep-20	Changshouhua Food Company Limited (1006)	2,065	16.4%	22.2%	43.2%	64.1%	65.8%	66.1%	59.1%
27-Aug-20	Leyou Technologies Holdings Limited (1089)	9,810	4.5%	5.9%	8.3%	17.1%	24.6%	28.7%	29.1%
29-Jul-20	Xinghua Port Holdings Ltd. (1990)	1,710	23.7%	31.3%	55.2%	92.3%	124.8%	137.3%	142.9%
8-Jul-20	O-Net Technologies (Group) Limited (877)	4,387	23.6%	24.7%	24.6%	28.0%	34.3%	38.2%	43.2%
2-Jul-20	Vantage International (Holdings) Limited (15)	842	80.0%	90.7%	119.5%	115.0%	104.1%	94.0%	78.6%
	Maximum		120.4%	122.3%	135.5%	162.4%	173.0%	170.4%	156.7%
	Minimum		(23.4)%	(6.9)%	8.3%	17.0%	4.4%	(15.4)%	(35.9)%
	Mean		37.9%	45.2%	58.1%	66.3%	70.3%	71.4%	69.4%
	Median		37.8%	38.2%	47.1%	57.7%	57.4%	64.1%	59.4%
	The Company (47)		73.9%	74.7%	70.9%	62.9%	61.0%	62.9%	66.3%

Source: Bloomberg and the Stock Exchange website

Notes:

- (1) Subject to rounding differences.
- (2) Up to and including the last trading full day of the shares prior to the publication of the Rule 3.5 announcement or Rule 3.7 announcement (where applicable).

The terms of the Privatisation Precedents set out above, in our view, demonstrate the premium over market prices needed in Hong Kong to secure a successful privatisation, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. Analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Although the way of privatisation, the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis, in our view, demonstrates the pricing of recent successful privatisations of Main Board listed companies in Hong Kong (with cash cancellation consideration offered both in the Proposal and the Privatisation Precedents which were approved) under recent market sentiment. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Cancellation Price. A summary setting out the principal factors we considered is set out in the section headed “Discussion” of this letter below.

Based on the table above, the premia represented by the Cancellation Price of HK\$0.08 per Scheme Share over the closing Share prices for the Last Trading Day, last 5 trading days and last 30 trading days are above the corresponding mean and median of premia of the Privatisation Precedents. The premia represented by the Cancellation Price per Scheme Share over the closing Share prices for a longer period (i.e. last 60, 90, 120 and 180 trading days) were within the range of premia of the Privatisation Precedents and above the median of premia (although lower than the mean) of the Privatisation Precedents (except for last 120 trading days, the premium is below the median). Overall, we consider the premia represented by the Cancellation Price are, on balance, favourable to the Disinterested Shareholders, in particular, with respect to the recent closing Share prices for the Last Trading Day, last 5 trading days and last 30 trading days.

B. The Option Offer

The Offeror is making an appropriate offer to all the Option Holders for the cancellation of every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. As at the Latest Practicable Date, there are 600,099,000 outstanding Share Options granted under the Share Option Schemes (among which 67,580,000 Share Options have been vested and 532,519,000 Share Options have not been vested), each giving the Option Holder the right to subscribe for one new Share. The relevant exercise price applicable to each such Share Option ranges from HK\$0.127 to HK\$0.189. The exercise of all such Share Options in full would result in the issue of 600,099,000 new Shares, representing approximately 5.96% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.62% of the issued share capital of the Company as enlarged by the issue of such new Shares.

Under the Option Offer, the Offeror will offer the Option Holders the Option Offer Price, which is a nominal value of HK\$0.001 for every Share Option they hold, for the cancellation of each Share Option, as the exercise price of each of the Share Options exceeds the Cancellation Price and the “see-through” price is negative. The “see-through” principle is normally adopted in Hong Kong for pricing option offers which form part of general offers and privatisation proposals. On this basis, we consider the Option Offer Price of HK\$0.001 to be fair and reasonable so far as the Option Holders are concerned.

As set out in the Explanatory Memorandum, pursuant to the rules of the Share Option Schemes, when a scheme of arrangement between the Company and the Shareholders is proposed, the Company shall notify each Option Holder as it gives notice to the Shareholders for the convening of the Court Meeting and thereupon each Option Holder may exercise his or her Share Options in whole or in part. If any of the outstanding Share Options is exercised in accordance with the terms of the relevant Share Option Schemes by no later than 4:30 p.m. on Friday, 14 January 2022, any Shares so issued will be subject to and eligible to participate in the Scheme. Pursuant to the terms of the Share Option Schemes, all Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two months’ period from the date of the Option Offer Letter (which is given at the same time as the despatch of the Scheme Document). Further details in relation to the Option Offer are set out in the Explanatory Memorandum and the “Form of the Option Offer Letter” in Appendix VI to the Scheme Document.

DISCUSSION

In respect of the Proposal and the Scheme

(i) Financial performance and challenges faced by the Group

The principal activities of the subsidiaries of the Company are the operation of quick service restaurants under the brand names “Yoshinoya” and “Dairy Queen” in northern China. During 2020, the Group’s total revenue decreased by approximately 24.4% as compared to that in 2019 and it recorded a loss of approximately RMB81.9 million, primarily due to the operation suspension of certain stores as a result of the outbreak of the COVID-19. In the first half of 2021, the Group’s financial performance improved as a result of the gradual recovery of its business after the ease of COVID-19 restrictions in the PRC but attributable profits, at approximately RMB8.7 million, were still at a depressed level. With imported cases of COVID-19 from overseas rising and sporadic outbreaks still occurring in some regions, the consumer market continues to face uncertainty. The pandemic also changed the consumption habits of consumers so the recovery of the Group’s dine-in catering business was lackluster during the first half of 2021. The management of the Company considers, while the COVID-19 pandemic has largely been contained in the PRC, the catering industry, like the majority of other industries, still faces challenges caused by the fallout from the pandemic. The Proposal provides, in our view, an opportunity to the Disinterested Shareholders to realise their investment in the Company through receiving a fixed cash consideration at a significant premium over historical Share prices and net asset value per Share (as discussed in subparagraph (iv) below).

(ii) Cancellation Price represents substantial premia over historical Share prices

Under the Scheme, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.08 in cash for each Scheme Share cancelled. **The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.** After 18 March 2020, all trading days during the Review Period saw a closing Share price below the Cancellation Price of HK\$0.08 per Scheme Share. The Cancellation Price represents premia in a range of approximately 61.0% to 74.7% over the closing Share prices for different periods up to and including the Last Trading Day. The Shares closed at HK\$0.075 per Share on the Latest Practicable Date, which we consider reflects that the market price is being principally determined by the Cancellation Price and may not remain at the current level if the Scheme fails.

(iii) Trading volume thin

The trading volume of the Shares has been low in general. The ratio of the monthly trading volume of the Shares to the total issued share capital was below 2% in 20 months out of 23 months from January 2020 to November 2021 (up to the Latest Practicable Date). In the absence of the Scheme, a downward pressure on the market price of the Shares may be exerted if Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of Shares within a short period in the market. The higher level of trading volume following the publication of the Joint Announcement may not, in our view, be sustained if the Proposal lapses. Therefore, the Proposal provides an opportunity for the Scheme Shareholders to realise their investments in the Company for cash at premia if they so wish.

(iv) Cancellation Price represents substantial premia over net assets

The Cancellation Price represents premia of approximately 63.9% and 57.8% over the net asset value per Share as at 31 December 2020 and 30 June 2021 respectively, which we consider a favourable factor to the Disinterested Shareholders.

(v) Peer company analysis

The Implied EV/EBITDA of the Company is above the EV/EBITDA multiples of Fairwood and Ajisen (who operates fast food/quick service restaurants). The Implied Trailing EV/EBITDA is above the trailing 12 months EV/EBITDA multiple of Ajisen, but below the trailing 12 months EV/EBITDA multiple of Fairwood. The Implied EV/EBITDA is above the median, despite lower than the mean of the EV/EBITDA multiples of the Comparable Companies. The Implied Trailing EV/EBITDA is also slightly above the median of the trailing 12 months EV/EBITDA multiples of the Comparable Companies (although lower than the mean). We consider, on balance, the above to be a favourable factor to the Disinterested Shareholders.

(vi) Privatisation precedents

As set out in the paragraph above headed “Privatisation precedents” of this letter, the premia represented by the Cancellation Price of HK\$0.08 per Scheme Share over the closing Share prices for the Last Trading Day, last 5 trading days and last 30 trading days are above the corresponding mean and median of premia of the Privatisation Precedents. The premia represented by the Cancellation Price per Share over the closing Share prices for a longer period (i.e. last 60, 90, 120 and 180 trading days) were within the range of premia of the Privatisation Precedents and above the median of premia (although lower than the mean) of the Privatisation Precedents (except for last 120 trading days, where the premium is below the median). Overall, we consider the premia represented by the Cancellation Price are, on balance, favourable to the Disinterested Shareholders, in particular, with respect to the recent closing Share prices for the Last Trading Day, last 5 trading days and last 30 trading days.

In view of the factors summarised in this section above, taking into account that (i) challenges remain with respect to the Group’s operating environment as discussed in this letter above; (ii) the Cancellation Price represents substantial premia in a range of approximately 61.0% to 74.7% over the closing Share prices for different periods up to and including the Last Trading Day; (iii) the trading volume of the Shares has been low in general and the Proposal provides an opportunity for the Scheme Shareholders to realise their investments in the Company for cash at premia if they so wish; (iv) the Cancellation Price represents premia of approximately 63.9% to 57.8% over the net asset value per Share as at 31 December 2020 and 30 June 2021 respectively; (v) based on the results of the peer company analysis as set out in this letter above, we consider on balance, the valuation of the Company (based on EV/EBITDA multiple represented by the Cancellation Price) to be a favourable factor to the Disinterested Shareholders; and (vi) as set out in the privatisation precedents analysis above, we consider the premia represented by the Cancellation Price are, on balance, favourable to the Disinterested Shareholders, in particular, with respect to the recent closing Share prices for the Last Trading Day, last 5 trading days and last 30 trading days, we are of the view that the Cancellation Price are fair and reasonable.

In respect of the Option Offer

Under the Option Offer, the Offeror will offer the Option Holders the Option Offer Price, which is a nominal value of HK\$0.001 for every Share Option they hold, for the cancellation of each Share Option, as the exercise price of each of the Share Options exceeds the Cancellation Price and the “see-through” price is negative. The “see-through” principle is normally adopted in Hong Kong in such circumstances. We consider the Option Offer Price of HK\$0.001 to be fair and reasonable so far as the Option Holders are concerned. If any of the outstanding Share Options is exercised in accordance with the terms of the relevant Share Option Schemes by no later than 4:30 p.m. on Friday, 14 January 2022, any Shares so issued will be subject to and eligible to participate in the Scheme. Option Holders should note that, pursuant to the terms of the Share Option Schemes, all Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the

two months' period from the date of the Option Offer Letter (which is given at the same time as the despatch of the Scheme Document). This in effect means the Share Options will become worthless if Option Holders do nothing and the Scheme is approved.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons summarised in the section headed "Discussion" above, we consider the terms of the Proposal, the Scheme and the Option Offer are fair and reasonable so far as the Disinterested Shareholders and Option Holders are concerned. Accordingly, we recommend the Independent Board Committee to advise:

- (1) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (2) the Shareholders to vote in favour of the resolutions in connection with the Scheme at the EGM; and
- (3) the Option Holders to accept the Option Offer.

The Shares have traded below the Cancellation Price since the Last Trading Day and up to the Latest Practicable Date. Although we consider it unlikely, there remains the possibility that the Share price may exceed the Cancellation Price by 4:10 p.m. on 16 December 2021, being the expected latest time for trading in the Shares on the Stock Exchange. Accordingly, the Scheme Shareholders and the Option Holders are advised to monitor the trading price and liquidity of the Shares during this period. Having regard to their own circumstances, Scheme Shareholders may consider selling their Shares in the open market and Option Holders exercising their vested Share Options and selling their Shares to be issued upon such exercise if the net proceeds obtained from such disposals (after deducting all transaction costs) would be higher than the net proceeds to be received under the Scheme and from accepting the Option Offer respectively.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over thirteen years' experience in the corporate finance industry.

** The English translation of the Chinese Names is included for information purpose only and should not be regarded as their official English translation.*

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

1. INTRODUCTION

On 6 September 2021, the respective directors of the Offeror and the Company jointly announced that on 1 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled.

If the Proposal is approved and implemented:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled on the Effective Date in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled;
- (b) those Option Holders who accept the Option Offer will be entitled to receive the Option Offer Price for each Share Option in exchange for the cancellation of their Share Options;
- (c) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled. The credit arising in the books of accounts of the Company as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued, credited as fully paid, to the Offeror;
- (d) assuming no Share Options are exercised and that there is no other change in the issued share capital of the Company before implementation of the Proposal, on the Effective Date, the Consortium Offeror Concert Parties will directly or indirectly hold approximately 71.64% of the issued share capital of the Company and the Offeror will directly hold approximately 28.36% of the issued share capital of the Company; and
- (e) the Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules and such withdrawal is expected to take place immediately following the Effective Date.

The Offeror is making an appropriate offer to all the Option Holders for the cancellation of every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering the Option Holders the Option Offer Price, which is a nominal value of HK\$0.001 for every Share Option they hold, for the cancellation of each Share Option, as the exercise price of each of the Share Options exceeds the Cancellation Price and the “see-through” price is negative.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal and the Option Offer and to provide Scheme Shareholders and Option Holders with other relevant information in relation to the Proposal and the Option Offer, in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme.

The particular attention of the Scheme Shareholders and the Option Holders is drawn to the following sections of this Scheme Document: (i) the letter from the Board in Part III; (ii) the letter from the Independent Board Committee in Part IV; (iii) the letter from Somerley in Part V; and (iv) the terms of the Scheme as set out in Appendix III to this Scheme Document.

2. THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

2.1 The Scheme

Upon the Scheme becoming effective, the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.08 in cash for every Scheme Share. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

As at the Latest Practicable Date, the Company had 10,070,431,786 Shares in issue, including 258,174,619 SAS Trustee Held Shares, representing approximately 2.56% of the issued share capital of the Company; and there are 600,099,000 outstanding Share Options granted under the Share Option Schemes (among which 67,580,000 Share Options have been vested and 532,519,000 Share Options have not been vested), the exercise of which in full would result in the issue of 600,099,000 new Shares, representing approximately 5.96% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.62% of the issued share capital of the Company as enlarged by the issue of such new Shares. The Scheme Shares, comprising 2,855,725,354 Shares, represented approximately 28.36% of the issued share capital of the Company.

Save as disclosed above, the Company has no outstanding options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Company as at the Latest Practicable Date.

The Cancellation Price of HK\$0.08 per Scheme Share represents:

- (a) a premium of approximately 6.7% over the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 73.9% over the closing price of HK\$0.0460 per Share as quoted on the Stock Exchange on the Last Trading Date;

- (c) a premium of approximately 74.7% over the average closing price of approximately HK\$0.0458 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 70.9% over the average closing price of approximately HK\$0.0468 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 62.9% over the average closing price of approximately HK\$0.0491 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 61.0% over the average closing price of approximately HK\$0.0497 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 62.9% over the average closing price of approximately HK\$0.0491 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 66.3% over the average closing price of approximately HK\$0.0481 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (i) a premium of approximately 63.9% over the audited net asset value per Share of approximately HK\$0.0488 as at 31 December 2020, based on the audited net assets of the Group as stated in the audited consolidated statement of financial position of the Company included in its annual report for the year ended 31 December 2020 and 10,070,431,786 Shares in issue as at the Latest Practicable Date; and
- (j) a premium of approximately 57.8% over the unaudited net asset value per Share of approximately HK\$0.0507 as at 30 June 2021, based on the unaudited net assets of the Group as stated in the condensed consolidated statement of financial position of the Company included in its interim report for the six months ended 30 June 2021 and 10,070,431,786 Shares in issue as at the Latest Practicable Date.

During the six-month period preceding the Last Trading Day and ending on the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.076 on 22 October, 9 November and 11 November 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.044 on 20 and 23 August 2021.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

The Cancellation Price of HK\$0.08 per Scheme Share will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

If, after the Latest Practicable Date, any dividend or other distribution is made, declared or paid in respect of the Scheme Shares, the Cancellation Price will be reduced by an amount equal to the amount of such dividend or other distribution. The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which has not been paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions until after the implementation or lapse of the Scheme.

2.2 SAS Trustee Held Shares

The Share Award Scheme was adopted by the Company as a means to recognise the contribution of and to provide incentives for the eligible key management personnel including directors and senior management of the Group, consultants, experts, agents, representatives of the Group and employees of the Group. As at the Latest Practicable Date, there are 258,174,619 SAS Trustee Held Shares (representing approximately 2.56% of the issued share capital of the Company), which have been acquired by the SAS Trustee for satisfying Share Awards on vesting, and 87,415,457 Share Awards (which may vest in the form of 87,415,457 Shares, representing approximately 0.87% of the issued share capital of the Company) have been granted to the Grantees which all remain unvested. The SAS Trustee, as the trustee of the Share Award Scheme, is regarded as acting in concert with the Offeror in relation to the Company. None of the Grantees of such 87,415,457 Share Awards is a member of the Offeror Group or the Offeror Concert Parties.

If any Share Awards are vested and the corresponding Shares are transferred by the SAS Trustee to the relevant Grantee who is a Disinterested Shareholder or sold on the Stock Exchange by the SAS Trustee on behalf of the relevant Grantee to any Disinterested Shareholder (the proceeds of which will be paid to the relevant Grantee) in accordance with the terms of the Share Award Scheme and the relevant transfer documents are lodged no later than 4:30 p.m. on Friday, 14 January 2022, such Disinterested Shareholders will be entitled to receive the Cancellation Price in respect of the relevant Shares (which will be Scheme Shares).

Among the 87,415,457 outstanding Share Awards, the vesting date of 51,622,316 Share Awards (which may vest in the form of 51,622,316 Shares, representing approximately 0.51% of the issued share capital of the Company as at the Latest Practicable Date) falls before 30 June 2022 (being the current Long Stop Date). Among such 51,622,316 Share Awards, (i) 10,107,168 Share Awards will be vested to a Grantee automatically in January 2022; (ii) 9,237,678 Share Awards will be vested to certain Grantees automatically in April 2022 so long as they remain to be employees of the Group; and (iii) 32,277,470 Share Awards will be vested to certain Grantees subject to their continued employment with the Group and their satisfaction of performance target.

Pursuant to the trust deed and the rules of the Share Award Scheme, so long as no beneficial interest in the relevant SAS Trustee Held Shares has been vested, neither the Grantees nor the SAS Trustee shall exercise any voting rights in respect of such SAS Trustee Held Shares.

All of the SAS Trustee Held Shares which are still held by the SAS Trustee as trustee of the Share Award Scheme on the Scheme Record Date shall form part of the Scheme Shares and be cancelled and extinguished upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror will pay to the SAS Trustee an amount equivalent to the Cancellation Price multiplied by the number of the SAS Trustee Held Shares as at the Effective Date, which will be held on trust by the SAS Trustee in accordance with the Share Award Scheme. After the receipt of such Cancellation Price for the SAS Trustee Held Shares by the SAS Trustee, the Board shall as soon as practicable direct the termination of the Share Award Scheme, upon which an amount equivalent to the Cancellation Price multiplied by the number of outstanding Share Awards held by each Grantee at such termination will be paid by the SAS Trustee to the relevant Grantee, and any remaining proceeds (net of expenses) will be remitted to the Company.

2.3 Total consideration and financial resources

As at the Latest Practicable Date, the Scheme Shares comprised 2,855,725,354 Shares in issue, representing approximately 28.36% of the total issued share capital of the Company.

On the assumption that before the Scheme Record Date, (i) no further Shares are issued; and (ii) no Share Options are exercised, and all the Option Holders elect to receive the Option Offer Price of a nominal value of HK\$0.001 per Share Option, the amount of cash required to implement the Proposal and the Option Offer would be approximately HK\$228,458,000 and approximately HK\$600,000, respectively (i.e. a total amount of approximately HK\$229,058,000).

The Offeror intends to finance the cash required for the Proposal and the Option Offer using internal resources from Holdco.

UBS, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal and the Option Offer in accordance with their respective terms.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than $\frac{3}{4}$ of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM to approve and give effect to the reduction of the share capital of the Company by the cancellation and extinguishment of the Scheme Shares; (ii) the passing of an ordinary resolution by a simple majority of the Shareholders present and voting, in person or by proxy, at the EGM to approve and give effect to the restoration of the share capital of the Company to its former amount by allotting and issuing to the Offeror the same number of new Shares as the number of Scheme Shares cancelled and extinguished and the application of the credit arising in the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par the new Shares issued to the Offeror, credited as fully paid;
- (d) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the reduction of the issued share capital of the Company for registration;
- (e) the necessary compliance with the procedural requirements and conditions, if any, of Sections 15, 16 and 17 of the Companies Act in relation to the reduction of the share capital of the Company referred to in paragraph (c) above;
- (f) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or

contractual obligations of the Company) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;

- (g) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (h) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (i) since 31 December 2020, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and
- (j) since the Announcement Date, there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (e) above) in whole or in part. The Company does not have the right to waive any of the Conditions.

In respect of the Condition in paragraph (f) above, as at the Latest Practicable Date, the Offeror and the Company do not foresee any necessary authorisations required in connection with the Proposal from, with or by (as the case may be) the relevant authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, save for the authorisations already set out above as separate conditions.

In respect of the Condition in paragraph (h) above, as at the Latest Practicable Date, the Offeror and the Company are not aware of any such legal or regulatory obligation or requirement which is required to be complied with or has been imposed in connection with the Proposal or its implementation in accordance with its terms, save for the requirements already set out above as separate conditions.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, otherwise the Proposal and the Scheme will lapse. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal. As at the Latest Practicable Date, the Offeror is not aware of any such circumstances.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as applicable).

Assuming that all of the Conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on Tuesday, 25 January 2022 (Cayman Islands time) and the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Thursday, 27 January 2022 pursuant to Rule 6.15 of the Listing Rules. Further announcements will be made jointly by the Company and the Offeror in relation to the results of the Court Meeting and the EGM and, if all of the requisite resolutions to approve the Scheme are passed at those meetings, the results of the Court Hearing, and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

WARNING: Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. THE OPTION OFFER

As at the Latest Practicable Date, there are 600,099,000 outstanding Share Options granted under the Share Option Schemes (among which 67,580,000 Share Options have been vested and 532,519,000 Share Options have not been vested), each giving the Option Holder the right to subscribe for one new Share. The relevant exercise price applicable to each such Share Option ranges from HK\$0.127 to HK\$0.189. The exercise of all such Share Options in full would result in the issue of 600,099,000 new Shares, representing approximately 5.96% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.62% of the issued share capital of the Company as enlarged by the issue of such new Shares.

Pursuant to the rules of the Share Option Schemes, when a scheme of arrangement between the Company and the Shareholders is proposed, the Company shall notify each Option Holder as it gives notice to the Shareholders for the convening of the Court Meeting and thereupon each Option Holder may exercise his or her Share Options in whole or in part.

The Offeror is making an appropriate offer to all the Option Holders for the cancellation of every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering the Option Holders the Option Offer Price, which is a nominal value of HK\$0.001 for every Share Option they hold, for the cancellation of each Share Option, as the exercise price of each of the Share Options exceeds the Cancellation Price and the “see-through” price is negative.

The following table sets out the exercise price and the “see-through” price of the outstanding Share Options under the Option Offer:

Date of Grant	Exercise price (HK\$)	Exercise period	“See through” price (HK\$)	Number of Shares into which Share Options are not yet vested	Number of Shares into which Share Options are exercisable
9 April 2015	0.127	9 April 2018 to 8 April 2025	-0.047	—	27,300,000
9 April 2015	0.127	From the date of notification by the Board (<i>Note</i>) up to 8 April 2025	-0.047	200,200,000	—
8 June 2018	0.189	From the date of notification by the Board (<i>Note</i>) up to 7 June 2028	-0.109	332,319,000	—
8 June 2018	0.189	8 June 2019 to 7 June 2028	-0.109	—	40,280,000
			Total	532,519,000	67,580,000

Note: The Board will notify the relevant Option Holders the number of Share Options that have been vested upon their achievement of the performance target set by the Board.

Further information on the Option Offer is set out in the Option Offer Letter, substantially in the form set out in Appendix VI to this Scheme Document.

If any of the outstanding Share Options is exercised in accordance with the terms of the relevant Share Option Schemes by no later than 4:30 p.m. on Friday, 14 January 2022, any Shares so issued will be subject to and eligible to participate in the Scheme. **Pursuant to the terms of the Share Option Schemes, all Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two months’ period from the date of the Option Offer Letter (which is given at the same time**

as the despatch of this Scheme Document). Notwithstanding such automatic lapse of the Share Options, the Option Holders may choose to accept the Option Offer in respect of the outstanding Share Options (whether vested or unvested) to the extent that they have not otherwise lapsed or been cancelled or exercised, by lodging the duly completed and executed Form of Acceptance by not later than 4:00 p.m. on Tuesday, 25 January 2022 (or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company).

5. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs to agree such an arrangement.

It is expressly provided in Section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

6. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Shareholders.

For the purpose of counting the votes for (a) and (b) above, Disinterested Shareholders comprise all Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties.

As at the Latest Practicable Date, the Disinterested Shareholders held in aggregate 2,424,823,234 Scheme Shares. On that basis, and assuming that no new Shares are issued on or before the Meeting Record Date, 10% of the votes attached to all the Scheme Shares held by all Disinterested Shareholders referred to in (b) above would represent approximately 242,482,323 Shares.

7. BINDING EFFECT OF THE SCHEME

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

8. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) there are 10,070,431,786 Shares in issue, including 258,174,619 SAS Trustee Held Shares (representing approximately 2.56% of the issued share capital of the Company);
- (b) the Offeror does not legally or beneficially own, control or have direction over any Shares;
- (c) the Consortium Offeror Concert Parties beneficially own, control or have direction over 7,214,706,432 Shares, representing approximately 71.64% of the issued share capital of the Company;
- (d) the Non-Consortium Offeror Concert Parties beneficially own, control or have direction over 430,902,120 Shares, representing approximately 4.28% of the issued share capital of the Company;
- (e) the Scheme Shareholders (which include the Non-Consortium Offeror Concert Parties) hold 2,855,725,354 Shares, representing approximately 28.36% of the issued share capital of the Company; and
- (f) there are 600,099,000 outstanding Share Options granted under the Share Option Schemes, among which (i) 72,500,000 Share Options (of which 8,700,000 have been vested) are held by Mr. Wong Kwok Ying, an executive Director and a member of the Non-Consortium Offeror Concert Parties; and (ii) 527,599,000 Share Options (of which 58,880,000 have been vested) are held by individuals who are not members of the Offeror Concert Parties.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

(a) Assuming that no Share Options are exercised before the Scheme Record Date

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal on the assumption that no Share Options are exercised before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Proposal (assuming that no Share Options are exercised before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)	
	Number of Shares	Approximate % of the issued Shares	Number of Shares	Approximate % of the issued Shares
(A) Offeror	—	—	2,855,725,354	28.36%
(B) Consortium Offeror				
Concert Parties not subject to the Scheme				
Mr. Peter Hung (Note 1)	274,766,648	2.73%	274,766,648	2.73%
Mr. Marvin Hung (Note 2)	72,652,163	0.72%	72,652,163	0.72%
Mrs. Diana Hung (Note 3)	2,011,168	0.02%	2,011,168	0.02%
HHHFL (as trustee of The HHH Discretionary Trust) (Note 4)	3,379,544,265	33.56%	3,379,544,265	33.56%
NCFFL (as trustee of The NCF Discretionary Trust) (Note 5)	3,212,756,535	31.90%	3,212,756,535	31.90%
Predominance Fortune Limited (Note 6)	199,642,838	1.98%	199,642,838	1.98%
LTIL (as trustee of The LTI Discretionary Trust) (Note 7)	73,332,815	0.73%	73,332,815	0.73%
Sub-total of (B)	7,214,706,432	71.64%	7,214,706,432	71.64%

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Proposal (assuming that no Share Options are exercised before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
		of the issued Shares		of the issued Shares
(C) Non-Consortium Offeror Concert Parties subject to the Scheme				
Mr. Hung Hak Kan (Note 8)	25,274,531	0.25%	—	—
Mr. Hung Hak Fu (Note 8)	25,735,593	0.26%	—	—
The late Mr. Hung Hak Shing's estate (Note 8)	25,253,355	0.25%	—	—
Ms. Hung Siu Yee, Linda (Note 8)	27,748,091	0.28%	—	—
Mr. Hung Hak Yau (Note 9)	38,780,031	0.39%	—	—
Mrs. Hung Lui Suet Ying, Margaret (Note 10)	40,000	0.00%	—	—
Ms. Hung Cee Kay, Celeste (Note 11)	207,964	0.00%	—	—
Ms. Hung Wen Kay, Wendeline (Note 11)	214,584	0.00%	—	—
Ms. Hung Wain Kay, Natalie (Note 11)	214,584	0.00%	—	—
Ms. Hung Gi Kay, Zita (Note 11)	214,584	0.00%	—	—
Ms. Hung Sum Kay, Sandy (Note 12)	147,009	0.00%	—	—
Ms. Hung On Kay, Angela (Note 13)	142,508	0.00%	—	—
SAS Trustee (Note 14)	258,174,619	2.56%	—	—
LGEFL (as trustee of The Lion & Globe Educational Trust) (Note 15)	28,754,667	0.29%	—	—
Sub-total of (C)	430,902,120	4.28%	—	—

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Proposal (assuming that no Share Options are exercised before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)	
	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>
(D) Offeror and the Offeror Concert Parties				
(A) + (B) + (C)	<u>7,645,608,552</u>	<u>75.92%</u>	<u>10,070,431,786</u>	<u>100.00%</u>
(E) Disinterested Shareholders subject to the Scheme (Note 16)				
	<u>2,424,823,234</u>	<u>24.08%</u>	<u>—</u>	<u>—</u>
(F) Scheme Shareholders				
(C) + (E)	<u>2,855,725,354</u>	<u>28.36%</u>	<u>—</u>	<u>—</u>
TOTAL				
(A) + (B) + (C) + (E)	<u>10,070,431,786</u>	<u>100.00%</u>	<u>10,070,431,786</u>	<u>100.00%</u>

Notes:

- (1) As at the Latest Practicable Date, 274,766,648 Shares are indirectly held by Mr. Peter Hung through his wholly-owned companies, Exploit (PH) Limited and Kinnard Investments Limited.
- (2) As at the Latest Practicable Date, 72,652,163 Shares are directly held by Mr. Marvin Hung.
- (3) As at the Latest Practicable Date, 2,011,168 Shares are indirectly held by Mrs. Diana Hung (the spouse of Mr. Peter Hung) through her wholly-owned company, Banjo (DH) Limited.
- (4) HHHFL is the trustee of a discretionary trust, The HHH Discretionary Trust. Mr. Peter Hung is the settlor of The HHH Discretionary Trust, the discretionary beneficiaries of which are Mrs. Diana Hung and certain children of Mr. Peter Hung and Mrs. Diana Hung. Mr. Peter Hung and Mrs. Diana Hung each owns one-third, and Mr. Marvin Hung owns one-sixth, of the voting power at general meeting of HHHFL. Therefore, HHHFL, as trustee of The HHH Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, HHHFL, as trustee of The HHH Discretionary Trust, indirectly controls 3,379,544,265 Shares through its indirectly wholly-owned subsidiaries, namely Action Success (PHT) Limited (holding 166,787,730 Shares), True Force Ventures Limited (holding 1,408,783,784 Shares), Earn Field International (PHT) Limited (holding 1,408,783,784 Shares) and New Tree Limited (holding 395,188,967 Shares).

Also, HHHFL, as trustee of The HHH Discretionary Trust, owns one-half of the voting power at general meeting of Predominance Fortune Limited, which holds 199,642,838 Shares as at the Latest Practicable Date. Such 199,642,838 Shares are in addition to the 3,379,544,265 Shares referred to in the immediately preceding paragraph.

- (5) NCFFL is the trustee of a discretionary trust, The NCFF Discretionary Trust. The discretionary beneficiaries of The NCFF Discretionary Trust include a company wholly-owned by Mr. Marvin Hung, and certain close relatives of Mr. Marvin Hung and Mr. Peter Hung. NCFFL is indirectly wholly-owned by Mr. Marvin Hung through AGVL. Therefore, NCFFL, as trustee of The NCFF Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, NCFFL, as trustee of The NCFF Discretionary Trust, indirectly controls 3,212,756,535 Shares through its indirectly wholly-owned subsidiaries, namely Winner Planet Limited (holding 1,625,526,805 Shares) and Creative Mount Limited (holding 1,587,229,730 Shares).

Also, NCFFL, as trustee of The NCFF Discretionary Trust, owns one-half of the voting power at general meeting of Predominance Fortune Limited, which holds 199,642,838 Shares as at the Latest Practicable Date. Such 199,642,838 Shares are in addition to the 3,212,756,535 Shares referred to in the immediately preceding paragraph.

- (6) Predominance Fortune Limited is a company of which HHHFL, as trustee of The HHH Discretionary Trust, and NCFFL, as trustee of The NCFF Discretionary Trust, each owns one-half of the voting power at general meeting. As at the Latest Practicable Date, Predominance Fortune Limited holds 199,642,838 Shares.
- (7) LTIL is the trustee of a discretionary trust, The LTI Discretionary Trust. Mr. Peter Hung is the settlor of The LTI Discretionary Trust, the discretionary beneficiaries of which include a company wholly-owned by HHHFL and a company wholly-owned by Mr. Marvin Hung. LTIL is wholly-owned by a company which is in turn wholly-owned by Mr. Peter Hung. Therefore, LTIL, as trustee of The LTI Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, LTIL, as trustee of The LTI Discretionary Trust, indirectly held 73,332,815 Shares through its wholly-owned subsidiary, Elite Aim (LTIT) Limited.

- (8) Mr. Hung Hak Kan, Mr. Hung Hak Fu, the late Mr. Hung Hak Shing and Ms. Hung Siu Yee, Linda are the siblings of Mr. Peter Hung, and therefore are regarded as acting in concert with the Offeror in relation to the Company.
- (9) Mr. Hung Hak Yau is the brother of Mr. Peter Hung and the father of Mr. Marvin Hung. Therefore, he is regarded as acting in concert with the Offeror in relation to the Company.
- (10) Mrs. Hung Lui Suet Ying, Margaret is the mother of Mr. Marvin Hung. Therefore, she is regarded as acting in concert with the Offeror in relation to the Company. Such 40,000 Shares were held by Mrs. Hung Lui Suet Ying, Margaret also as at the Announcement Date but was not disclosed in the Joint Announcement as such shareholding was subsequently identified and informed to the Offeror after the issue of the Joint Announcement.
- (11) Ms. Hung Cee Kay, Celeste, Ms. Hung Wen Kay, Wendeline, Ms. Hung Wain Kay, Natalie and Ms. Hung Gi Kay, Zita are the daughters of Mr. Peter Hung and Mrs. Diana Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (12) Ms. Hung Sum Kay, Sandy is the sister of Mr. Marvin Hung. Therefore, she is regarded as acting in concert with the Offeror in relation to the Company.

- (13) Ms. Hung On Kay, Angela is the sister of Mr. Marvin Hung. Therefore, she is regarded as acting in concert with the Offeror in relation to the Company. The number of Shares held by Ms. Hung On Kay, Angela as at the Announcement Date was 142,508 Shares (instead of 22,508 Shares as stated in the Joint Announcement). The additional 120,000 Shares held by Ms. Hung On Kay, Angela were subsequently identified and informed to the Offeror after the issue of the Joint Announcement.
- (14) As at the Latest Practicable Date, 258,174,619 Shares are held by the SAS Trustee, which (as trustee of the Share Award Scheme) is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, 87,415,457 Share Awards have been granted to the Grantees in respect of 87,415,457 Shares which remain unvested. If any Share Awards are vested and the corresponding Shares are transferred by the SAS Trustee to the relevant Grantee who is a Disinterested Shareholder or sold on the Stock Exchange by the SAS Trustee on behalf of the relevant Grantee to any Disinterested Shareholder (the proceeds of which will be paid to the relevant Grantee) in accordance with the terms of the Share Award Scheme and the relevant transfer documents are lodged no later than 4:30 p.m. on Friday, 14 January 2022, such Disinterested Shareholders will be entitled to receive the Cancellation Price in respect of the relevant Shares (which will be Scheme Shares).

- (15) LGEFL is the trustee of a charitable trust, The Lion & Globe Educational Trust. Mr. Peter Hung and Mrs. Diana Hung each owns one-fourth, and Mr. Marvin Hung owns one-eighth, of the voting power at general meeting of LGEFL. Therefore, LGEFL, as trustee of The Lion & Globe Educational Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, 28,754,667 Shares are held by LGEFL as trustee of The Lion & Globe Educational Trust.

- (16) As at the Latest Practicable Date, 500,847 Shares are held by Mr. Seto Gin Chung, John, and 2,454,678 Shares are held by Mr. Sze Tsai To, Robert. Both of them are independent non-executive Directors, and are not regarded as acting in concert with the Offeror in relation to the Company and the Shares held by them will form part of the Scheme Shares held by the Disinterested Shareholders.

Other than the independent non-executive Directors, all Directors (namely, Mr. Marvin Hung, Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy) are regarded as acting in concert with the Offeror in relation to the Company. As at the Latest Practicable Date, Ms. Lam Fung Ming, Tammy does not hold any Share or Share Option.

Assuming no Share Options are exercised and that there is no other change in the issued share capital of the Company before the implementation of the Proposal, immediately upon completion of the Proposal, the Consortium Offeror Concert Parties will directly or indirectly hold approximately 71.64% of the issued share capital of the Company and the Offeror will directly hold approximately 28.36% of the issued share capital of the Company.

(b) Assuming that all Share Options are exercised in full before the Scheme Record Date

The table below sets out the shareholding structure of the Company immediately before completion of the Proposal and immediately upon completion of the Proposal on the assumption that (i) all the outstanding 600,099,000 Share Options are vested and exercised in full before the Scheme Record Date (resulting in the issue of 600,099,000 new Shares); and (ii) there is no other change in shareholding of the Company before completion of the Proposal:

Shareholder	Immediately before completion of the Proposal (assuming that all Share Options are vested and exercised in full before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)		Immediately upon completion of the Proposal (assuming that all Share Options are vested and exercised in full before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)	
	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>
(A) Offeror	—	—	3,455,824,354	32.39%
(B) Consortium Offeror Concert Parties not subject to the Scheme				
Mr. Peter Hung (<i>Note 1</i>)	274,766,648	2.58%	274,766,648	2.58%
Mr. Marvin Hung (<i>Note 2</i>)	72,652,163	0.68%	72,652,163	0.68%
Mrs. Diana Hung (<i>Note 3</i>)	2,011,168	0.02%	2,011,168	0.02%
HHHFL (as trustee of The HHH Discretionary Trust) (<i>Note 4</i>)	3,379,544,265	31.67%	3,379,544,265	31.67%
NCFFL (as trustee of The NCF Discretionary Trust) (<i>Note 5</i>)	3,212,756,535	30.11%	3,212,756,535	30.11%
Predominance Fortune Limited (<i>Note 6</i>)	199,642,838	1.87%	199,642,838	1.87%
LTIL (as trustee of The LTI Discretionary Trust) (<i>Note 7</i>)	73,332,815	0.69%	73,332,815	0.69%
Sub-total of (B)	7,214,706,432	67.61%	7,214,706,432	67.61%

Shareholder	Immediately before completion of the Proposal (assuming that all Share Options are vested and exercised in full before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)		Immediately upon completion of the Proposal (assuming that all Share Options are vested and exercised in full before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
		of the issued Shares		of the issued Shares
(C) Non-Consortium Offeror Concert Parties subject to the Scheme				
Mr. Hung Hak Kan (Note 8)	25,274,531	0.24%	—	—
Mr. Hung Hak Fu (Note 8)	25,735,593	0.24%	—	—
The late Mr. Hung Hak Shing's estate (Note 8)	25,253,355	0.24%	—	—
Ms. Hung Siu Yee, Linda (Note 8)	27,748,091	0.26%	—	—
Mr. Hung Hak Yau (Note 9)	38,780,031	0.36%	—	—
Mrs. Hung Lui Suet Ying, Margaret (Note 9)	40,000	0.00%	—	—
Ms. Hung Cee Kay, Celeste (Note 10)	207,964	0.00%	—	—
Ms. Hung Wen Kay, Wendeline (Note 10)	214,584	0.00%	—	—
Ms. Hung Wain Kay, Natalie (Note 10)	214,584	0.00%	—	—
Ms. Hung Gi Kay, Zita (Note 10)	214,584	0.00%	—	—
Ms. Hung Sum Kay, Sandy (Note 11)	147,009	0.00%	—	—
Ms. Hung On Kay, Angela (Note 11)	142,508	0.00%	—	—
SAS Trustee (Note 12)	258,174,619	2.42%	—	—
LGEFL (as trustee of The Lion & Globe Educational Trust) (Note 13)	28,754,667	0.27%	—	—
Mr. Wong Kwok Ying (Note 14)	72,500,000	0.68%	—	—
Sub-total of (C)	503,402,120	4.72%	—	—

Shareholder	Immediately before completion of the Proposal (assuming that all Share Options are vested and exercised in full before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)		Immediately upon completion of the Proposal (assuming that all Share Options are vested and exercised in full before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal)	
	Number of Shares	Approximate % of the issued Shares	Number of Shares	Approximate % of the issued Shares
(D) Offeror and the Offeror Concert Parties				
(A) + (B) + (C)	<u>7,718,108,552</u>	<u>72.33%</u>	<u>10,670,530,786</u>	<u>100.00%</u>
(E) Disinterested Shareholders subject to the Scheme				
(Note 15)	<u>2,952,422,234</u>	<u>27.67%</u>	<u>—</u>	<u>—</u>
(F) Scheme Shareholders				
(C) + (E)	<u>3,455,824,354</u>	<u>32.39%</u>	<u>—</u>	<u>—</u>
TOTAL				
(A) + (B) + (C) + (E)	<u>10,670,530,786</u>	<u>100.00%</u>	<u>10,670,530,786</u>	<u>100.00%</u>

Notes:

- (1) As at the Latest Practicable Date, 274,766,648 Shares are indirectly held by Mr. Peter Hung through his wholly-owned companies, Exploit (PH) Limited and Kinnard Investments Limited.
- (2) As at the Latest Practicable Date, 72,652,163 Shares are directly held by Mr. Marvin Hung.
- (3) As at the Latest Practicable Date, 2,011,168 Shares are indirectly held by Mrs. Diana Hung (the spouse of Mr. Peter Hung) through her wholly-owned company, Banjo (DH) Limited.
- (4) HHHFL is the trustee of a discretionary trust, The HHH Discretionary Trust. Mr. Peter Hung is the settlor of The HHH Discretionary Trust, the discretionary beneficiaries of which are Mrs. Diana Hung and certain children of Mr. Peter Hung and Mrs. Diana Hung. Mr. Peter Hung and Mrs. Diana Hung each owns one-third, and Mr. Marvin Hung owns one-sixth, of the voting power at general meeting of HHHFL. Therefore, HHHFL, as trustee of The HHH Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, HHHFL, as trustee of The HHH Discretionary Trust, indirectly controls 3,379,544,265 Shares through its indirect wholly-owned subsidiaries, namely Action Success (PHT) Limited (holding 166,787,730 Shares), True Force Ventures Limited (holding 1,408,783,784 Shares), Earn Field International (PHT) Limited (holding 1,408,783,784 Shares) and New Tree Limited (holding 395,188,967 Shares).

Also, HHHFL, as trustee of The HHH Discretionary Trust, owns one-half of the voting power at general meeting of Predominance Fortune Limited, which holds 199,642,838 Shares as at the Latest Practicable Date. Such 199,642,838 Shares are in addition to the 3,379,544,265 Shares referred to in the immediately preceding paragraph.

- (5) NCFFL is the trustee of a discretionary trust, The NCFF Discretionary Trust. The discretionary beneficiaries of The NCFF Discretionary Trust include a company wholly-owned by Mr. Marvin Hung, and certain close relatives of Mr. Marvin Hung and Mr. Peter Hung. NCFFL is indirectly wholly-owned by Mr. Marvin Hung through AGVL. Therefore, NCFFL, as trustee of The NCFF Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, NCFFL, as trustee of The NCFF Discretionary Trust, indirectly controls 3,212,756,535 Shares through its indirect wholly-owned subsidiaries, namely Winner Planet Limited (holding 1,625,526,805 Shares) and Creative Mount Limited (holding 1,587,229,730 Shares).

Also, NCFFL, as trustee of The NCFF Discretionary Trust, owns one-half of the voting power at general meeting of Predominance Fortune Limited, which holds 199,642,838 Shares as at the Latest Practicable Date. Such 199,642,838 Shares are in addition to the 3,212,756,535 Shares referred to in the immediately preceding paragraph.

- (6) Predominance Fortune Limited is a company of which HHHFL, as trustee of The HHH Discretionary Trust, and NCFFL, as trustee of The NCFF Discretionary Trust, each owns one-half of the voting power at general meeting. As at the Latest Practicable Date, Predominance Fortune Limited holds 199,642,838 Shares.
- (7) LTIL is the trustee of a discretionary trust, The LTI Discretionary Trust. Mr. Peter Hung is the settlor of The LTI Discretionary Trust, the discretionary beneficiaries of which include a company wholly-owned by HHHFL and a company wholly-owned by Mr. Marvin Hung. LTIL is wholly-owned by a company which is in turn wholly-owned by Mr. Peter Hung. Therefore, LTIL, as trustee of The LTI Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, LTIL, as trustee of The LTI Discretionary Trust, indirectly held 73,332,815 Shares through its wholly-owned subsidiary, Elite Aim (LTIT) Limited.

- (8) Mr. Hung Hak Kan, Mr. Hung Hak Fu, the late Mr. Hung Hak Shing and Ms. Hung Siu Yee, Linda are the siblings of Mr. Peter Hung, and therefore are regarded as acting in concert with the Offeror in relation to the Company.
- (9) Mr. Hung Hak Yau is the brother of Mr. Peter Hung and the father of Mr. Marvin Hung. Mrs. Hung Lui Suet Ying, Margaret is the mother of Mr. Marvin Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (10) Ms. Hung Cee Kay, Celeste, Ms. Hung Wen Kay, Wendeline, Ms. Hung Wain Kay, Natalie and Ms. Hung Gi Kay, Zita are the daughters of Mr. Peter Hung and Mrs. Diana Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (11) Ms. Hung Sum Kay, Sandy and Ms. Hung On Kay, Angela are the sisters of Mr. Marvin Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (12) As at the Latest Practicable Date, 258,174,619 Shares are held by the SAS Trustee, which (as trustee of the Share Award Scheme) is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, 87,415,457 Share Awards have been granted to the Grantees in respect of 87,415,457 Shares which remain unvested. If any Share Awards are vested and the corresponding Shares are transferred by the SAS Trustee to the relevant Grantee who is a

Disinterested Shareholder or sold on the Stock Exchange by the SAS Trustee on behalf of the relevant Grantee to any Disinterested Shareholder (the proceeds of which will be paid to the relevant Grantee) in accordance with the terms of the Share Award Scheme and the relevant transfer documents are lodged no later than 4:30 p.m. on Friday, 14 January 2022, such Disinterested Shareholders will be entitled to receive the Cancellation Price in respect of the relevant Shares (which will be Scheme Shares).

- (13) LGEFL is the trustee of a charitable trust, The Lion & Globe Educational Trust. Mr. Peter Hung and Mrs. Diana Hung each owns one-fourth, and Mr. Marvin Hung owns one-eighth, of the voting power at general meeting of LGEFL. Therefore, LGEFL, as trustee of The Lion & Globe Educational Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, 28,754,667 Shares are held by LGEFL as trustee of The Lion & Globe Educational Trust.

- (14) As at the Latest Practicable Date, 72,500,000 Share Options (of which 8,700,000 have been vested) are held by Mr. Wong Kwok Ying with an exercise price of HK\$0.127 each. The exercise of such Share Options in full will result in the issue of 72,500,000 new Shares to him. As Mr. Wong Kwok Ying is an executive Director and also a director of certain companies indirectly controlled by the Offeror Group, he is presumed to be acting in concert with the Offeror in relation to the Company.

- (15) As at the Latest Practicable Date, 500,847 Shares are held by Mr. Seto Gin Chung, John, and 2,454,678 Shares are held by Mr. Sze Tsai To, Robert. Both of them are independent non-executive Directors, and are not regarded as acting in concert with the Offeror in relation to the Company and the Shares held by them will form part of the Scheme Shares held by the Disinterested Shareholders.

In addition, as at the Latest Practicable Date, each of the independent non-executive Directors, namely Mr. Seto Gin Chung, John, Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph, holds 10,070,000 Share Options (all of which have been vested and with an exercise price of HK\$0.189 each). The exercise of such Share Options in full will result in the issue of 10,070,000 new Shares to each of them, and such new Shares will form part of the Scheme Shares held by the Disinterested Shareholders.

Other than the independent non-executive Directors, all Directors (namely, Mr. Marvin Hung, Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy) are regarded as acting in concert with the Offeror in relation to the Company. As at the Latest Practicable Date, Ms. Lam Fung Ming, Tammy does not hold any Share or Share Option.

Assuming all Share Options are vested and exercised in full before the Scheme Record Date and that there is no other change in the issued share capital of the Company before implementation of the Proposal, immediately upon completion of the Proposal, the Consortium Offeror Concert Parties will directly or indirectly hold approximately 67.61% of the issued share capital of the Company and the Offeror will directly hold approximately 32.39% of the issued share capital of the Company.

For the avoidance of doubt, (i) Shares held by the Non-Consortium Offeror Concert Parties will form part of the Scheme Shares which will be cancelled upon the Scheme becoming effective; and (ii) Shares held by the Consortium Offeror Concert Parties will not be cancelled under the Scheme and will continue to be held by them upon the Scheme becoming effective.

9. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties had received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the EGM (other than the undertakings not to vote by certain Non-Consortium Offeror Concert Parties referred to in the section headed “19. Court Meeting and EGM” in this Explanatory Memorandum below).

10. REASONS FOR AND BENEFITS OF THE PROPOSAL

10.1 For the Scheme Shareholders

(a) The Proposal represents an attractive opportunity to realise value at an attractive exit premium for the Scheme Shareholders

The Offeror considers that the Proposal provides an attractive opportunity for the Scheme Shareholders to dispose of their Shares for all cash at a price significantly above the prevailing market price without having to suffer from any illiquidity discount and settlement risk.

- During the one-year period ended on and including the Last Trading Day, the lowest and highest unadjusted closing prices per Share on the Stock Exchange were HK\$0.0400 and HK\$0.0580, respectively, with a simple average closing price of approximately HK\$0.0494. The Cancellation Price represents a premium of approximately 61.9% over the simple average unadjusted closing price, and a premium of approximately 37.9% over the highest unadjusted closing price over the above period.
- During the 6 months ended on and including the Last Trading Day, the highest unadjusted closing price per Share was HK\$0.0540 (on 25 May 2021 and 26 May 2021), and the Cancellation Price represents a premium of approximately 48.1% to that.

(b) Low liquidity of the Shares

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years, with an average daily trading volume of approximately 4,304,031 Shares for the 24 months up to and including the Last Trading Day, representing approximately 0.04% of the total issued Shares as at the Last Trading Day. Given the continued low liquidity of the Shares, it is difficult for the Scheme Shareholders to execute on-market disposals efficiently without adversely affecting the market price of the Shares, and to dispose of a large number of Shares when any event that has an adverse impact on the price of the Shares occurs. The Proposal represents an option for the Scheme Shareholders to exit from their investment in the Company.

10.2 For the Offeror and the Company

Flexibility in implementing long-term business strategies

The successful implementation of the Proposal will provide more flexibilities to the Group as a privately-operated business in formulating and implementing its long-term business strategies, or to pursue other business opportunities that it may not be practicable to pursue as a public company, without being subject to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange, and without having to focus on the short-term market reaction. Additionally, the Proposal, which will result in the delisting of the Company if implemented successfully, will substantially reduce the administrative costs and management resources required for maintaining the Company's listing status.

11. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror intends to focus on the existing business of the Group upon the Scheme becoming effective, while at the same time exploring and pursuing other business strategies which are or may be impracticable to be sought and pursued as a listed company. The successful implementation of the Proposal will provide more flexibilities to the Group as a privately-operated business in formulating and implementing its long-term business strategies, without being subject to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange, and without having to focus on the short-term market reaction.

In terms of the existing business strategies of the Group, apart from maintaining good relationship with its existing franchisors, the Group has been exploring with Yoshinoya various possibilities of increasing the width and depth of their cooperation in China beyond the existing franchise regions in the northern part of China, such as Shandong province. The Group will also actively seek new opportunities, particularly those that may facilitate its technological transformation into an internet-proficient catering enterprise, further strengthening its ties with franchisors and current business partners. The Group will further explore potential mergers and acquisitions opportunities with the aim of developing into a leading multi-brand QSR (quick service restaurant) chain in China. If the Scheme becomes effective, the Offeror intends to continue to adopt such business strategies of the Group.

The Offeror does not intend to introduce any major changes to the business of the Group or deployment of any fixed assets of the Group. The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group. The Offeror will continue to carefully monitor the general business conditions, especially with regard to the uncertainties created by the COVID-19 crisis.

12. INFORMATION ON THE GROUP, THE OFFEROR AND THE CONSORTIUM MEMBERS

Information of the Company and the Group

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are the operation of quick service restaurants business under the brand names of Yoshinoya and Dairy Queen in northern China.

Your attention is drawn to Appendix I headed “Financial Information of the Group” to this Scheme Document.

Information of the Offeror Group and the Consortium Members

The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. Each of Holdco, Topco 1 and Topco 2 are companies incorporated in the BVI with limited liability, and each of which is principally engaged in investment holding.

As at the Latest Practicable Date, the Offeror is wholly-owned by Holdco, which is 50% owned by each of Topco 1 and Topco 2. The board of directors of each of the Offeror and Holdco comprises Mr. Peter Hung, Mr. Marvin Hung and Mrs. Diana Hung.

Topco 1 is wholly-owned by HHHFL, as trustee of The HHH Discretionary Trust. Mr. Peter Hung is the settlor of The HHH Discretionary Trust, the discretionary beneficiaries of which are Mrs. Diana Hung and certain children of Mr. Peter Hung and Mrs. Diana Hung. Mr. Peter Hung and Mrs. Diana Hung each owns one-third, and Mr. Marvin Hung owns one-sixth, of the voting power at general meeting of HHHFL. As at the Latest Practicable Date, HHHFL, as trustee of The HHH Discretionary Trust, indirectly controls 3,579,187,103 Shares, representing approximately 35.54% of the issued share capital of the Company. The board of directors of Topco 1 comprises Mr. Peter Hung and Mrs. Diana Hung. The board of directors of HHHFL comprises Mr. Peter Hung, Mrs. Diana Hung, Ms. Hung Wen Kay, Wendeline and Ms. Hung Wain Kay, Natalie.

Topco 2 is wholly-owned by NCFFL, as trustee of The NCFF Discretionary Trust. The discretionary beneficiaries of The NCFF Discretionary Trust include a company wholly-owned by Mr. Marvin Hung and certain close relatives of Mr. Marvin Hung and Mr. Peter Hung. NCFFL is wholly-owned by AGVL, which is in turn wholly-owned by Mr. Marvin Hung. As at the Latest Practicable Date, NCFFL, as trustee of The NCFF Discretionary Trust, indirectly controls 3,412,399,373 Shares, representing approximately 33.89% of the issued share capital of the Company. The sole director of each of Topco 2, NCFFL and AGVL is Mr. Marvin Hung.

LTIL is the trustee of The LTI Discretionary Trust. The discretionary beneficiaries of The LTI Discretionary Trust include a company wholly-owned by HHHFL and a company wholly-owned by Mr. Marvin Hung. LTIL is wholly-owned by a company which is in turn wholly-owned by Mr. Peter Hung. As at the Latest Practicable Date, LTIL, as trustee of The LTI Discretionary Trust, indirectly controls 73,332,815 Shares,

representing approximately 0.73% of the issued share capital of the Company. The board of directors of LTIL comprises Mr. Peter Hung, Mr. Marvin Hung, Ms. Hung Cee Kay, Celeste and Ms. Hung Wen Kay, Wendeline.

As at the Latest Practicable Date, Mr. Peter Hung and his spouse Mrs. Diana Hung are interested in 3,929,297,734 Shares (including deemed interests under the SFO), representing approximately 39.02% of the issued share capital of the Company. Mr. Peter Hung is also an uncle of Mr. Marvin Hung.

As at the Latest Practicable Date, Mr. Marvin Hung is an executive Director and the chief executive officer of the Company and is interested in 3,558,384,351 Shares (including deemed interests under the SFO), representing approximately 35.33% of the issued share capital of the Company. He is a nephew of Mr. Peter Hung.

For details of the shareholding of the Offeror Group in the Company, please refer to the section headed “8. Effect of the Proposal on the Shareholding Structure of the Company” above.

13. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued and credited as fully paid to the Offeror) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application to the Stock Exchange for the listing of the Shares to be withdrawn on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in the section headed “Expected Timetable” in Part II of this Scheme Document.

14. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may

within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

15. COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Scheme will be borne by the Offeror.

Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable. All costs, charges and expenses incurred by the Company and/or its advisers and counsel, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and Proposal will be shared between the Company and the Offeror equally.

16. REGISTRATION AND PAYMENT

16.1 Closure of the register of members of the Company

In order to determine the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme, the register of members of the Company will be closed from Monday, 17 January 2022 onwards (or such other date as may be notified to the Scheme Shareholders by announcement). In order to qualify for entitlements under the Scheme, the Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names before the latest time for lodging transfer of Shares to qualify for entitlement to the Cancellation Price under the Scheme, being 4:30 p.m. on Friday, 14 January 2022. The Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

16.2 Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date as soon as possible but in any event within seven (7) Business Days following the Scheme becoming effective. On the basis that the Scheme becomes effective on Tuesday, 25 January 2022 (Cayman Islands time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be despatched on or before Tuesday, 8 February 2022.

All such cheques will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder

whose name stands first in the register of members of the Company in respect of the joint holding. For Beneficial Owners that hold Scheme Shares through a Registered Owner (other than HKSCC Nominees Limited), cheques made out in the name of the Registered Owner will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the Registered Owner. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, Cancellation Price will be paid to HKSCC Nominees Limited by cheque and such payment will be caused to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All such cheques will be posted at the risk of the addressees and other person(s) entitled thereto and none of the Offeror, the Company, UBS, Somerley, the Share Registrar or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments from such monies of the sums payable to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror (or its nominee) shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror (or its nominee) to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme and the Offeror (and, if applicable, its nominee) shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Tuesday, 25 January 2022 (Cayman Islands time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, 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 any such Scheme Shareholders.

16.3 Payment of the Option Offer Price to the Option Holders

Upon the Scheme becoming effective, cheques for payment of the Option Offer Price payable under the Option Offer are expected to be despatched as soon as possible but in any event within seven (7) Business Days following the Scheme becoming effective. On the basis that the Scheme becomes effective on Tuesday, 25 January 2022 (Cayman Islands time), cheques for payment of the Option Offer Price payable under the Option Offer are expected to be despatched on or before Tuesday, 8 February 2022. Cheques will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the Option Holders at their respective last known addresses as notified by the Option Holders to the Company. All such cheques will be sent at the risk of the Option Holders and none of the Offeror, the Company, UBS, Somerley and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal or the Option Offer shall be responsible for any loss or delay in transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies for those entitled under the terms of the Option Offer until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled under the terms of the Option Offer. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Option Offer.

Settlement of the Option Offer Price to which the Option Holders are 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 any such Option Holders.

17. OVERSEAS SHAREHOLDERS AND OPTION HOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong. This Scheme Document is for the exclusive use by the Scheme Shareholders and the Option Holders solely for the purpose of assessing the Proposal or the Option Offer and should not be used other than in connection with such purpose.

This Scheme Document does not constitute an offer to buy or sell Shares or the solicitation of an offer to buy or subscribe for the Shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction and shall not form the basis of any contract for the issue or sale of securities in any jurisdiction.

The making and implementation of (i) the Proposal to Scheme Shareholders; and (ii) the Option Offer to the Option Holders, who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders or Option Holders who are not resident in Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements in their own jurisdictions. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction and to (ii) disclose its content or (iii) use information contained therein for any purpose other than assessment of the Proposal or the Option Offer, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders and Option Holders wishing to take any action in relation to the Proposal and the Option Offer, respectively, to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from such shareholder in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were (i) 18 Shareholders whose addresses as shown in the register of members of the Company (“**registered addresses**”) were outside Hong Kong; and (ii) 9 Option Holders with addresses in the PRC. Those Shareholders together held 7,108,570,824 Shares (representing approximately 70.6% of the total issued Shares) and those Option Holders together held 487,319,000 Share Options. Those 18 Shareholders and 9 Option Holders included: 9 Shareholders whose registered addresses were in the BVI, 2

Shareholders whose registered addresses were in Canada, 3 Shareholders and 9 Option Holders whose addresses were in the PRC, 1 Shareholder whose registered address was in Macau Special Administrative Region, 1 Shareholder whose registered address was in Malaysia, 1 Shareholder whose registered address was in Singapore, 1 Shareholder whose registered address was in the United States. The directors of the Offeror and the Directors had been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders and Option Holders. The Scheme will apply to and this Scheme Document will be despatched to those overseas Shareholders and Option Holders.

Any acceptance by the Scheme Shareholders or Option Holders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including UBS, the exclusive financial adviser to the Offeror, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

18. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance on the cancellation of the Scheme Shares and the Share Options upon the Scheme becoming effective.

Scheme Shareholders and Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal or the Option Offer.

It is emphasised that none of the Offeror, the Company, UBS or any of their respective directors, officers or associates or any other person involved in the Proposal and the Option Offer accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their acceptance or rejection of the Proposal or the Option Offer.

19. COURT MEETING AND EGM

Court Meeting

In accordance with the directions of the Grand Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting, for the purposes of the Cayman Islands law.

As at the Latest Practicable Date, the Offeror did not hold any Shares and the Consortium Offeror Concert Parties held an aggregate of 7,214,706,432 Shares (representing approximately 71.64% of the issued share capital of the Company). Such Shares held by the Consortium Offeror Concert Parties will not form part of the Scheme Shares and will not be cancelled and extinguished upon the Scheme becoming effective.

As the Offeror and the Consortium Offeror Concert Parties are not Scheme Shareholders, they will not vote on the Scheme at the Court Meeting. All Scheme Shareholders will be entitled to attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Shareholders will be taken into account in determining if the Condition in paragraph (b) of the section headed “3. Conditions of the Proposal and the Scheme” above is satisfied. Each of the Non-Consortium Offeror Concert Parties who holds Shares (or Share Options) has undertaken that he or she or it will procure that the Shares held (or upon exercise of the Share Options, to be held) by him or her or it will not be voted at the Court Meeting, save that no such undertaking has been given in respect of (i) the Shares held by the estate of the late Mr. Hung Hak Shing as the relevant probate has not been granted by the Hong Kong Court as at the Latest Practicable Date; and (ii) the SAS Trustee Held Shares as pursuant to the trust deed and the rules of the Share Award Scheme, neither the Grantees nor the SAS Trustee shall exercise any voting rights in respect of the SAS Trustee Held Shares so long as no beneficial interest in the relevant SAS Trustee Held Shares has been vested.

In addition, notwithstanding that connected exempt principal traders within the UBS group are not presumed to be acting in concert with the Offeror under the Takeovers Code and accordingly, any Shares owned by such connected exempt principal traders will form part of the Shares held by Disinterested Shareholders for the purpose of the Takeovers Code, UBS has indicated that it will procure that any such Shares will not be voted at the Court Meeting pursuant to Rule 35.4 of the Takeovers Code.

In accordance with the trust deed and the rules of the Share Award Scheme, so long as no beneficial interest in the relevant SAS Trustee Held Shares has been vested, neither the Grantees nor the SAS Trustee shall exercise any voting rights in respect of the SAS Trustee Held Shares at the Court Meeting.

The Scheme is conditional upon, among other things, the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting; and
- (b) the approval of the Scheme (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Shareholders.

The Grand Court has directed the Court Meeting to be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification).

In accordance with the direction from the Grand Court, for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under section 86 of the Companies Act, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and Other CCASS Participants. Thus, (i) if HKSCC Nominees Limited receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees Limited only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees Limited only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. **Beneficial Owners who wish to individually vote or be counted for the purpose of ascertaining whether a majority in number of Scheme Shareholders have approved the Scheme should make arrangements to withdraw their Scheme Shares (or a board lot) from CCASS and become registered as a member of the Company in their own name prior to the latest time for lodging transfers of Shares to qualify for the entitlement to attend and vote at the Court Meeting.**

EGM

The EGM will be held for the purpose of considering and, if thought fit, passing (i) a special resolution by a majority of not less than $\frac{3}{4}$ of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM to approve and give effect to the reduction of the share capital of the Company by the cancellation and extinguishment of the Scheme Shares; and (ii) an ordinary resolution by a simple majority of the Shareholders present and voting, in person or by proxy, at the EGM to approve and give effect to the restoration of the share capital of the Company to its former amount by allotting and issuing to the Offeror the same number of new Shares as the number of Scheme Shares cancelled and extinguished, and the application of the credit arising in the Company’s books of accounts as a result of such issued share capital reduction in paying up in full at par the new Shares issued to the Offeror, credited as fully paid.

All Shareholders will be entitled to vote on the resolutions to be proposed at the EGM to approve and give effect to the reduction of the issued share capital and the implementation of the Scheme. However, in accordance with the trust deed and the rules of the Share Award Scheme, so long as no beneficial interest in the relevant SAS Trustee Held Shares has been vested, neither the Grantees nor the SAS Trustee shall exercise any voting rights in respect of the SAS Trustee Held Shares at the EGM.

The Consortium Offeror Concert Parties, Mr. Seto Gin Chung, John (an independent non-executive Director) and Mr. Sze Tsai To, Robert (an independent non-executive Director) have indicated that they will vote in favour of the resolutions to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled. Save for the above, no indication has been received from the Non-Consortium Offeror Concert Parties as to whether or how they will vote at the EGM.

At the EGM, the special resolution will be put to the vote by way of poll as required under article 74 of the Company's articles of association and Rule 13.39(4) of the Listing Rules.

General

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V to this Scheme Document.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

20. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the letter from the Independent Board Committee in Part IV of this Scheme Document; and
- (b) the letter from Somerley in Part V of this Scheme Document which sets out the factors and reasons taken into account by Somerley in arriving at its advice to the Independent Board Committee.

21. ACTIONS TO BE TAKEN

Actions to be taken by the Scheme Shareholders and/or the Option Holders are set out in the section headed "IMPORTANT NOTICE AND ACTIONS TO BE TAKEN" of this Scheme Document.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use in connection with the Court Meeting and a **white** form of proxy for use in connection with the EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and if you are a Shareholder, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the EGM in accordance with the instructions printed on them respectively, and to deposit them at the Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use in connection with the Court Meeting should be lodged not later than 10:30 a.m. on Sunday, 12 December 2021. The pink form of proxy may alternatively be handed to the chairman of the Court Meeting (who shall have absolute discretion as to whether or not to accept it) at the Court Meeting. The white form of proxy for use in connection with the EGM must be lodged not later than 11:00 a.m. on Sunday, 12 December 2021, failing which it will not be valid. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly encouraged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

In order to determine the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company in respect of the Shares will be closed from Thursday, 9 December 2021 to Tuesday, 14 December 2021 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 December 2021.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

Announcement of results of Court Meeting and the EGM

An announcement will be made jointly by the Company and the Offeror in relation to the results of the Court Meeting and the EGM. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to purchaser/transferee

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (i) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons if you wish the Shares beneficially owned by you to be voted at the Court Meeting and/or the EGM; or
- (ii) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Wednesday, 8 December 2021 with Computershare Hong Kong Investor Services Limited, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the EGM.

Beneficial Owners whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, must, unless being an Investor Participant, contact their broker, custodian, nominee or other relevant person in advance of the latest time to give instructions in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

The procedures for voting by the Investor Participants and Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OTHER THAN HKSCC NOMINEES LIMITED

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party (other than HKSCC Nominees Limited), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally, you should:

- (i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (ii) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Wednesday, 8 December 2021 with Computershare Hong Kong Investor Services Limited, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the EGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time to give instructions in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the relevant deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

ACTIONS TO BE TAKEN BY OPTION HOLDERS

The Option Offer Letter and the **yellow** Form of Acceptance are being sent to the Option Holders separately, together with this Scheme Document. If you are an Option Holder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance to the Offeror, care of the Company at Flats E & F, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong for the attention of the Company Secretary of the Company and marked “Hop Hing Group Holdings Limited — Option Offer” **by no later than 4:00 p.m. on Tuesday, 25 January 2022 (or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company)**. No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter and the Form of Acceptance.

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner (including HKSCC Nominees Limited), you are strongly encouraged to exercise your right to vote (in the case of a Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote in person or by proxy at the Court Meeting and/or the EGM. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your Shares from CCASS and become a registered holder of such Shares and exercise your right to vote, in person or by proxy, at the Court Meeting and/or the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In respect of any Shares of which you are the Beneficial Owner and which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and/or the EGM without delay.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. In accordance with the direction from the Grand Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions as represented by the Scheme Shares it receives. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act should make arrangements to be registered as members of the Company in their own names by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Wednesday, 8 December 2021 with Computershare Hong Kong Investor Services Limited.

If you are a Registered Owner holding Shares on behalf of Beneficial Owner(s), you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that such Beneficial Owner(s) should consider transferring some or all their Shares into their names if they wish to be counted individually for the purposes of the headcount test.

If approved and sanctioned by the Grand Court, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not you attended or voted at the Court Meeting or the EGM.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

22. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

You should rely only on the information contained in this Scheme Document in order to vote your Shares at the Court Meeting and the EGM. None of the Offeror, the Company, UBS, Somerley, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

23. GENERAL

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

The following summary financial information for each of the three years ended 31 December 2018, 2019 and 2020 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 December 2019 (the “**2019 Annual Report**”) and 2020 (the “**2020 Annual Report**”), respectively. The following summary financial information for each of the six months ended 30 June 2020 and 2021 is extracted from the unaudited consolidated financial statements of the Group as set forth in the interim reports of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and 2021 (the “**2021 Interim Report**”), respectively.

The auditor’s reports issued by Ernst & Young in respect of the Group’s audited consolidated financial statements for each of the three years ended 31 December 2018, 2019 and 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

	For the six months ended		For the year ended 31 December		
	30 June		2020	2019	2018
	2021	2020	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
TURNOVER	884,478	654,723	1,590,270	2,102,814	2,003,617
Cost of sales	(349,255)	(265,526)	(645,049)	(782,446)	(737,978)
Other income and gains, net	11,260	7,457	39,154	17,698	13,895
Selling and distribution expenses	(399,070)	(339,279)	(774,721)	(955,892)	(948,967)
General and administrative expenses	(85,164)	(73,579)	(169,463)	(176,438)	(177,499)
Impairment of non-financial assets	(9,815)	(45,683)	(83,290)	(11,202)	—
Share of profits and losses of joint venture	(1,280)	(1,030)	(2,577)	(1,264)	(380)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	51,154	(62,917)	(45,676)	193,270	152,688
Finance costs	(24,502)	(26,025)	(47,971)	(41,523)	(621)
PROFIT/(LOSS) BEFORE TAX	26,652	(88,942)	(93,647)	151,747	152,067
Income tax credit/(expenses)	(17,954)	22,616	11,746	(47,637)	(48,587)
PROFIT/(LOSS) FOR THE YEAR/ PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>8,698</u>	<u>(66,326)</u>	<u>(81,901)</u>	<u>104,110</u>	<u>103,480</u>

	For the six months ended		For the year ended 31 December		
	30 June		2020	2019	2018
	2021	2020	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Other comprehensive income/ (expense) that may be classified to income statement in subsequent periods:					
Exchange differences on translation of foreign operations	(301)	3,962	(8,795)	2,330	7,720
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD	<u>(301)</u>	<u>3,962</u>	<u>(8,795)</u>	<u>2,330</u>	<u>7,720</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>8,397</u>	<u>(62,364)</u>	<u>(90,696)</u>	<u>106,440</u>	<u>111,200</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Basic	RMB0.09 cent	RMB(0.68) cent	RMB(0.84) cent	RMB1.07 cents	RMB1.05 cents
Diluted	RMB0.09 cent	RMB(0.68) cent	RMB(0.84) cent	RMB1.06 cents	RMB1.04 cents
PROPOSED DIVIDEND FOR THE YEAR/PERIOD	N/A	N/A	N/A	22,327	51,847
DIVIDEND PER SHARE	N/A	N/A	N/A	HK0.248 cent	HK0.61 cent

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); (iii) the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2020 (the “**2020 Interim Financial Statements**”); and (iv) the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 and 2019 Financial Statements can be found on pages 80 to 87 of the 2019 Annual Report published on 27 April 2020.

The 2019 Annual Report is posted on the Company’s website at <http://www.hophing.com>. Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700715.pdf>

The 2020 Financial Statements can be found on pages 84 to 92 of the 2020 Annual Report published on 26 April 2021.

The 2020 Annual Report is posted on the Company’s website at <http://www.hophing.com>. Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042601090.pdf>

The 2020 and 2021 Interim Financial Statements can be found on pages 2 to 12 of the 2021 Interim Report published on 23 September 2021.

The 2021 Interim Report is posted on the Company’s website at <http://www.hophing.com>. Please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0923/2021092300451.pdf>

The 2018 and 2019 Financial Statements (but not any other part of the 2019 Annual Report), the 2020 Financial Statements (but not any other part of the 2020 Annual Report), the 2020 and 2021 Interim Financial Statements (but not any other part of the 2021 Interim Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

Bank Borrowings

As at the close of business on 31 August 2021, the Group had no bank borrowings.

Lease Liabilities

As at the close of business on 31 August 2021, the Group had lease liabilities of approximately RMB762.2 million.

Contingent liabilities

As at the close of business on 31 August 2021, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, the Group did not have any loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, other borrowings or similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 August 2021.

4. MATERIAL CHANGE

Save as disclosed below, as well as the Proposal and the Scheme as set out in this Scheme Document, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

Improvement in the Group's financial performance for the six months ended 30 June 2021; and the Group's operating environment

As disclosed in the 2021 Interim Report, for the six months ended 30 June 2021, the turnover of the Group's business amounted to approximately RMB884.5 million, representing an increase of approximately 35.1% over the turnover of approximately RMB654.7 million for the first half of 2020. Profit attributable to equity holders of the Company for the six months ended 30 June 2021 was approximately RMB8.7 million as compared with loss attributable to equity holders of the Company of approximately RMB66.3 million for the corresponding period last year. The improvement in the Group's performance was primarily due to business recovery after the ease of COVID-19 restrictions for the six months ended 30 June 2021.

As further disclosed in the 2021 Interim Report, with imported cases of COVID-19 from overseas rising and sporadic outbreaks still occurring in some regions in the PRC, the consumer market continues to face uncertainty. The pandemic also changed the consumption habits of consumers so the recovery of the Group's dine-in catering business has been lackluster during the first half of 2021. While the COVID-19 pandemic has largely been contained in the PRC, the catering industry, like the majority of other industries, still faces challenges caused by the fallout from the pandemic. Further details are set out in the 2021 Interim Report.

1. RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Company has been supplied by the Company. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Offeror, the Offeror Group and the Offeror Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors of the Offeror in their capacity as directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to the Offeror, the Offeror Group and the Offeror Concert Parties has been supplied by the Offeror. The issue of this Scheme Document has been approved by the directors of the Offeror and the Holdco who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$1,480,000,000 divided into 14,800,000,000 Shares;
- (b) the issued share capital of the Company was HK\$1,007,043,179 divided into 10,070,431,786 Shares;
- (c) no new Shares had been issued since 31 December 2020, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) all of the Shares ranked pari passu in all respects as regards rights to capital, dividends and voting;
- (e) there are 600,099,000 outstanding Share Options granted under the Share Option Schemes (among which 67,580,000 Share Options have been vested and 532,519,000 Share Options have not been vested), the exercise of which in full would result in the issue of 600,099,000 new Shares, representing approximately 5.96% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.62% of the issued share capital of the Company as enlarged by the issue of such new Shares; and

- (f) other than those disclosed in paragraph (e) above, there were no other options, derivatives, warrants or other securities convertible or exchangeable into Shares which were issued by the Company.

3. MARKET PRICES OF THE SHARES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price for each Share (HK\$)
31 March 2021	0.045
30 April 2021	0.051
31 May 2021	0.053
30 June 2021	0.052
30 July 2021	0.047
31 August 2021	0.046
1 September 2021 (Last Trading Day)	0.046
30 September 2021	0.073
29 October 2021	0.075
12 November 2021 (Latest Practicable Date)	0.075

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were, respectively, HK\$0.076 per Share on 22 October, 9 November and 11 November 2021, and HK\$0.044 per Share on 20 and 23 August 2021.

4. DISCLOSURE OF INTERESTS IN THE SHARES

As at the Latest Practicable Date:

- (a) save as disclosed below, none of the Directors were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Interests in Shares

Name of Director	Nature of interests	Number of Shares interested	Approximate % of total issued Shares
Mr. Seto Gin Chung, John	Directly and beneficially owned	500,847 (L)	0.005%
Mr. Marvin Hung	1. Directly and beneficially owned 2. Through controlled corporation ^(Note 1) 3. Beneficiary of a trust ^(Note 2)	3,558,384,351 (L)	35.335%
Mr. Sze Tsai To, Robert	Directly and beneficially owned	2,454,678 (L)	0.024%

L: Long positions

Notes:

- 3,412,399,373 Shares were beneficially owned by The NCFE Discretionary Trust, the trustee of which (i.e. NCFEL) is beneficially owned by Mr. Marvin Hung.
- 73,332,815 Shares were beneficially owned by The LTI Discretionary Trust whose discretionary beneficiaries included a company owned by Mr. Marvin Hung.

Each of Mr. Seto Gin Chung, John, Mr. Marvin Hung and Mr. Sze Tsai To, Robert has indicated that if the Scheme is approved at the Court Meeting, those Shares held by each of them will be voted in favour of the resolutions to be proposed at the EGM.

Interests in Share Options

Name of Director	Date of grant	Number of underlying Shares under the Options	Exercise period	Exercise price per Share (HK\$)
Mr. Wong Kwok Ying	9 April 2015	72,500,000	From the date of notification by the Board (<i>Note</i>) up to 8 April 2025	0.127
Mr. Seto Gin Chung, John	8 June 2018	10,070,000	From 8 June 2019 up to 7 June 2028	0.189
Mr. Sze Tsai To, Robert	8 June 2018	10,070,000	From 8 June 2019 up to 7 June 2028	0.189
Mr. Wan Sai Cheong, Joseph	8 June 2018	10,070,000	From 8 June 2019 up to 7 June 2028	0.189

Note: The Board will notify the relevant Option Holders the number of Share Options that have been vested upon their achievement of the performance target set by the Board.

Each of Mr. Wong Kwok Ying, Mr. Seto Gin Chung, John, Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph has indicated that he intends, in respect of the Share Options held by him, to accept the Option Offer.

- no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any 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 who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- there was 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 Company, or 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) and (4) of the definition of “associate” under the Takeovers Code, and any other person;

- (d) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (e) neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) the Offeror did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (g) save as disclosed below, none of the directors of the Offeror was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares and no Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of Shares:

Shares

Shareholder	Number of Shares	Approximately % of the total issued Shares
<i>Consortium Offeror Concert Parties not subject to the Scheme</i>		
Mr. Peter Hung (Note 1)	274,766,648	2.73%
Mr. Marvin Hung (Note 2)	72,652,163	0.72%
Mrs. Diana Hung (Note 3)	2,011,168	0.02%
HHHFL (as trustee of The HHH Discretionary Trust) (Note 4)	3,379,544,265	33.56%
NCFFL (as trustee of The NCFF Discretionary Trust) (Note 5)	3,212,756,535	31.90%
Predominance Fortune Limited (Note 6)	199,642,838	1.98%
LTIL (as trustee of The LTI Discretionary Trust) (Note 7)	<u>73,332,815</u>	<u>0.73%</u>
Sub-total	<u>7,214,706,432</u>	<u>71.64%</u>
<i>Non-Consortium Offeror Concert Parties subject to the Scheme</i>		
Mr. Hung Hak Kan (Note 8)	25,274,531	0.25%
Mr. Hung Hak Fu (Note 8)	25,735,593	0.26%
The late Mr. Hung Hak Shing’s estate (Note 8)	25,253,355	0.25%
Ms. Hung Siu Yee, Linda (Note 8)	27,748,091	0.28%

Shareholder	Number of Shares	Approximately % of the total issued Shares
Mr. Hung Hak Yau (<i>Note 9</i>)	38,780,031	0.39%
Mrs. Hung Lui Suet Ying, Margaret (<i>Note 9</i>)	40,000	0.00%
Ms. Hung Cee Kay, Celeste (<i>Note 10</i>)	207,964	0.00%
Ms. Hung Wen Kay, Wendeline (<i>Note 10</i>)	214,584	0.00%
Ms. Hung Wain Kay, Natalie (<i>Note 10</i>)	214,584	0.00%
Ms. Hung Gi Kay, Zita (<i>Note 10</i>)	214,584	0.00%
Ms. Hung Sum Kay, Sandy (<i>Note 11</i>)	147,009	0.00%
Ms. Hung On Kay, Angela (<i>Note 11</i>)	142,508	0.00%
SAS Trustee (<i>Note 12</i>)	258,174,619	2.56%
LGEFL (as trustee of The Lion & Globe Educational Trust) (<i>Note 13</i>)	<u>28,754,667</u>	<u>0.29%</u>
Sub-total	<u>430,902,120</u>	<u>4.28%</u>
Total	<u>7,645,608,552</u>	<u>75.92%</u>

Notes:

- (1) As at the Latest Practicable Date, 274,766,648 Shares are indirectly held by Mr. Peter Hung through his wholly-owned companies, Exploit (PH) Limited and Kinnard Investments Limited.
- (2) As at the Latest Practicable Date, 72,652,163 Shares are directly held by Mr. Marvin Hung.
- (3) As at the Latest Practicable Date, 2,011,168 Shares are indirectly held by Mrs. Diana Hung (the spouse of Mr. Peter Hung) through her wholly-owned company, Banjo (DH) Limited.
- (4) HHHFL is the trustee of a discretionary trust, The HHH Discretionary Trust. Mr. Peter Hung is the settlor of The HHH Discretionary Trust, the discretionary beneficiaries of which are Mrs. Diana Hung and certain children of Mr. Peter Hung and Mrs. Diana Hung. Mr. Peter Hung and Mrs. Diana Hung each owns one-third, and Mr. Marvin Hung owns one-sixth, of the voting power at general meeting of HHHFL. Therefore, HHHFL, as trustee of The HHH Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, HHHFL, as trustee of The HHH Discretionary Trust, indirectly controls 3,379,544,265 Shares through its indirectly wholly-owned subsidiaries, namely Action Success (PHT) Limited (holding 166,787,730 Shares), True Force Ventures Limited (holding 1,408,783,784 Shares), Earn Field International (PHT) Limited (holding 1,408,783,784 Shares) and New Tree Limited (holding 395,188,967 Shares).

Also, HHHFL, as trustee of The HHH Discretionary Trust, owns one-half of the voting power at general meeting of Predominance Fortune Limited, which holds 199,642,838 Shares as at the Latest Practicable Date. Such 199,642,838 Shares are in addition to the 3,379,544,265 Shares referred to in the immediately preceding paragraph.

- (5) NCFFL is the trustee of a discretionary trust, The NCFFL Discretionary Trust. The discretionary beneficiaries of The NCFFL Discretionary Trust include a company wholly-owned by Mr. Marvin Hung, and certain close relatives of Mr. Marvin Hung and Mr. Peter Hung. NCFFL is indirectly wholly-owned by Mr. Marvin Hung through AGVL. Therefore, NCFFL, as trustee of The NCFFL Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, NCFFL, as trustee of The NCFE Discretionary Trust, indirectly controls 3,212,756,535 Shares through its indirectly wholly-owned subsidiaries, namely Winner Planet Limited (holding 1,625,526,805 Shares) and Creative Mount Limited (holding 1,587,229,730 Shares).

Also, NCFFL, as trustee of The NCFE Discretionary Trust, owns one-half of the voting power at general meeting of Predominance Fortune Limited, which holds 199,642,838 Shares as at the Latest Practicable Date. Such 199,642,838 Shares are in addition to the 3,212,756,535 Shares referred to in the immediately preceding paragraph.

- (6) Predominance Fortune Limited is a company of which HHHFL, as trustee of The HHH Discretionary Trust, and NCFFL, as trustee of The NCFE Discretionary Trust, each owns one-half of the voting power at general meeting. As at the Latest Practicable Date, Predominance Fortune Limited holds 199,642,838 Shares.
- (7) LTIL is the trustee of a discretionary trust, The LTI Discretionary Trust. Mr. Peter Hung is the settlor of The LTI Discretionary Trust, the discretionary beneficiaries of which include a company wholly-owned by HHHFL and a company wholly-owned by Mr. Marvin Hung. LTIL is wholly-owned by a company which is in turn wholly-owned by Mr. Peter Hung. Therefore, LTIL, as trustee of The LTI Discretionary Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, LTIL, as trustee of The LTI Discretionary Trust, indirectly held 73,332,815 Shares through its wholly-owned subsidiary, Elite Aim (LTIT) Limited.

- (8) Mr. Hung Hak Kan, Mr. Hung Hak Fu, the late Mr. Hung Hak Shing and Ms. Hung Siu Yee, Linda are the siblings of Mr. Peter Hung, and therefore are regarded as acting in concert with the Offeror in relation to the Company.
- (9) Mr. Hung Hak Yau is the brother of Mr. Peter Hung and the father of Mr. Marvin Hung. Mrs. Hung Lui Suet Ying, Margaret is the mother of Mr. Marvin Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (10) Ms. Hung Cee Kay, Celeste, Ms. Hung Wen Kay, Wendeline, Ms. Hung Wain Kay, Natalie and Ms. Hung Gi Kay, Zita are the daughters of Mr. Peter Hung and Mrs. Diana Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (11) Ms. Hung Sum Kay, Sandy and Ms. Hung On Kay, Angela are the sisters of Mr. Marvin Hung. Therefore, they are regarded as acting in concert with the Offeror in relation to the Company.
- (12) As at the Latest Practicable Date, 258,174,619 Shares are held by the SAS Trustee, which (as trustee of the Share Award Scheme) is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, 87,415,457 Share Awards have been granted to the Grantees in respect of 87,415,457 Shares which remain unvested. If any Share Awards are vested and the corresponding Shares are transferred by the SAS Trustee to the relevant Grantee who is a Disinterested Shareholder or sold on the Stock Exchange by the SAS Trustee on behalf of the relevant Grantee to any Disinterested Shareholder (the proceeds of which will be paid to the relevant Grantee) in accordance with the terms of the Share Award Scheme and the relevant transfer documents are lodged no later than 4:30 p.m. on Friday, 14 January 2022, such Disinterested Shareholders will be entitled to receive the Cancellation Price in respect of the relevant Shares (which will be Scheme Shares).

- (13) LGEFL is the trustee of a charitable trust, The Lion & Globe Educational Trust. Mr. Peter Hung and Mrs. Diana Hung each owns one-fourth, and Mr. Marvin Hung owns one-eighth, of the voting power at general meeting of LGEFL. Therefore, LGEFL, as trustee of The Lion & Globe Educational Trust, is regarded as acting in concert with the Offeror in relation to the Company.

As at the Latest Practicable Date, 28,754,667 Shares are held by LGEFL as trustee of The Lion & Globe Educational Trust.

Share Options

Option Holder	Number of Share Options	Approximately % of the total issued Shares
Mr. Wong Kwok Ying (<i>Note</i>)	72,500,000	0.72%

Note: As at the Latest Practicable Date, 72,500,000 Share Options (of which 8,700,000 have been vested) are held by Mr. Wong Kwok Ying with an exercise price of HK\$0.127 each. The exercise of such Share Options in full will result in the issue of 72,500,000 new Shares to him. As Mr. Wong Kwok Ying is an executive Director and also a director of certain companies indirectly controlled by the Offeror Group, he is presumed to be acting in concert with the Offeror in relation to the Company.

- (h) 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 existed between any person and the Offeror or any of the Offeror Concert Parties which might be material to the Proposal or the Option Offer;
- (i) none of the Offeror or the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which have been either on-lent or sold;
- (j) there was no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal;
- (k) save for the Cancellation Price and the Option Offer Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or the Offeror Concert Parties to the Scheme Shareholders or any person acting in concert with the Scheme Shareholders in connection with the cancellation and extinguishment of the Scheme Shares or the Share Options (as applicable);
- (l) there was no understanding, arrangement, agreement or special deal between the Offeror or the Offeror Concert Parties on the one hand, and the Scheme Shareholders or any person acting in concert with the Scheme Shareholders on the other hand; and
- (m) there was no understanding, arrangement, agreement or special deal between any Shareholder and (A) the Offeror or the Offeror Concert Parties or (B) the Company, its subsidiaries or associated companies.

5. DEALINGS IN THE RELEVANT SECURITIES OF THE COMPANY

- (a) During the Relevant Period, none of the Offeror and the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

- (b) During the Relevant Period, none of the Directors had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (c) During the period from the Announcement Date and up to the Latest Practicable Date:
 - (i) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company or any 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 who is an associate of the Company by virtue of class (2) of the definition of associate (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of any Shares;
 - (ii) no person who had 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 an associate of the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an “associate” under the Takeovers Code by virtue of classes (2), (3) and (4) of the definition of associate had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no fund managers (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares, or any convertible securities, warrants, options, derivatives in respect of any Shares.

6. INTERESTS AND DEALINGS IN THE SECURITIES OF THE OFFEROR

As at the Latest Practicable Date:

- (a) the Offeror is wholly-owned by the Holdco, which is 50% owned by each of Topco 1 and Topco 2;
- (b) Topco 1 is wholly-owned by HHHFL, as trustee of The HHH Discretionary Trust. Mr. Marvin Hung, who is a Director, owns one-sixth of the voting power at general meeting of HHHFL;
- (c) Topco 2 is wholly-owned by NCFFL, as trustee of The NCFE Discretionary Trust. NCFFL is wholly-owned by AGVL, which is in turn wholly-owned by Mr. Marvin Hung; and
- (d) save as disclosed above, none of the Company and the Directors were interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

7. OTHER ARRANGEMENTS IN RESPECT OF THE PROPOSAL

As at the Latest Practicable Date:

- (a) the Offeror and the Offeror Concert Parties had not received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the EGM;
- (b) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Proposal;
- (c) there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (e) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares acquired pursuant to the Proposal; and
- (f) no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

8. SERVICE CONTRACTS

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

Name of the Director under contract	Date of the contract	Expiry date of the contract	Amount of fixed remuneration payable, excluding arrangements for pension payments	Amount of any variable remuneration payable under the contract
Mr. Sze Tsai To, Robert	2 June 2020	2 June 2023	HK\$ 275,000 per annum	N/A
Ms. Lam Fung Ming, Tammy	2 June 2020	2 June 2023	HK\$ 30,000 per annum	N/A
Mr. Wong Kwok Ying	1 June 2021 (previously 8 June 2018)	1 June 2024 (previously 8 June 2021)	No director's fee payable under this service contract (<i>Note</i>) (same as earlier contract)	N/A (same as earlier contract)
Mr. Wan Sai Cheong, Joseph	1 June 2021 (previously 13 June 2019)	1 June 2024 (previously 13 June 2022)	HK\$275,000 per annum (same as earlier contract)	N/A (same as earlier contract)

Note: Mr. Wong Kwok Ying is entitled to an annual remuneration of HK\$1,138,860 and discretionary bonus pursuant to a service contract entered into between Mr. Wong Kwok Ying and the Group prior to the Relevant Period.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other member of the Group.

10. MATERIAL CONTRACTS

There has been 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) entered into by any member of the Group within two years preceding the Announcement Date and up to the Latest Practicable Date.

11. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

Name	Qualifications
UBS	a registered institution under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Sommerley Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

12. CONSENTS

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

13. MISCELLANEOUS

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is situated at Flats E & F, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong.

- (c) The principal share registrar and transfer agent of the Company is Ocorian Trust (Cayman) Limited, whose registered office is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (d) The Share Registrar is Computershare Hong Kong Investor Services Limited, whose registered office is at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The directors of each of the Offeror and the Holdco are Mr. Peter Hung, Mr. Marvin Hung and Mrs. Diana Hung.
- (f) The principal members of the Offeror Concert Parties include the Offeror and the Consortium Members, namely (i) Mr. Peter Hung; (ii) Mr. Marvin Hung; (iii) Mrs. Diana Hung; (iv) HHHFL (as trustee of The HHH Discretionary Trust); (v) NCFFL (as trustee of The NCFF Discretionary Trust); and (vi) LTIL (as trustee of The LTI Discretionary Trust).
- (g) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and the principal place of business in Hong Kong of the Offeror is situated at Flat A, 1/F Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon, Hong Kong.
- (h) The addresses of the Consortium Members are all at Flat A, 1/F Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon, Hong Kong.
- (i) The registered office of UBS AG in Hong Kong is situated at 52/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (j) The registered office of Somerley is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company at Flats E & F, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong, from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays) and on the website of the Company at <http://www.hophing.com>, and the website of the SFC at www.sfc.hk during the period from the date of the Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association and articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 December 2019 and 2020 and the interim reports of the Company for the six months ended 30 June 2020 and 2021;
- (d) the letter from the Board, the text of which is set out in Part III of this Scheme Document;

- (e) the letter from the Independent Board Committee, the text of which is set out in Part IV of this Scheme Document;
- (f) the letter from Somerley, the text of which is set out in Part V of this Scheme Document;
- (g) the service contracts referred to in the section headed “8. Service Contracts” in this Appendix II to this Scheme Document;
- (h) the written consents referred to in the section headed “12. Consents” in this Appendix II to this Scheme Document; and
- (i) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 301 OF 2021 (DDJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (2021 REVISION) AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995 AND IN THE MATTER OF HOP HING GROUP HOLDINGS LIMITED 合興集團控股有限公司

SCHEME OF ARRANGEMENT
between
HOP HING GROUP HOLDINGS LIMITED
and
THE SCHEME SHAREHOLDERS
(as hereinafter defined)

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“ acting in concert ”	has the meaning ascribed to it in the Takeovers Code
“ Board ”	the board of Directors
“ Business Day ”	any day(s) on which the Stock Exchange is open for the business of dealing in securities
“ Cancellation Price ”	the cancellation price of HK\$0.08 per Scheme Share
“ Companies Act ”	the Companies Act (2021 Revision) of the Cayman Islands, as consolidated and revised
“ Company ”	Hop Hing Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Hong Kong Stock Exchange (stock code: 47)
“ Consortium Members ”	(a) Mr. Peter Hung; (b) Mr. Marvin Hung; (c) Mrs. Diana Hung; (d) HHHFL (as trustee of The HHH Discretionary Trust); (e) NCFFL (as trustee of The NCF Discretionary Trust); and (f) LTIL (as trustee of The LTI Discretionary Trust)
“ Consortium Offeror Concert Parties ”	persons acting in concert with the Offeror under the Takeovers Code who are Consortium Members or their respective controlled companies

“Director(s)”	the director(s) of the Company
“Executive”	The Executive Director of the Corporate Finance Division of the Securities and Futures Commission in Hong Kong or any delegate thereof
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	12 November 2021, being the latest practicable date for ascertaining certain information contained herein
“Non-Consortium Offeror Concert Parties”	persons presumed to be acting in concert with the Offeror under the Takeovers Code, including, (a) Mr. Hung Hak Kan, Mr. Hung Hak Fu and Ms. Hung Siu Yee, Linda, being the siblings (and hence close relatives) of Mr. Peter Hung; (b) the late Mr. Hung Hak Shing, being the brother (and hence close relative) of Mr. Peter Hung; (c) Mr. Hung Hak Yau, being the brother (and hence close relative) of Mr. Peter Hung and the father (and hence close relative) of Mr. Marvin Hung; (d) Mrs. Hung Lui Suet Ying, Margaret, being the mother (and hence close relative) of Mr. Marvin Hung; (e) Ms. Hung Cee Kay, Celeste, Ms. Hung Wen Kay, Wendeline, Ms. Hung Wain Kay, Natalie and Ms. Hung Gi Kay, Zita, being the daughters (and hence close relatives) of Mr. Peter Hung and Mrs. Diana Hung; (f) Ms. Hung Sum Kay, Sandy and Ms. Hung On Kay, Angela, being the sisters (and hence close relatives) of Mr. Marvin Hung; (g) the SAS Trustee (as trustee of the Share Award Scheme); (h) LGEFL (as trustee of The Lion & Globe Educational Trust); and (i) members of the UBS group (except those which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code), and certain Directors presumed to be acting in concert with the Offeror under the Takeovers Code who are not Consortium Members, namely (j) Mr. Wong Kwok Ying, being an executive Director and also a director of certain companies indirectly controlled by the Offeror Group; and (k) Ms. Lam Fung Ming, Tammy, being a non-executive Director and also a director and an employee of certain companies which are indirectly controlled by the Offeror Group
“Offeror”	Ocean Ease Global Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Holdco

“Offeror Concert Parties”	all persons acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, namely the Consortium Offeror Concert Parties and the Non-Consortium Offeror Concert Parties
“Option Holder(s)”	holder(s) of the Share Option(s)
“Option Offer”	the offer made by the Offeror to the Option Holders for the cancellation of every vested and unvested Share Option in accordance with the Takeovers Code
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Register”	the principal or branch register of members of the Company (as the case may be)
“Scheme”	a scheme of arrangement under section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	the composite scheme document issued by the Offeror and the Company on 17 November 2021, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Record Date”	25 January 2022, or such other time and date as shall have been announced to Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders and the Option Holders under the Scheme
“Scheme Shareholders”	registered holder(s) of Scheme Shares as at the Scheme Record Date
“Scheme Shares”	Share(s) in issue on the Scheme Record Date other than the Shares held by the Consortium Offeror Concert Parties
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Share Option(s)”	the outstanding, vested and unvested, share options(s), each relating to one Share, granted under the share option schemes of the Company from time to time
“Shareholders”	the registered holders of the Shares
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong

- (B) The Company was incorporated as an exempted company on 1 August 2007 in the Cayman Islands under the Companies Act.
- (C) The authorised share capital of the Company as at the Latest Practicable Date was HK\$1,480,000,000 divided into 14,800,000,000 ordinary shares each with a nominal or par value of HK\$0.10, of which 10,070,431,786 Shares were issued and fully paid, with the remainder being unissued.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price so that after completion of the Scheme, the Offeror and the Consortium Offeror Concert Parties will own 100% of the issued Shares of the Company. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital will be restored to its former amount by the issue to the Offeror, credited as fully paid, at par of such number of Shares as is equal to the Scheme Shares cancelled and extinguished.
- (F) The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Scheme on the assumption that no Share Options are exercised before the Scheme Record Date and there is no other change in shareholding of the Company before completion of the Proposal:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>
(A) Offeror	—	—	2,855,725,354	28.36%
(B) Consortium Offeror Concert Parties not subject to the Scheme	7,214,706,432	71.64%	7,214,706,432	71.64%
(C) Non-Consortium Offeror Concert Parties subject to the Scheme	430,902,120	4.28%	—	—
(D) Disinterested Shareholders subject to the Scheme	2,424,823,234	24.08%	—	—
Scheme Shareholders (C) + (D)	2,855,725,354	28.36%	—	—
TOTAL	10,070,431,786	100.00%	10,070,431,786	100.00%

- (G) Each of the parties acting in concert with the Offeror will procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme.
- (H) The Offeror and the Consortium Offeror Concert Parties have agreed to undertake to the Grand Court to be bound by the terms of the Scheme, and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company will be increased to its former amount by issuing to the Offeror the same number of Shares as the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to the Offeror, credited as fully paid, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to each Scheme Shareholder (as appears in the Register on the Scheme Record Date) the Cancellation Price of HK\$0.08 for each Scheme Share cancelled and extinguished.

PART III**General**

3. (a) As soon as possible and in any event not later than seven (7) Business Days after the Effective Date, the Offeror shall send or cause to be sent to Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme.
- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the Register on the Scheme Record Date or, in the case of joint holders, at the address as appearing on the Register on the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
- (c) Cheques shall be posted at the risk of the addressees and other person(s) entitled thereto and neither the Offeror nor the Company shall be responsible for any loss or delay in the transmission of the same.
- (d) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six (6) calendar months after the posting of the cheque pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account of the Offeror with a licensed bank of Hong Kong selected by the Offeror (or its nominee). The Offeror (or its nominee) shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six (6) years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto and the cheques referred to in paragraphs (b) of this Clause 3 of which they are payees have not been cashed. The Offeror (or its nominee) shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror (or its nominee) to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiration of six (6) years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under this Scheme and the Offeror (and, if applicable, its nominee) shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

- (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- (h) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.
4. As from the Effective Date, each instrument of transfer and certificate existing on the Scheme Record Date in respect of a holding of any number of Scheme Shares shall cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Offeror to deliver up the same to the Offeror for the cancellation thereof.
5. All mandates or relevant instructions to the Company in force on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.
6. This Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning this Scheme under Section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
7. Unless this Scheme shall have become effective on or before 30 June 2022, or such later dates as may be agreed between the Company and the Offeror, or as the Grand Court, on application of the Company and/or the Offeror may allow, this Scheme shall lapse.
8. The Company and the Offeror may, subject to the approval of the Grand Court and as the Executive may consent, jointly consent to any modification of or addition to this Scheme or to any condition that the Grand Court may think fit to approve or impose.
9. The Offeror and the Company have agreed that (i) all costs, charges and expenses of the advisers and counsels appointed by the Company will be borne by the Company, (ii) all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and (iii) all other costs, charges and expenses of this Scheme will be shared between the Offeror and the Company equally.

17 November 2021

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 301 OF 2021 (DDJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (2021 REVISION) AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995 AND IN THE MATTER OF HOP HING GROUP HOLDINGS LIMITED 合興集團控股有限公司

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 26 October 2021 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Hop Hing Group Holdings Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Tuesday, 14 December 2021 at 10:30 a.m. at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part, which has been despatched to the shareholders of the Company (the “**Shareholders**”). A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 17 November 2021 despatched to the Shareholders on 17 November 2021.

In the case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding, the first named shareholder being the senior.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company in Hong Kong at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not

later than 10:30 a.m. on Sunday, 12 December 2021, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The completion and return of a form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof should the Scheme Shareholder so wish and in such event, the form of proxy will deem to have been revoked.

By the Order, the Court has appointed Seto Gin Chung, John, a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Order, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By Order of the Court
Hop Hing Group Holdings Limited

Dated 17 November 2021

Registered Office
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong
Flats E & F, 2/F, Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long, New Territories
Hong Kong

Notes:

1. In order to determine the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company in respect of the Shares will be closed from Thursday, 9 December 2021 to Tuesday, 14 December 2021 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 December 2021.
2. Voting at the Court Meeting will be taken by poll.
3. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the Court Meeting, the Court Meeting will be postponed and by virtue this notice, the Court Meeting will be held instead on Thursday, 16 December 2021 at 10:30 a.m., or at a time on an alternative day to be announced that falls within seven (7) business days of the original date scheduled for the Court Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Thursday, 16 December 2021. The Company may post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the details of alternative meeting arrangements. The Court Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Court Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

4. In view of the recent development of the epidemic caused by the coronavirus disease (COVID-19), the Company will implement the following prevention and control measures at the Court Meeting to protect Shareholders from the risk of infection:
 - (i) compulsory body temperature checks will be conducted for every attending Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - (ii) each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
 - (iii) no refreshment will be served; and
 - (iv) each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the Court Meeting; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law. In view of the Regulation and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the Court Meeting and only Shareholders and/or their proxies and relevant Court Meeting staff will be allowed entry into the Court Meeting venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a "first-come-first-served" basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the Court Meeting as may be necessary to avoid overcrowding.

The Company reminds all Shareholders that physical attendance in person at the Court Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Court Meeting (as the case may be) as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and returning the pink forms of proxy enclosed with the Scheme Document.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong Government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Court Meeting.

5. In the case of any inconsistency between the Chinese translation and English text of this notice, the English text shall prevail.



HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Hop Hing Group Holdings Limited (the “**Company**”) will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Tuesday, 14 December 2021 at 11:00 a.m. (Hong Kong time) (or, if later, immediately after the conclusion or the adjournment of the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. “**THAT**

- (a) pursuant to a scheme of arrangement dated 17 November 2021 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement);
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose; and subject to the Scheme of Arrangement having become effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is hereby approved; and

- (c) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

ORDINARY RESOLUTION

2. “**THAT**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid, the same number of new ordinary shares of HK\$0.10 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

By order of the Board of
Hop Hing Group Holdings Limited
Wong Kwok Ying
Executive Director and Company Secretary

Hong Kong, 17 November 2021

Registered office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

***Head Office and Principal Place of
Business in Hong Kong:***

Flats E & F, 2/F
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long
New Territories
Hong Kong

Notes:

- (1) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme of Arrangement shall have the same meanings when used in this notice.
- (2) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.
- (3) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the scheme document containing the Scheme of Arrangement dated 17 November 2021 despatched to, among others, holders of Shares (the “**Shareholders**”).
- (4) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. The chairman of the EGM may not, and does not have the discretion to, accept any **white** form of proxy presented to him at the EGM. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his/her **white** form of proxy, his/her **white** form of proxy will be deemed to have been revoked.
- (5) In the case of joint holders of Shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that one of the said persons so present (whether in person or by proxy) whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the EGM.
- (6) Voting at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.
- (7) For the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company in respect of the Shares will be closed from Thursday, 9 December 2021 to Tuesday, 14 December 2021 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 December 2021.
- (8) If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed and by virtue this notice, the EGM will be held instead on Thursday, 16 December 2021 at 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven (7) Business Days of the original date scheduled for the EGM in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Thursday, 16 December 2021. The Company may publish an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the details of alternative meeting arrangements. The EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

- (9) In view of the recent development of the epidemic caused by the coronavirus disease (COVID-19), the Company will implement the following prevention and control measures at the EGM to protect Shareholders from the risk of infection:
- (i) compulsory body temperature checks will be conducted for every attending Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - (ii) each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
 - (iii) no refreshment will be served; and
 - (iv) each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. In view of the Regulation and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the EGM and only Shareholders and/or their proxies and relevant EGM staff will be allowed entry into the EGM venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the EGM as may be necessary to avoid overcrowding.

The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM (as the case may be) as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and returning the forms of proxy enclosed with the Scheme Document.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong Government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the EGM.

- (10) In the case of any inconsistency between the Chinese translation and English text of this notice, the English text shall prevail.

As of the date of this notice, the Board comprises two executive directors, namely Mr. Hung Ming Kei, Marvin and Mr. Wong Kwok Ying; three independent non-executive directors, namely Mr. Seto Gin Chung, John (Chairman), Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph; and one non-executive director, namely Ms. Lam Fung Ming, Tammy.

The following is a form of the Option Offer Letter being sent to each Option Holder in connection with the Option Offer.

17 November 2021

To the Option Holders

Dear Sir or Madam,

**OPTION OFFER
IN RELATION TO THE PROPOSED PRIVATISATION OF
HOP HING GROUP HOLDINGS LIMITED
BY OCEAN EASE GLOBAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
OF THE CAYMAN ISLANDS**

A composite scheme document dated the same date as this letter issued jointly by Ocean Ease Global Limited (the “**Offeror**”) and Hop Hing Group Holdings Limited (the “**Company**”) (the “**Scheme Document**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

The Offeror and the Company issued a joint announcement dated 6 September 2021 (the “**Announcement**”) which stated that, among others, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. As stated in the Announcement, the Offeror would also make an appropriate offer, namely the Option Offer, to the Option Holders for the cancellation of every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective.

This letter explains the actions you may take in relation to your outstanding Share Options. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the documentation under which each of your Share Options was granted, including the terms and conditions of the relevant Share Option Schemes.

TERMS OF THE OPTION OFFER

We are making the Option Offer, which is conditional on the Scheme becoming effective, to you pursuant to the terms of the relevant Share Option Schemes.

Pursuant to the terms of the Share Option Schemes, all Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two (2) months' period from the date of this letter (the "Automatic Lapse of Share Options").

Notwithstanding the Automatic Lapse of Share Options, to the extent that the outstanding Share Options have not otherwise lapsed, been cancelled or been exercised, we are making the Option Offer to you in accordance with Rule 13 of the Takeovers Code to cancel every vested and unvested outstanding Share Option (regardless of whether they are exercisable on, before or after the Scheme Record Date), subject to the Scheme becoming effective.

You may accept the Option Offer by lodging a completed **yellow** form of acceptance in respect of the Option Offer (the "**Form(s) of Acceptance**") by the prescribed deadline and, if the Option Offer becomes unconditional, you will be entitled to the Option Offer Price.

The Option Offer Price is a nominal value of HK\$0.001 for every outstanding Share Option held, for the cancellation of each vested and unvested Share Option, as the exercise price of each of the Share Options exceeds the Cancellation Price (which is HK\$0.08) and the "see-through" price of the Share Options is negative.

The following table sets out the exercise price of the outstanding Share Options as at the Latest Practicable Date and the "see-through" price of such Share Options under the Option Offer:

Date of Grant	Exercise price (HK\$)	Exercise period	"See through" price (HK\$)	Number of Shares into which Share Options are not yet vested	Number of Shares into which Share Options are exercisable
9 April 2015	0.127	9 April 2018 to 8 April 2025	-0.047	—	27,300,000
9 April 2015	0.127	From the date of notification by the Board (<i>Note</i>) up to 8 April 2025	-0.047	200,200,000	—
8 June 2018	0.189	From the date of notification by the Board (<i>Note</i>) up to 7 June 2028	-0.109	332,319,000	—
8 June 2018	0.189	8 June 2019 to 7 June 2028	-0.109	—	40,280,000
			Total	<u>532,519,000</u>	<u>67,580,000</u>

Note: The Board will notify the relevant Option Holders the number of Share Options that have been vested upon their achievement of the performance target set by the Board.

The Option Offer is conditional upon the Scheme becoming effective. The Conditions of the Scheme are set out in the section headed "3. Conditions of the Proposal and the Scheme" in the Explanatory Memorandum in Part VI of the Scheme Document.

All payments in respect of the Option Offer Price will be made by cheques in Hong Kong dollars. You are further advised to refer to the section headed “16. Registration and Payment”, the section headed “17. Overseas Shareholders and Options Holders” and the section headed “18. Taxation” in the Explanatory Memorandum in Part VI of the Scheme Document.

Your attention is drawn to the letter from the Independent Board Committee to the Scheme Shareholders and the Options Holders set out in Part IV of the Scheme Document and the letter from Somerley, the Independent Financial Adviser, set out in Part V of the Scheme Document, which contain the recommendation of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Proposal and the Option Offer.

COURSES OF ACTION AVAILABLE TO OPTION HOLDERS

The choices available to you in respect of your Share Options are set out below.

(A) Accept the Option Offer

To the extent any of your outstanding Share Options (whether vested or unvested) has not lapsed (other than the Automatic Lapse of Share Options) or been cancelled or exercised, the Option Offer shall be in respect of all such Share Options that you hold as at the Scheme Record Date (expected to be Tuesday, 25 January 2022) and you may choose to accept the Option Offer at the Option Offer Price for the cancellation of each such Share Option in accordance with the terms of the Option Offer as set out in this letter (including all declarations and undertakings) and in the enclosed Form of Acceptance, by allowing such unexercised outstanding Share Options to remain unexercised on the Effective Date, and signing and returning the completed Form of Acceptance enclosed (by ticking the “Accept” box on the Form of Acceptance) by not later than 4:00 p.m. (Hong Kong time) on Tuesday, 25 January 2022 (or such later time and/or date as may be notified to you by or on behalf of the Offeror and the Company or through announcement(s)).

(B) Reject the Option Offer

If you choose to reject the Option Offer, please tick the “Reject” box on the Form of Acceptance and return it in accordance with the instructions set out below. Such rejection of the Option Offer will be in respect of all Share Options held by you as at the Scheme Record Date, and you will not be entitled to receive the Option Offer Price in respect of any of your Share Options.

You may in accordance with the terms of the relevant Share Option Schemes exercise all or any of your outstanding Share Options (to the extent not already lapsed, or been cancelled or exercised) to its full extent or to the extent specified in your notice of exercise of the Share Options to the Company at any time after the date of this letter (being 17 November 2021) and up to 4:30 p.m. on the Latest Option Exercise Date. Any Shares issued as a result of the exercise of such outstanding Share Options as mentioned above will form part of the Scheme Shares and if the Scheme becomes effective, such

Scheme Shares will be cancelled and you will be entitled to receive the Cancellation Price for each Scheme Share that you hold as at the Scheme Record Date. Please refer to the Scheme Document for details of the Scheme and the Proposal in this regard.

If the Scheme becomes effective, your unexercised outstanding Share Options will lapse automatically and not be exercisable (to the extent not already lapsed or exercised) on the earlier of (i) the date on which the Scheme is sanctioned by the Grand Court; or (ii) the date of expiry of the two (2) months' period from the date of this letter.

(C) Inaction or failure to complete the Form of Acceptance

Following receipt of this letter, if you (i) choose to do nothing (including not returning a Form of Acceptance) or (ii) fail to tick either the "Accept" or "Reject" box on a returned Form of Acceptance or fail to sign the Form of Acceptance, and the Scheme becomes effective, you will be treated as if not having accepted the Option Offer in respect of all Share Options held by you as at the Scheme Record Date. Your Share Options will automatically lapse upon expiry of the period as set out in the last paragraph of section (B) above and you will receive neither the Option Offer Price nor the Cancellation Price.

For further details, please refer to the remaining sections of this letter, the Scheme Document, the Form of Acceptance and the terms of the relevant Share Option Schemes.

OUTSTANDING SHARE OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the outstanding Share Options held by you as at the Latest Practicable Date is available from the company secretary of the Company. If there is any exercise of your outstanding Share Options after the Latest Practicable Date, you may accept the Option Offer only in respect of such outstanding Share Options which remain unexercised as at the Scheme Record Date.

LAPSED SHARE OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Option which lapses, will lapse, or has already lapsed, under the terms of the relevant Share Option Schemes. You cannot exercise a Share Option which has lapsed in accordance with its terms or accept the Option Offer in respect of a Share Option which has lapsed in accordance with its terms (other than the Automatic Lapse of Share Options).

INDEPENDENT ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

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

DECLARATION

By signing and returning the completed Form of Acceptance, you thereby:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including, without limitation, those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received and read the Scheme Document and this letter;
- (b) warrant and confirm that each Share Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Share Option shall become void once that Share Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;
- (c) acknowledge and agree that you cease to have any rights and obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of all the Share Options held by you for which you accept the Option Offer, that all rights and obligations under all such Share Options will be cancelled;
- (d) confirm that the decisions which you have made on the Form of Acceptance cannot be withdrawn or altered;
- (e) confirm that all laws and requirements applicable to your decision made on the Form of Acceptance have been complied with;
- (f) authorise the Offeror, the Company, UBS and/or such person or persons as any of them may direct to do all acts and things and to complete, amend and execute any document on your behalf as may be necessary or desirable to give effect to or in connection with the acceptance you have made on the Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance; and
- (g) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney appointed by or pursuant to this letter and the Form of Acceptance.

GENERAL

- (a) All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from the Option Holders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of the Offeror, the Company or UBS accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

- (b) The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.
- (c) The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to the Offeror, the Company, UBS or such person(s) as any of them may direct to complete and execute on behalf of the accepting Option Holders, the Form of Acceptance and any document and to do any other act that may be necessary or expedient for the purpose of cancelling, or vesting in the Offeror or such person(s) as the Offeror shall direct, all rights of the Option Holders in respect of the outstanding Share Options which are the subject of such acceptance.
- (e) The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the Form of Acceptance and this letter, including the date specified for receipt.
- (f) By completing the Form of Acceptance in respect of a particular outstanding Share Option, you irrevocably and at your own risk elect to authorise the Offeror, the Company, UBS and/or their respective agent(s) to send to you, or procure the sending to you of, the payment to which you are entitled.

ACTIONS TO BE TAKEN FOR ACCEPTING THE OPTION OFFER

In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance to the Offeror, care of the Company at Flats E & F, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong for the attention of the Company Secretary of the Company and marked “Hop Hing Group Holdings Limited — Option Offer” by no later than 4:00 p.m. on Tuesday, 25 January 2022 (or such other date and time as may be notified to the Option Holders by or on behalf of the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the respective websites of the Stock Exchange and the Company).

Before forwarding the Form of Acceptance to the board of the Offeror, please ensure that you have signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of any Form of Acceptance or any other document(s) evidencing the grant of the outstanding Share Options or other document(s) will be given.

Assuming the Option Offer will close on 25 January 2022, payment for the Option Offer Price is expected to be made within seven (7) Business Days following the later of the date that the Option Offer becomes unconditional and the date of receipt of the duly completed Form of Acceptance by the Offeror. All payments in respect of the Option Offer Price will be made by cheques in Hong Kong dollars.

Payments of cash consideration under the Option Offer may be liable to taxation in the PRC and/or other jurisdictions and the Offeror (on behalf of the Company) will withhold the relevant amount from the payments for the purpose of making the tax payment on behalf of the relevant Option Holders. **It is emphasised that none of the Offeror, the Company, UBS and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme, the Proposal or the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme, the Proposal or the Option Offer.**

RESPONSIBILITY STATEMENTS

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than those relating to the Offeror, the Offeror Group and the Offeror Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the directors of the Offeror in their capacity as directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this letter the omission of which would make any statement in this letter misleading.

Yours faithfully,
For and on behalf of
Ocean Ease Global Limited
Hung Ming Kei, Marvin
Director