



合興集團控股有限公司
HOP HING GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

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 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.**

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	—	<u>40,280,000</u>
			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.

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