

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, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Li & Fung 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.

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Li & Fung Limited.

GOLDEN LINCOLN HOLDINGS I LIMITED

(incorporated in the Cayman Islands with limited liability)



LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

(1) PROPOSAL FOR THE PRIVATISATION OF LI & FUNG LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT AND (2) PROPOSED WITHDRAWAL OF LISTING OF LI & FUNG LIMITED

Financial Adviser to the Offeror

Morgan Stanley

Morgan Stanley Asia Limited

Financial Advisers to the Company

Financial Adviser to Fung Holdings
(1937) Limited



Citigroup Global Markets
Asia Limited



The Hongkong and Shanghai
Banking Corporation Limited



Goldman Sachs (Asia) L.L.C.

Independent Financial Adviser
to the Independent Board Committee



PLATINUM
Securities

Platinum Securities Company Limited

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) shall have the same meaning as those defined in the section headed "Definitions" of this Scheme Document.

A letter from the Board is set out on pages 24 to 39 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in relation to the Proposal, the Scheme and the Founder Arrangement is set out on pages 40 to 42 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in connection with the Proposal, the Scheme and the Founder Arrangement is set out on pages 43 to 96 of this Scheme Document. The Explanatory Statement is set out on pages 97 to 129 of this Scheme Document. The actions to be taken by the Shareholders are set out on pages 6 to 9 of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Tuesday, 12 May 2020 at 12:00 p.m. and 12:30 p.m. respectively (or, in the case of the SGM, as soon thereafter as the Court Meeting shall have concluded or been adjourned) are set out on pages 159 to 160 and 161 to 163 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the SGM 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 SGM, in accordance with the instructions printed thereon and to lodge them at the Hong Kong office of the Company at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong as soon as possible, but in any event no later than the respective times and dates specified in them respectively. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the Chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting if it is not so lodged.

Completion and return of a form of proxy for the Court Meeting and/or the SGM 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 revoked by operation of law.

Taking into account 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 and the SGM to protect Shareholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (ii) every attending Shareholder or proxy is required to wear a surgical mask throughout the Court Meeting and the SGM; and
- (iii) no refreshments will be served at the Court Meeting and/or the SGM.

Furthermore, the Company wishes to advise all of the Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Court Meeting and/or the SGM as a proxy to attend and vote on any of the resolutions, instead of attending the Court Meeting and/or the SGM in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising voting rights.

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 SGM.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

20 April 2020

Notice to US investors

The Proposal is being made to cancel the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda and is subject to Hong Kong disclosure requirements which are different from those of the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Bermuda and Hong Kong to schemes of arrangement which differ from the disclosure and procedural requirements applicable under the US federal securities laws.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of his Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.



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QUESTIONS AND ANSWERS

The following are some of the questions you, as a Scheme Shareholder or a Shareholder, may have and the answers to those questions.

This Scheme Document contains important information and you are encouraged to read this Scheme Document in full, including the Appendices, carefully.

1. WHAT IS THE PURPOSE OF THIS SCHEME DOCUMENT?

- The purpose of this Scheme Document is to provide you with, among other things: (a) information on the Scheme and the expected timetable of the Proposal as well as the Founder Arrangement; (b) recommendations of the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Proposal and the Founder Arrangement; (c) notices of the Court Meeting and the SGM; and (d) the **pink** and **white** proxy forms in relation to the Court Meeting and the SGM, respectively.

2. WHAT IS THE COURT MEETING, THE SGM AND THE COURT HEARING?

- The Court Meeting is convened for the Scheme Shareholders to consider and, if thought fit, approve the Scheme.
- After the Court Meeting has concluded or been adjourned, the SGM or any adjournment thereof will be held for the Shareholders to consider and, if thought fit, pass all necessary resolutions for the implementation of the Scheme and the approval of the Founder Arrangement.
- If the requisite approval is obtained at the Court Meeting and the resolutions are passed at the SGM, the Court hearing will be held for the Court to hear the petition to sanction the Scheme.

3. WHAT IS THE LOCATION, DATE AND TIME OF THE COURT MEETING AND THE SGM?

- The Court Meeting will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Tuesday, 12 May 2020 at 12:00 p.m..
- The SGM will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Tuesday, 12 May 2020 at 12:30 p.m. (or as soon as thereafter immediately after the Court Meeting shall have been concluded or adjourned).

QUESTIONS AND ANSWERS

4. WHAT PRECAUTIONARY MEASURES WILL BE IMPLEMENTED BY THE COMPANY AT THE COURT MEETING AND THE SGM AGAINST THE EPIDEMIC CAUSED BY CORONAVIRUS DISEASE (COVID-19)?

- Taking into account 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 and the SGM to protect Shareholders from the risk of infection:
 - (a) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - (b) every attending Shareholder or proxy is required to wear a surgical mask throughout the Court Meeting and the SGM; and
 - (c) no refreshments will be served at the Court Meeting and/or the SGM.
- Furthermore, the Company wishes to advise all of the Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Court Meeting and/or the SGM as a proxy to attend and vote on any of the resolutions, instead of attending the Court Meeting and/or the SGM in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising their voting rights.
- 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 SGM.

5. WHAT DO I NEED TO DO IF I WANT TO VOTE AT THE COURT MEETING AND THE SGM?

- You are strongly encouraged:
 - (a) in the case of a Scheme Shareholder or a Shareholder – to exercise your right to vote at the Court Meeting and/or the SGM; or
 - (b) in the case of a Beneficial Owner – to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the SGM.

QUESTIONS AND ANSWERS

- The actions you should take are summarised in “*Actions to be taken*” and the section headed “*Actions to be taken*” in the Explanatory Statement of this Scheme Document. You should read them carefully.

6. WHAT IS THE PROPOSAL?

- The Proposal involves the proposed privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act involving:
 - (a) the cancellation of the Founder Scheme Shares held by the Founder Group in consideration for the Founder Cancellation Consideration, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder (an entity that indirectly holds 32.33% of the Offeror’s shares) as being fully paid in the amount of the Cancellation Price of HK\$1.25 per Fung Shareholder Share; and
 - (b) the cancellation of all other Scheme Shares for the Cancellation Price of HK\$1.25 for each Scheme Share which shall be paid in cash.
- Upon completion of the Proposal, the Offeror will directly hold 100% of the issued share capital of the Company. The Company will, as soon as practicable thereafter, apply for the withdrawal of the listing of the Shares on the Stock Exchange.
- The Proposal is conditional upon the satisfaction or valid waiver (as applicable) of certain Conditions as further described in this Scheme Document.

7. WHAT IS THE FOUNDER ARRANGEMENT?

- The Founder Arrangement involves:
 - (a) the cancellation of the Founder Scheme Shares held by the Founder Group in consideration for the Founder Cancellation Consideration in lieu of the Cancellation Price in cash; and
 - (b) the entry by the relevant members of the Founder Group and the GLP Group into the Shareholders’ Agreement.

QUESTIONS AND ANSWERS

- As the Founder Arrangement is not offered to all Shareholders, it is subject to:
 - (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned;
 - (b) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement; and
 - (c) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Founder Arrangement, which will be conditional on satisfaction of the matters in paragraph (a) and (b).

8. I AM AN OVERSEAS SHAREHOLDER. WHAT SHOULD I DO?

- All overseas Shareholders are advised to read this Scheme Document in its entirety and, in particular, the section headed "*Overseas Shareholders*" in the Explanatory Statement of this Scheme Document.

9. WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

- If your Shares are registered in your name as at the Record Date and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.
- If, as at the Record Date, you own your Shares through a financial intermediary (such as a broker or nominee), you should consult your financial intermediary to determine whether any charges apply.

10. WHAT IS THE POSITION OF THE INDEPENDENT BOARD COMMITTEE ON THE PROPOSAL, THE SCHEME AND THE FOUNDER ARRANGEMENT?

- The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Founder Arrangement, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in "*Letter from the Independent Financial Adviser*" of this Scheme Document, considers that the terms of the Proposal, the Scheme and the Founder Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee recommends the

QUESTIONS AND ANSWERS

Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Scheme and to approve the Founder Arrangement, respectively.

- Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Founder Arrangement. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document. You are advised to read such letter of advice carefully before taking any action in respect of the Proposal.

11. WHEN DO YOU EXPECT THE PROPOSAL TO BE COMPLETED?

- If the Conditions of the Proposal are fulfilled or waived (as applicable), the Proposal is expected to be completed on Tuesday, 26 May 2020.

12. WHO SHOULD I CONTACT IF I HAVE ADDITIONAL QUESTIONS?

- If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the hotline of the Share Registrar, Tricor Abacus Limited, at +852 2980 1333 between 9:00 a.m. and 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.
- The hotline cannot and will not provide any advice on the merits of the Proposal or the Scheme or give any financial or legal advice. If you are in doubt as to any aspect of this Scheme Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.
- You may also visit the Company’s website at <http://www.lifung.com> and/or direct your questions to the Company by the following ways:

by phone: +852 2300 2300 (between 9:00 a.m. and 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)

by email: secretariat@lifung.com

ACTIONS TO BE TAKEN

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are entitled to attend and vote at the Court Meeting and the SGM are those whose names appear on the register of members of the Company as at the close of business on Wednesday, 6 May 2020. In order to qualify to vote at the Court Meeting and the SGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 6 May 2020. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the SGM.

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

Whether or not you are able to attend the Court Meeting and/or the SGM 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 SGM, in accordance with the instructions printed thereon, and to lodge them at the Company's Hong Kong office at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 12:00 p.m. on 10 May 2020, which is 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the Chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. The white form of proxy for use at the SGM should be lodged no later than 12:30 p.m. on 10 May 2020, which is 48 hours before the time appointed for holding the SGM or any adjournment thereof, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the SGM 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 revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the Disinterested Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

ACTIONS TO BE TAKEN

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

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the SGM on 12 May 2020 by not later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

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, depository or any other authorised custodian or third party, 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 SGM.

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

- (a) 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 SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the SGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the SGM shall be in accordance with all relevant provisions in the bye-laws of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

ACTIONS TO BE TAKEN

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the SGM 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 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 lodgement of the forms of proxy in respect of the Court Meeting and the SGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, 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, or alternatively arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the SGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the *"General Rules of CCASS"* and the *"CCASS Operational Procedures"* in effect from time to time.

China Securities Depository and Clearing Corporation Limited will collect voting instructions from southbound investors under the Stock Connect (the **"Southbound Investors"**) for the Court Meeting and the SGM, and then submit such voting instructions to HKSCC Nominees Limited on behalf of Southbound Investors. Any voting instruction should be submitted to HKSCC Nominees Limited no later than 4:15 p.m. on Friday, 8 May 2020.

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 99 of the Companies Act. In accordance with the direction from the 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 it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

ACTIONS TO BE TAKEN

3. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE SGM.

IF YOU WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, YOU SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF YOUR SHARES. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE STRONGLY URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE. YOU SHOULD ALSO REMIND THE RELEVANT BENEFICIAL OWNERS THAT IF THEY WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, THEY SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF THEIR SHARES.

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.

DEFINITIONS

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

"2003 Share Option Scheme"	the share option scheme adopted by the Company on 12 May 2003
"2015 Share Award Scheme"	the share award scheme adopted by the Company on 21 May 2015
"acting in concert"	has the meaning given to it in the Takeovers Code, and "persons acting in concert" shall be construed accordingly
"Applicable Laws"	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgments, decrees, orders or notices of any Authority that is applicable to such person
"Approvals"	licenses, approvals, permits, consents, permissions, clearances and registrations
"associate"	has the meaning ascribed to it in the Takeovers Code
"Authority"	any relevant government, administrative or regulatory body, or court, tribunal, arbitrator or governmental agency or authority or department (including any relevant securities exchange) and whether supranational, national, regional or local
"Beneficial Owner"	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself or herself
"Board"	the board of Directors
"Cancellation Price"	the cancellation price of HK\$1.25 per Scheme Share
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Participant"	a person admitted to participate in CCASS as a participant, including an Investor Participant

DEFINITIONS

“Citi”	Citigroup Global Markets Asia Limited (花旗環球金融亞洲有限公司), a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, and the financial adviser to the Company in connection with the Proposal
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Li & Fung Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 0494)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “ <i>Conditions of the Proposal</i> ” in the Explanatory Statement
“Consortium Agreement”	the consortium agreement dated 20 March 2020 entered into between Fung 1937, the Fung Shareholder and the GLP Group
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at 12:00 p.m. on Tuesday, 12 May 2020 at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Directors”	the directors of the Company

DEFINITIONS

“Disinterested Shareholders”	<p>all of the Scheme Shareholders:</p> <ul style="list-style-type: none"> (a) excluding any Scheme Shareholders acting in concert with the Offeror (which, for the avoidance of doubt, shall include each member of the Founder Group and any other Scheme Shareholder who is interested or involved in the Founder Arrangement); but (b) including those Scheme Shareholders who are members of the Morgan Stanley group and who are exempt principal traders for the purposes of the Takeovers Code, provided that no such members shall be entitled to be counted, for the purposes of the Takeovers Code, in the vote at the Court Meeting to approve the Scheme or at the SGM to approve the Founder Arrangement; (c) including the Trustee, provided that the Trustee shall not exercise the voting rights attached to the Trustee Held Shares; and (d) including INKA Internationale Kapitalanlagegesellschaft mbH, provided that it shall not exercise the voting rights attached to the Shares held by it
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 97 to 129 of this Scheme Document

DEFINITIONS

“FIDL”	First Island Developments Limited, a company incorporated in the British Virgin Islands with limited liability
“Founder Arrangement”	<p>(a) the Founder Scheme Shares held by the Founder Group being cancelled in consideration for the Founder Cancellation Consideration; and</p> <p>(b) the entry by the relevant members of the Founder Group and the GLP Group into the Shareholders’ Agreement</p>
“Founder Cancellation Consideration”	the consideration to be received by members of the Founder Group for the cancellation of their Founder Scheme Shares under the Scheme, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder as fully paid in the amount of the Cancellation Price per Fung Shareholder Shares pursuant to the terms of the Founder Irrevocable Undertakings
“Founder Group”	Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King, SDEL, GSL, Fung 1937, Fung Distribution and FIDL
“Founder Irrevocable Undertakings”	the irrevocable undertakings given by each member of the Founder Group in respect of the Founder Scheme Shares held by them as described in the section headed “ <i>Founder Irrevocable Undertakings</i> ” in the Explanatory Statement
“Founder Scheme Shares”	the Scheme Shares held by the Founder Group, less 48,857,908 Scheme Shares held by SDEL
“Fung 1937”	Fung Holdings (1937) Limited, a company incorporated in Hong Kong with limited liability
“Fung Distribution”	Fung Distribution International Limited, a company incorporated in the British Virgin Islands with limited liability

DEFINITIONS

“Fung Shareholder”	New Era Investments Limited, a company incorporated in the Cayman Islands with limited liability, which holds 60% of the voting shares (but no non-voting shares) and 32.33% of the total shares in HoldCo (which in turn holds 100% of the shares in the Offeror)
“Fung Shareholder Shares”	the entire issued share capital of the Fung Shareholder, being 2,760,607,376 unpaid shares
“Global Brands”	Global Brands Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 0787)
“GLP”	GLP Pte. Ltd., a company incorporated in Singapore with limited liability
“GLP A Shareholder”	GLP Golden Lincoln A Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“GLP B Shareholder”	GLP Golden Lincoln B Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“GLP Group”	GLP, GLP A Shareholder and GLP B Shareholder
“GLP Shareholders”	GLP A Shareholder and GLP B Shareholder
“Goldman Sachs”	Goldman Sachs (Asia) L.L.C., a company incorporated in Delaware with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to Fung 1937 in connection with the Proposal
“Group”	the Company and its subsidiaries
“GSL”	Golden Step Ltd, a company incorporated in Liberia with limited liability

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HoldCo”	Golden Lincoln Holdings II Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“HSBC Group”	HSBC and persons controlling, controlled by or under the same control as HSBC
“HSBCTL”	HSBC Trustee (C.I.) Limited, a company incorporated in Jersey with limited liability and recognised by the Executive as an exempt fund manager for the purposes of the Takeovers Code, the operations of which are carried out independently of any takeover activities carried on by the Global Banking division of HSBC in Hong Kong with appropriate Chinese walls and compliance procedures in place
“IIL”	Infiniti Investments Limited, a company incorporated in the British Virgin Islands with limited liability

DEFINITIONS

"Implementation Agreement"	the agreement entered into between the Offeror and the Company on 20 March 2020 pursuant to which the parties have agreed to pursue the Proposal
"Independent Board Committee"	an independent board committee of the Company comprising the following non-executive Directors: Mrs. Margaret Leung Ko May Yee, Dr. Allan Wong Chi Yun, Mr. Martin Tang Yue Nien, Mr. Chih Tin Cheung and Mr. John G. Rice being all of the independent non-executive Directors
"Independent Financial Adviser" or "Platinum"	Platinum Securities Company 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 on the Proposal, the Scheme and the Founder Arrangement
"Investor Participant"	a person admitted to participate in CCASS as an investor participant
"IWIL"	Island Win Investment Limited, a company incorporated in Hong Kong with limited liability
"Joint Announcement"	the joint announcement dated 20 March 2020 issued by the Offeror and the Company in relation to the Proposal
"KLHL"	King Lun Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"KTI"	Kuen Tong Inc., a company incorporated in the British Virgin Islands with limited liability
"Last Trading Date"	20 March 2020, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
"Latest Practicable Date"	17 April 2020, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 September 2020
“Meeting Record Date”	Wednesday, 6 May 2020, 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 SGM
“Morgan Stanley”	Morgan Stanley Asia Limited, a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to the Offeror in connection with the Proposal
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 20 March 2020
“Offeror”	Golden Lincoln Holdings I Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Offeror Group”	Holdco, the Offeror and the Offeror’s subsidiaries (which will include the Group upon the Scheme becoming effective)
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“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 as described in this Scheme Document

DEFINITIONS

"PSHL"	Profit Snow Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"Record Date"	Tuesday, 26 May 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme (other than the Fung Shareholder which will receive the Fung Cancellation Consideration)
"Registered Owner"	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
"Relevant Period"	the period commencing on 20 September 2019, being the date falling six months prior to 20 March 2020, being the commencement of the offer period, and ending on the Latest Practicable Date
"Scheme"	the scheme of arrangement to be proposed under section 99 of the Companies Act between the Company and the Scheme Shareholders involving, inter alia, the cancellation of the Scheme Shares as set out on pages 152 to 158 of this Scheme Document, with or subject to any modification thereof or addition thereto or any condition which may be approved or imposed by the Court
"Scheme Document"	this composite scheme document (which contains, among other things, further details of the Proposal), the accompanying proxy forms and notices of the Court Meeting and the SGM, despatched by the Offeror and the Company to all Shareholders as required by the Takeovers Code
"Scheme Shareholders"	the registered holders of the Scheme Shares as at the Record Date
"Scheme Shares"	the Shares in issue on the Record Date

DEFINITIONS

“SDEL”	Step Dragon Enterprise Limited, a BVI business company established under the BVI International Business Companies Act, Cap. 291 with limited liability
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened at 12:30 p.m. on Tuesday, 12 May 2020 (or immediately after the Court Meeting has been concluded or adjourned) at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong for the purposes of passing all necessary resolutions for, among other things, the implementation of the Scheme
“Share(s)”	the ordinary share(s) of HK\$0.0125 each in the issued share capital of the Company
“Share Awards”	the share awards granted under the 2015 Share Awards Scheme from time to time
“Share Options”	the outstanding share option(s) granted under the 2003 Share Option Scheme
“Share Registrar”	Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the share registrar of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Shareholders’ Agreement”	the Shareholders’ Agreement dated 20 March 2020 entered into between Fung 1937, the Fung Shareholder, the GLP Group and Holdco (the key terms of which are further described in the section headed “Shareholders’ Agreement” in the Explanatory Statement)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Trustee"	Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong with limited liability, which holds Shares for the benefit of grantees of the 2015 Share Award Scheme
"Trustee Held Shares"	existing Shares held by the Trustee in its capacity as trustee of the 2015 Share Award Scheme
"US" or "United States"	United States of America
"%"	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court hearing of the petition for the sanction of the Scheme and the Effective Date, which are the relevant dates in Bermuda. For reference only, Bermuda time is 11 hours behind Hong Kong time as at the date of this Scheme Document.

EXPECTED TIMETABLE

The timetable set 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. Unless otherwise specified, all times and dates refer to Hong Kong local times and dates.

Hong Kong time

Meeting Record Date Wednesday, 6 May 2020

Latest time for lodging forms of proxy in respect of:

• Court Meeting ^(Note 1) 12:00 p.m.
Sunday, 10 May 2020

• SGM ^(Note 1) 12:30 p.m.
Sunday, 10 May 2020

Court Meeting ^(Notes 1 and 2) 12:00 p.m.
Tuesday, 12 May 2020

SGM ^(Notes 1 and 2) 12:30 p.m.
Tuesday, 12 May 2020
(or immediately after the
conclusion or adjournment of
the Court Meeting)

Announcement of the results of the Court Meeting
and the SGM posted on the website of
the Stock Exchange no later than 7:00 p.m.
on Tuesday, 12 May 2020

Expected latest time for trading of Shares on
the Stock Exchange 4:00 p.m. on
Friday, 15 May 2020

Latest time for lodging transfers of Shares
in order to qualify for entitlements under
the Scheme 4:30 p.m.
Wednesday, 20 May 2020

Register of members of the Company closed
for determining entitlements under
the Scheme ^(Note 3) from Thursday, 21 May 2020
onwards

EXPECTED TIMETABLE

Hong Kong time

Court hearing of the petition for the sanction of
the Scheme ^(Note 4) on Thursday, 21 May 2020
(Bermuda time)

Announcement of (1) the results of the Court
hearing for the petition for the sanction of
the Scheme, (2) the expected Effective Date and
(3) the expected date of withdrawal of listing of
Shares on the Stock Exchange posted on the
website of the Stock Exchange At or before 8:30 a.m. on
Friday, 22 May 2020

Record Date Tuesday, 26 May 2020

Effective Date ^(Note 4) Tuesday, 26 May 2020
(Bermuda time)

Announcement of (1) the Effective Date and
(2) the withdrawal of listing of Shares on
the Stock Exchange posted on the website of
the Stock Exchange Tuesday, 26 May 2020

Withdrawal of listing of Shares on the Stock Exchange
becomes effective 4:00 p.m. on
Wednesday, 27 May 2020

Cheques for the cash payment under the Scheme
to be despatched ^(Note 5) on or before Thursday,
4 June 2020

EXPECTED TIMETABLE

Notes:

1. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the SGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged at the Company's Hong Kong office at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the SGM should be lodged no later than the time and date stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the Chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting if it is not so lodged. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. The completion and return of a form of proxy for the Court Meeting and/or the SGM 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 returned form of proxy will be revoked by operation of law.
2. If tropical cyclone warning signal no. 8 or above or post-super typhoon extreme conditions or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 12 May 2020, the Court Meeting and the SGM will be postponed or adjourned and the Court Meeting and the SGM will be held instead on Wednesday, 13 May 2020 at 12:00 p.m. and 12:30 p.m., respectively, or at a time on an alternative day to be announced that falls within 13 clear days of the original date scheduled for the Court Meeting and the SGM in the event that a tropical cyclone warning signal no. 8 or above or post-super typhoon extreme conditions or a black rainstorm warning signal is in force at 9:00 a.m. on Wednesday, 13 May 2020. Shareholders may call the hotline at +852 2980 1333 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong or visit the website of the Company at <http://www.lifung.com> for details of alternative meeting arrangements. The Court Meeting and the SGM 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 SGM 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.

3. 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 the entitlements under the Scheme.
4. The Scheme shall become effective upon all the Conditions set out in the paragraph headed "Conditions of the Proposal" in the Explanatory Statement of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case maybe).
5. 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 Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the 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 business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC, 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.

LETTER FROM THE BOARD



LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

Executive Directors

Dr. William Fung Kwok Lun
Mr. Spencer Theodore Fung
Mr. Joseph C. Phi

Registered office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10, Bermuda

Non-executive Directors

Dr. Victor Fung Kwok King
Mr. Marc Robert Compagnon

Principal Place of Business in Hong Kong

11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

Independent Non-executive Directors

Dr. Allan Wong Chi Yun
Mrs. Margaret Leung Ko May Yee
Mr. Martin Tang Yue Nien
Mr. Chih Tin Cheung
Mr. John G. Rice

20 April 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
LI & FUNG LIMITED BY THE OFFEROR
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
LI & FUNG LIMITED**

INTRODUCTION

Reference is made to the joint announcement dated 20 March 2020 issued by the Offeror and the Company in relation to the Proposal. On 20 March 2020, 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 99 of the Companies Act.

LETTER FROM THE BOARD

If the Proposal is approved and implemented:

- (a) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder (an entity that indirectly holds 32.33% of the Offeror's shares) as being fully paid in the amount of the Cancellation Price of HK\$1.25 per Fung Shareholder Share;
- (b) all other Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$1.25 per Scheme Share which shall be paid in cash;
- (c) new Shares corresponding to the cancelled Scheme Shares will be issued to the Offeror, credited as fully paid, such that the Company will become wholly-owned by the Offeror; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal (in particular the Scheme and the Founder Arrangement) and to give you notice of the Court Meeting and of the SGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 40 to 42 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 43 to 96 of this Scheme Document; (iii) the Explanatory Statement set out on pages 97 to 129 of this Scheme Document; and (iv) the terms of the Scheme set out on pages 152 to 158 of this Scheme Document.

TERMS OF THE PROPOSAL

The Scheme

Subject to the Conditions described in the section headed "*Conditions of the Proposal*" in the Explanatory Statement on pages 100 to 103 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

LETTER FROM THE BOARD

Cancellation Price per Scheme Share

The Cancellation Price of HK\$1.25 per Scheme Share represents:

- (a) a premium of approximately 17.9% over the closing price of HK\$1.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 157.7% over the average closing price of approximately HK\$0.485 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 95.2% over the average closing price of approximately HK\$0.641 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 72.7% over the average closing price of approximately HK\$0.724 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 62.1% over the average closing price of approximately HK\$0.771 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 57.0% over the average closing price of approximately HK\$0.796 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 43.8% over the average closing price of approximately HK\$0.869 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date; and
- (i) a premium of approximately 8.2% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.155 as at 31 December 2019 (based on an exchange rate of US\$1.0 = HK\$7.80).

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

LETTER FROM THE BOARD

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other privatisation transactions in Hong Kong in recent years.

The Cancellation Price does not include any dividend to be declared by the Company (subject to the approval of the Shareholders) after the date of this Scheme Document and prior to the Scheme becoming effective. If the record date for determining entitlement to such dividend is before the Record Date for the Scheme, such amount will be retained by the Shareholders. Accordingly, the Cancellation Price will not be affected or reduced by the Shareholders' entitlement to any such dividend. For the avoidance of doubt, the Company does not intend to declare or pay any dividend on or before (i) the Effective Date or (ii) the date on which the Scheme lapses or is otherwise terminated (whichever is earlier).

Assuming that the Scheme becomes effective on 26 May 2020, cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before 4 June 2020. Cheques will be posted at the risk of the addressees and none of the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC, 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 of despatch of the same.

CONFIRMATION OF FINANCIAL RESOURCES

Taking into account that the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration, the Proposal will involve making an offer to cancel 5,778,319,530 Scheme Shares, in exchange for the Cancellation Price of HK\$1.25 per Scheme Share in cash.

The total amount of cash required to implement the Proposal in full would be approximately HK\$7,222,899,412.50, which will be funded by the GLP Group through external debt financing and/or internal resources of GLP.

Morgan Stanley, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying in full its payment obligations in respect of the cash consideration payable under the Proposal.

The Offeror does not intend to and will not require the Company to increase its financial indebtedness to implement the Proposal.

LETTER FROM THE BOARD

The notes and perpetual securities issued under the US\$2 billion medium term note and perpetual securities programme established by the Company on 11 October 2016 will remain listed on the Singapore Exchange Securities Trading Limited.

CONDITIONS OF THE PROPOSAL

Conditions of the Proposal

The Proposal and the Scheme will only become effective and binding on the Company and all of the Shareholders if the following Conditions (as further described in the section headed "*Conditions of the Proposal*" in the Explanatory Statement on pages 100 to 103 of this Scheme Document) are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting at the Court Meeting, representing not less than 75% in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders (being all Scheme Shareholders, other than those acting in concert with the Offeror) that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast against the resolution to approve the Scheme is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Shareholders;
- (c) the passing by the Shareholders at the SGM of (i) a special resolution to approve any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; and (ii) an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of the Company by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance with the procedural requirements and conditions, if any, under section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) in relation to the Founder Arrangement: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the

LETTER FROM THE BOARD

Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Founder Arrangement;

- (g) with respect to any applicable antitrust review in the USA under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder, the expiration or termination of any applicable waiting periods (including any extensions thereof) in connection with the Scheme;
- (h) all Approvals which are (i) required in connection with the Proposal by Applicable Laws or any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date;
- (i) no Authority 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 void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal); and
- (j) all Applicable Laws having been complied with and no legal or regulatory requirement having been imposed by any Authority which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws in connection with the Proposal which are material in the context of the Group (taken as a whole), in each case up to and as at the Effective Date.

The Conditions in paragraphs (a) to (g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (h) to (j) (inclusive) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which 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 Proposal 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, other than pursuant to the Conditions in paragraphs (a) to (g) (inclusive), the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (h) to (j) (inclusive) not being satisfied. As at the Latest Practicable Date and based on the information available to the Offeror, the Offeror was also not aware of any Approvals which are required as set out in the Condition in paragraph (h) above.

As at the Latest Practicable Date, the Condition in paragraph (g) above had been satisfied.

If the Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM on 12 May 2020 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Warning: Shareholders and potential investors 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 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.

VOTING AT THE COURT MEETING AND THE SGM

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) above is satisfied.

All Shareholders will be entitled to attend the SGM and vote on the restoration of the share capital of the Company (as described in the Condition in paragraph (c) above), but for the purposes of the Takeovers Code, only the Disinterested Shareholders will be entitled to vote at the SGM on the ordinary resolution to approve the Founder Arrangement.

LETTER FROM THE BOARD

FOUNDER IRREVOCABLE UNDERTAKINGS

On 20 March 2020, each member of the Founder Group has given an irrevocable undertaking in favour of the Offeror, the Fung Shareholder and the GLP Shareholders to take certain actions, including (among other things):

- (a) to agree to and assist in implementing the cancellation of the Founder Scheme Shares held by them in consideration for the Founder Cancellation Consideration; and
- (b) to the extent permitted by applicable laws (including the Takeovers Code), to vote any Shares held by them in favour of any resolutions proposed at the SGM to implement the Scheme or which are necessary for the Scheme to become effective.

Please refer to the section headed "*Founder Irrevocable Undertakings*" in the Explanatory Statement on page 103 of this Scheme Document for further details.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

Founder Arrangement

As the Founder Arrangement is not offered to all Shareholders, the Founder Arrangement requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. The Offeror has made an application for consent to the Executive, and the Proposal and the Scheme is subject to fulfilment of the Condition relating to the Founder Arrangement in paragraph (f) of the section headed "*Conditions of the Proposal*" above.

Please refer to the section headed "*Founder Arrangement*" in the Explanatory Statement on page 104 of this Scheme Document for further details.

Shareholders' Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder, the GLP Group and HoldCo entered into the Shareholders' Agreement in respect of the governance of the Offeror Group, which is intended to take full effect upon the Scheme becoming effective.

Please refer to the section headed "*Shareholders' Agreement*" in the Explanatory Statement on pages 104 to 106 of this Scheme Document for further details.

LETTER FROM THE BOARD

Consortium Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder and the GLP Group entered into the Consortium Agreement, pursuant to which the parties have agreed to conduct and implement the Proposal in consultation with one another and for HoldCo to have the shareholding structure as further described in the section headed "*Information on the Offeror Group*" in the Explanatory Statement on pages 115 to 116 of this Scheme Document.

The Consortium Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

Implementation Agreement

On 20 March 2020, the Offeror and the Company entered into the Implementation Agreement, pursuant to which the parties have agreed to use all reasonable endeavours to do all such things within their power to implement the Proposal and co-operate to obtain all Approvals required in connection with the Proposal.

Under the Implementation Agreement, the Company has undertaken to the Offeror to:

- (a) use all reasonable endeavours to implement the Scheme;
- (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, the Group shall not take certain actions, including (amongst others):
 - (i) carrying on its business, other than in the ordinary and usual course;
 - (ii) issuing any Shares;
 - (iii) entering into any merger or acquiring or disposing of any material assets; and
 - (iv) entering into any transaction with any shareholder and/or director of any member of the Group, other than in the ordinary and usual course.

Nothing in the Implementation Agreement is intended to prevent or deprive: (1) the Shareholders from having the opportunity to consider, or (2) the Company from considering, in each case, any unsolicited alternative offers, proposals or transactions in respect of, or for, the issued ordinary share capital or assets or undertakings (whether the whole or a substantial part) of the Company or the Group from any person other than the Offeror.

LETTER FROM THE BOARD

The Implementation Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

Other arrangements

As at the Latest Practicable Date:

- (a) save for the Proposal, the Scheme, the Founder Arrangement, the Founder Irrevocable Undertakings, the Shareholders' Agreement, the Consortium Agreement and the Implementation Agreement, there was no agreement or arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Offeror or any party acting in concert with it which might be material to the Proposal;
- (b) there was no agreement or arrangement to which the Offeror or any party acting in concert with it is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a Condition to the Proposal;
- (c) save for the Founder Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal; and
- (d) save for the Founder Arrangement, the Founder Irrevocable Undertakings, the Shareholders' Agreement and the Consortium Agreement as disclosed in the Scheme Document, there was no understanding, arrangement or agreement or special deal between (1) any Shareholder of the Company; and (2) either (a) the Offeror or any party acting in concert with it (including the Founder Group and the GLP Group); or (b) the Company or the Company's subsidiaries or associated companies.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 8,538,926,906 Shares;
- (b) the Offeror did not legally or beneficially own, control or have direction over any Shares;
- (c) the Founder Group legally or beneficially owned, controlled or had direction over a total of 2,809,465,284 Shares, representing approximately 32.90% of the total Shares, of which the Founder Scheme Shares comprised 2,760,607,376 Shares, representing approximately 32.33% of the total Shares;

LETTER FROM THE BOARD

- (d) Global Brands (which, as at the Latest Practicable Date, was approximately 30.99% owned by Fung 1937) did not legally or beneficially own, control or have direction over any Shares and had not held any Shares or dealt in the Shares during the Relevant Period;
- (e) each shareholder of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI) and the GLP Group did not legally or beneficially own, control or have direction over any Shares and had not held any Shares or dealt in the Shares during the Relevant Period;
- (f) persons acting in concert with the Offeror (other than the Founder Group, the GLP Group, shareholders of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI) and members of the Morgan Stanley group), the names of which are listed in section (B2) of the shareholding structure table in the section headed "Shareholding Structure of the Company and Effect of the Proposal and the Scheme" in the Explanatory Statement on pages 107 to 112 of this Scheme Document (except for SDEL), legally or beneficially owned, controlled or had direction over a total of 40,768,162 Shares, representing approximately 0.48% of the total Shares;
- (g) save as disclosed in (c) and (f) above, the Offeror and its concert parties did not legally or beneficially own, control or have direction over any Shares, securities, warrants or options convertible into Shares;
- (h) members of the Morgan Stanley group, being a concert party of the Offeror, did not legally or beneficially own, control or have direction over any Shares (except those members who are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code, provided that any Shares held by any such members in their capacity as exempt principal traders must not be voted in the context of the Proposal (including the Founder Arrangement) in accordance with Rule 35.4 of the Takeovers Code);
- (i) the Disinterested Shareholders (being all Scheme Shareholders, other than those acting in concert with the Offeror) legally or beneficially owned, controlled or had direction over a total of 5,688,693,460 Shares, representing approximately 66.62% of the total Shares;
- (j) save as disclosed in the section headed "Share Awards" below, there were no securities, warrants or options convertible into Shares held, controlled or directed by the Offeror or its concert parties;
- (k) neither the Offeror nor its concert parties had entered into any outstanding derivative in respect of the securities in the Company; and
- (l) neither the Offeror nor its concert parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

LETTER FROM THE BOARD

The Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration. All other Scheme Shares (being a total of 5,778,319,530 Shares representing approximately 67.67% of the total Shares) will be cancelled in consideration for the Cancellation Price in cash upon the Scheme becoming effective.

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 "*Shareholding Structure of the Company and Effect of the Proposal and the Scheme*" in the Explanatory Statement on pages 107 to 112 of this Scheme Document.

SHARE AWARDS

As at the Latest Practicable Date:

- (a) there were 118,712,500 granted unvested Share Awards, which entitle their holders to receive from the Trustee a total of 118,712,500 Shares; and
- (b) there were 125,901,900 Trustee Held Shares, of which 118,712,500 can be used to satisfy the unvested Share Awards on vesting and 7,189,400 are to be used to satisfy future grants of Share Awards.

On 21 November 2019, 6,226,000 Share Awards were granted to each of Mr. Spencer Theodore Fung, Mr. Joseph C. Phi and Mr. Marc Robert Compagnon. In order to satisfy the vesting of these Share Awards, the Trustee bought an equivalent number of Shares in the market at a price of HK\$0.9198 per Share.

As at the Latest Practicable Date, 28,183,000 of the unvested Share Awards were held by persons acting in concert with the Offeror, including 1,168,200 held by Dr. William Fung Kwok Lun, 9,200,000 held by Mr. Spencer Theodore Fung, 9,004,600 held by Mr. Marc Robert Compagnon and 8,810,200 held by Mr. Joseph C. Phi.

Under the 2015 Share Awards Scheme, if there is (a) a change in control of the Company; or (b) a privatisation of the Company by way of a scheme or by way of an offer, the Board shall in its sole discretion determine whether the vesting dates of any Share Awards will be accelerated. The Board intends to accelerate the vesting of all unvested Share Awards to the Effective Date.

All of the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay the aggregate Cancellation Price for the Trustee Held Shares to the Trustee, which will then pay such amount to the grantees of the Share Awards by reference to the number of Share Awards attributable to such grantees on the Record Date as soon as practicable after receipt by the Trustee of the aggregate Cancellation Price. Any Cancellation Price received by the Trustee in

LETTER FROM THE BOARD

respect of excess Trustee Held Shares that are not attributable to any granted Share Awards shall be paid to the Company. According to the trust deed of the 2015 Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Trustee Held Shares. Accordingly, such 125,901,900 Shares will not be voted at the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

SHARE OPTIONS

The Company had issued 8,000,000 Share Options, of which 4,000,000 Share Options were held by Mr. Spencer Theodore Fung and the remaining 4,000,000 were held by Mr. Marc Robert Compagnon.

Pursuant to the rules of the 2003 Share Option Scheme, Share Options granted but not exercised may be cancelled by the Company with the consent of the relevant holders of the Share Options.

On 20 March 2020, with the consent of Mr. Spencer Theodore Fung and Mr. Marc Robert Compagnon, the Company cancelled all of the 8,000,000 outstanding Share Options. The Offeror will therefore not be making any offer to the holders of the Share Options pursuant to Rule 13 of the Takeovers Code.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed "*Reasons for and benefits of the Proposal*" in the Explanatory Statement on pages 113 to 114 of this Scheme Document.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

You are urged to read carefully the section headed "*The Offeror's intentions in relation to the Group*" in the Explanatory Statement on pages 114 to 115 of this Scheme Document.

The Board is pleased to note that:

- (a) the Offeror intends to continue the existing business of the Group, which principally comprises supply chain solutions, onshore wholesale and logistics;
- (b) no major changes are expected to be introduced in the existing principal business of the Group in the immediate term, including any major redeployment of the fixed assets of the Group; and
- (c) the Offeror does not have any plan to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal.

LETTER FROM THE BOARD

FINANCIAL ADVISERS AND INDEPENDENT BOARD COMMITTEE

The Offeror has appointed Morgan Stanley as its financial adviser in connection with the Proposal. The Company has appointed Citi and HSBC as its financial advisers in connection with the Proposal, and Fung 1937 has appointed Goldman Sachs as its financial adviser in connection with the Proposal.

The Independent Board Committee comprising Mrs. Margaret Leung Ko May Yee (chair of the Independent Board Committee), Dr. Allan Wong Chi Yun, Mr. Martin Tang Yue Nien, Mr. Chih Tin Cheung and Mr. John G. Rice has been established by the Board to make a recommendation to the Disinterested Shareholders as to (i) whether the Proposal, and in particular the Scheme and the Founder Arrangement, is fair and reasonable; and (ii) voting in respect of the Founder Arrangement at the SGM and the Scheme at the Court Meeting.

Dr. Victor Fung Kwok King, a non-executive Director, does not form part of the Independent Board Committee due to him being a member of the Founder Group. Mr. Marc Robert Compagnon, a non-executive Director, does not form part of the Independent Board Committee due to him being an employee of a subsidiary of Fung 1937. The full text of the letter from the Independent Board Committee is set out on pages 40 to 42 of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

The Company has, with the approval of the Independent Board Committee, appointed Platinum as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Founder Arrangement.

The full text of the letter from the Independent Financial Adviser is set out on pages 43 to 96 of this Scheme Document.

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I headed "*Financial Information Relating to the Group*" on pages 130 to 136 of this Scheme Document, and the sections headed "*Information on the Group*", "*Information on the Offeror Group*", "*Information on Founder Group*" and "*Information on the GLP Group*" in the Explanatory Statement on pages 115 to 119 of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas Scheme Shareholders, your attention is drawn to the section headed "*Overseas Shareholders*" in the Explanatory Statement on pages 121 to 122 of this Scheme Document.

LETTER FROM THE BOARD

COURT MEETING AND SGM

For the purpose of exercising your right to vote at the Court Meeting and/or the SGM, you are requested to read carefully the section headed "*Court Meeting and SGM*" in the Explanatory Statement on pages 122 to 123 of this Scheme Document, the section headed "*Actions to be taken*" on pages 6 to 9 of this Scheme Document, and the notices of the Court Meeting and the SGM on pages 159 to 160 and pages 161 to 163 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under "*Actions to be Taken*" on pages 6 to 9 and the section headed "*Actions to be Taken*" in the Explanatory Statement on pages 125 to 127 of this Scheme Document.

RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal, the Scheme and the Founder Arrangement as set out in the "*Letter from the Independent Financial Adviser*" on pages 43 to 96 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal, the Scheme and the Founder Arrangement as set out in the "*Letter from the Independent Board Committee*" on pages 40 to 42 of this Scheme Document.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being simultaneously issued and credited as fully paid to the Offeror) and the share certificates for 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(2) of the Listing Rules, with effect immediately following the Effective Date.

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions described in the section headed "*Conditions of the Proposal*" in the Explanatory Statement on pages 100 to 103 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop 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.

LETTER FROM THE BOARD

If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

Your attention is drawn to the sections entitled "*Withdrawal of listing of Shares*" in the Explanatory Statement set out on page 119 of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the sections entitled "*Registration and Payment*" in the Explanatory Statement set out on pages 119 to 121 of this Scheme Document.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, any party acting in concert with the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC or any of their respective directors, officers or associates or any other person involved in the Proposal 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. Accordingly, you are urged to read the section entitled "*Taxation and Independent Advice*" in the Explanatory Statement set out on page 122 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you are recommended to consult an appropriately qualified professional adviser.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 40 to 42, and pages 43 to 96 respectively of this Scheme Document, the Explanatory Statement as set out on pages 97 to 129 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages 152 to 158 of this Scheme Document, the notice of the Court Meeting as set out on pages 159 to 160 of this Scheme Document and the notice of the SGM as set out on pages 161 to 163 of this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the SGM are enclosed with this Scheme Document.

By order of the board of
LI & FUNG LIMITED
Joseph C. Phi
Director



LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

20 April 2020

To the Disinterested Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
LI & FUNG LIMITED BY THE OFFEROR
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
LI & FUNG LIMITED**

We refer to the announcement dated 20 March 2020 jointly issued by the Offeror and the Company in relation to the Proposal and the scheme document dated 20 April 2020 jointly issued by the Offeror and the Company in relation to the Proposal (the **"Scheme Document"**), the latter 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 have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Founder Arrangement, details of which are set out in the *"Letter from the Board"* and the *"Explanatory Statement"* of the Scheme Document.

Platinum, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal, the Scheme and the Founder Arrangement. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the *"Letter from the Independent Financial Adviser"* of the Scheme Document.

In the *"Letter from the Independent Financial Adviser"* of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal, the Scheme and the Founder Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Scheme and to approve the Founder Arrangement, respectively.

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Founder Arrangement, 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 Founder Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned.

Accordingly, the Independent Board Committee recommends:

- (1) at the Court Meeting, the Disinterested Shareholders to vote in favour of the Scheme;
- (2) at the SGM:
 - (a) the Shareholders to vote in favour of:
 - (i) the special resolution to approve the reduction of the issued share capital of the Company as a result of the cancellation of the Scheme Shares; and
 - (ii) an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of the Company by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled; and
 - (b) the Disinterested Shareholders to vote in favour of the ordinary resolution to approve the Founder Arrangement which constitutes a special deal under Rule 25 of the Takeovers Code.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee draws the attention of the Disinterested Shareholders to (i) the “*Letter from the Board*” set out in the Scheme Document; (ii) the “*Letter from the Independent Financial Adviser*”, which sets out the factors and reasons taken into account in arriving at its recommendations to the Independent Board Committee, set out in the Scheme Document; and (iii) the Explanatory Statement set out in the Scheme Document.

Yours faithfully,
the Independent Board Committee

Margaret Leung Ko May Yee

*Independent
Non-executive Director*

Allan Wong Chi Yun

*Independent
Non-executive Director*

Martin Tang Yue Nien

*Independent
Non-executive Director*

Chih Tin Cheung

*Independent
Non-executive Director*

John G. Rice

*Independent
Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders for the purpose of incorporation into this Scheme Document.



PLATINUM
Securities

20 April 2020

To the Independent Board Committee and the Disinterested Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
LI & FUNG LIMITED BY THE OFFEROR
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
LI & FUNG LIMITED**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Proposal. Details of the Proposal are set out in the Scheme Document dated 20 April 2020 of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

The respective boards of directors of the Offeror and the Company jointly announced that on 20 March 2020, 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 99 of the Companies Act.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Founder Arrangement are fair and reasonable so far as the Disinterested Shareholders are concerned; and to give independent advice to the Independent Board Committee as to whether the Disinterested Shareholders should vote in favour of or against the relevant resolutions to be proposed at the Court Meeting and the SGM the Scheme and the Founder Arrangement, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

- (i) the Announcement;
- (ii) the Scheme Document;
- (iii) the announcement of the audited annual results for the financial year ended 31 December 2019 of the Company (the “**2019 Annual Results**”);
- (iv) the audited annual report of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”);
- (v) the audited annual report of the Company for the financial year ended 31 December 2018 (the “**2018 Annual Report**”);
- (vi) the audited annual report of the Company for the financial year ended 31 December 2017 (the “**2017 Annual Report**”); and
- (vii) the Shareholders’ Agreement.

We have assumed that all information, facts, opinions and representations contained in the Scheme Document are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Scheme Document. The Directors have confirmed that they take full responsibility for the accuracy of the information contained in the Scheme Document (other than any information which has been confirmed by the Offeror, the Offeror’s financial adviser, the Founder Group and the GLP Group in relation to each of them respectively), and have confirmed, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed and confirmed in the Scheme Document (other than those expressed by the Offeror, the Offeror’s financial adviser, the Founder Group and the GLP Group in relation to each of them respectively) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of all facts as set out in the Scheme Document and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or the management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We have also relied on information available to the public which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the terms of the Proposal.

As at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Proposal, the Scheme or the Founder Arrangement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, were considered eligible to give independent advice on the Proposal. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in relation to the Proposal, the Scheme and the Founder Arrangement. Apart from the normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Proposal, the Scheme or the Founder Arrangement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mrs. Margaret Leung Ko May Yee (chair of the Independent Board Committee), Dr. Allan Wong Chi Yun, Mr. Martin Tang Yue Nien, Mr. Chih Tin Cheung and Mr. John G. Rice, has been established to advise the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Founder Arrangement are fair and reasonable so far as the Disinterested Shareholders are concerned and whether the Proposal is in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Disinterested Shareholders whether to vote in favour of or against the relevant resolutions to be proposed at the Court Meeting and the SGM to approve the Scheme and the Founder Arrangement, respectively. Dr. Victor Fung Kwok King, a non-executive Director, does not form part of the Independent Board Committee due to him being a member of the Founder Group. Mr. Marc Robert Compagnon, a non-executive Director, does not form part of the Independent Board Committee due to him being an employee of a subsidiary of Fung 1937.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Proposal, we have taken into account the principal factors and reasons set out below:

1. Background of the Proposal

On 20 March 2020, 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 99 of the Companies Act.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Summary of the Proposal

- Key terms** : If the Proposal is approved and implemented:
- (a) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder (an entity that indirectly holds 32.33% of the Offeror's shares) as being fully paid in the amount of the Cancellation Price of HK\$1.25 per Fung Shareholder Share;
 - (b) all other Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$1.25 per Scheme Share which shall be paid in cash;
 - (c) new Shares corresponding to the cancelled Scheme Shares will be issued to the Offeror, credited as fully paid, such that the Company will become wholly-owned by the Offeror; and
 - (d) the listing of the Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.
- Total Consideration Under the Proposal** : Taking into account that the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration, the Proposal will involve making an offer to cancel 5,778,319,530 Scheme Shares, in exchange for the Cancellation Price of HK\$1.25 per Scheme Share in cash.

The total amount of cash required to implement the Proposal in full would be approximately HK\$7,222,899,412.50, which will be funded by the GLP Group through external debt financing and/or internal resources of GLP.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions of the Proposal : The Proposal and the Scheme will only become effective and binding on the Company and all of the Shareholders if the following Conditions are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting at the Court Meeting, representing not less than 75% in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by 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 against the resolution to approve the Scheme is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Shareholders;
- (c) the passing by the Shareholders at the SGM of (i) a special resolution to approve any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; and (ii) an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of the Company by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance with the procedural requirements and conditions, if any, under section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company;

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- (f) in relation to the Founder Arrangement: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Founder Arrangement;
- (g) with respect to any applicable antitrust review in the USA under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder, the expiration or termination of any applicable waiting periods (including any extensions thereof) in connection with the Scheme;
- (h) all Approvals which are (i) required in connection with the Proposal by Applicable Laws or any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date;
- (i) no Authority 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 void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal); and

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- (j) all Applicable Laws having been complied with and no legal or regulatory requirement having been imposed by any Authority which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws in connection with the Proposal which are material in the context of the Group (taken as a whole), in each case up to and as at the Effective Date.

The Conditions in paragraphs a) to g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs h) to j) (inclusive) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which 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 Proposal 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 Condition in paragraph g) above had been satisfied.

If the Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

Arrangements material to the Proposal

: Founder Arrangement

As the Founder Arrangement being (a) the receipt by the Founder Group of the Founder Cancellation Consideration in lieu of the Cancellation Price in cash; and (b) the entry by the relevant members of the Founder Group and the GLP Group into the Shareholders' Agreement) is not offered to all Shareholders, the Founder Arrangement requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code, and the Offeror has made an application for consent to the Executive.

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The Proposal and the Scheme are therefore subject to:

- a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned;
- b) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement; and
- c) the granting of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Founder Arrangement.

Shareholders' Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder, the GLP Group and HoldCo entered into the Shareholders' Agreement in respect of the governance of the Offeror Group, which is intended to take full effect upon the Scheme becoming effective. A summary of the key terms of the Shareholders' Agreement is set out below:

- (a) Shareholding. As further described in the section headed "Information on the Offeror Group" below, there are two classes of shares in HoldCo: voting shares and non-voting shares, of which: (i) the Fung Shareholder holds a majority (60%) of the voting shares (but no non-voting shares) and 32.33% of the total shares; (ii) GLP A Shareholder holds a minority (40%) of the voting shares, and 21.55% of the total shares; and (iii) GLP B Shareholder holds all of the non-voting shares, and 46.12% of the total shares.
- (b) Voting rights. The voting shares shall carry one vote each. The non-voting shares shall not carry any voting rights.

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- (c) Distributions. All distributions by HoldCo shall be subject to (i) HoldCo having sufficient net profits attributable to the shareholders; (ii) approval of the HoldCo board as to the amount of the distribution; and (iii) a cap on distributions in any given year of 60% of the net profits attributable to the shareholders.
- (d) Economic rights. The voting shares and the non-voting shares shall carry the same entitlement to any distributions by HoldCo pro rata to their respective shareholding in HoldCo, provided that:
 - (i) the non-voting shares shall carry a priority over the voting shares on any distributions up to a benchmark of 5% of the subscription price per annum, such that if the amount of the distribution in any given year is not sufficient to cover such 5% dividend on all of the shares, the non-voting shares shall have a priority on payment ahead of the voting shares;
 - (ii) any shortfall on such 5% dividend on the shares in any given year shall accumulate and be rolled into the following year;
 - (iii) the voting shares shall only be entitled to a dividend if there is no accumulated shortfall on the 5% dividend from previous years on the non-voting shares, and a dividend of 3% for that given year has been paid on the non-voting shares; and

- (iv) in exchange for such dividend priority, the non-voting shares shall be subject to a cap on its internal rate of return (IRR). If this cap is passed and maintained, the voting shares shall benefit from an increased entitlement to any subsequent distributions, such that 80% of the distribution that the non-voting shares would otherwise be entitled to receive will be apportioned to the voting shares instead. The amount of the cap on the IRR shall be notified by GLP to Fung 1937 on or before the Effective Date, which shall be no less than 15% and no more than 20%.
- (e) Board composition. The Fung Shareholder shall have the right to appoint a majority of the directors on the board of HoldCo, and GLP A Shareholder shall have the right to appoint a minority of the directors.
- (f) Reserved matters. The board of HoldCo will be responsible for the overall direction, supervision and management of the Offeror Group, subject to a limited number of minority protection reserved matters over which GLP A Shareholder shall have a veto right.
- (g) Pre-emption rights. Any new issues of shares by any member of the Offeror Group shall be subject to a right of pre-emption in favour of (i) the Fung Shareholder and GLP A Shareholder (pro rata to their respective proportionate shareholding of the voting shares) in respect of any new issue of voting shares; and (ii) GLP B Shareholder in respect of any new issue of non-voting shares.

- (h) Share transfer restrictions. The parties shall be subject to a 5-year lock-up in respect of (direct and indirect) transfers of shares in HoldCo. The lock-up is subject to certain customary carve-outs, including a right for (i) GLP to transfer a minority stake in the GLP Shareholders during the lock-up period; (ii) the Fung Shareholder to transfer a minority stake in HoldCo during the lock-up period, provided it continues to hold a majority of the voting shares in HoldCo; and (iii) the parties to transfer their (direct and indirect) shares in HoldCo to controlled affiliates during the lock-up period for internal reorganisation purposes, but provided there is no change to the ultimate beneficial owner.
- (i) Right of first refusal and tag along. After the lock-up period, the parties shall have the right to transfer their (direct and indirect) shares in HoldCo subject to reciprocal rights of first refusal and tag-along rights.

3. The overview of the Group

3.1 Information on the Group

The Company is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Stock Exchange since July 1992.

The Group is recognised as the world's leader in consumer goods design, development, sourcing and logistics. It specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. The Group is focused on building the supply chain of the future and accelerating the speed in the supply chain through the development of its digital platform.

The Group operates through the business lines below:

1. **Supply Chain Solutions ("SCS")** – which consists of strategic supply chain services, from product design and development to raw material and factory sourcing as well as manufacturing control for brands and retailers.
2. **Onshore Wholesale** – which consists of operating as an onshore supplier in the Americas, Europe and Asia, supplying apparel and hard goods to largely the same customer base as the SCS business.

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3. **Logistics** (the “**Logistics Business**”) – which comprises Asia-focused in-country logistics business and the global freight management business.

SCS and Onshore Wholesale collectively are referred to as the “**Trading Business**”.

Set out below is the financial highlights of the Company’s consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards:

Table 1: Financial highlights of the Company

US\$ in million	2016^{4, 6} Audited	2017⁶ Audited	2018⁶ Audited	2019 Audited
Turnover	14,751	13,534	12,701	11,413
% Change		(8%)	(6%)	(10%)
Adjusted EBITDA³	389	415	359	294
% Change		7%	(14%)	(18%)
% of Turnover	2.6%	3.1%	2.8%	2.6%
Core operating profit	318	356	295	228
% Change		12%	(17%)	(23%)
% of Turnover	2.2%	2.6%	2.3%	2.0%
Profit attributable to shareholders				
– Continuing operations	160	170	123	17
% Change		7%	(28%)	(86%)
– Discontinued operation	61	(545)	(136)	0
Total	221	(375)	(13) ²	17
Adjusted net profit⁵	158	173	132	74
% Change		9%	(24%)	(44%)

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US\$ in million	2016 ^{4, 6} Audited	2017 ⁶ Audited	2018 ⁶ Audited	2019 Audited
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Trading Business

Turnover	13,308	12,541	11,600	10,274
% Change		(6%)	(8%)	(11%)
– SCS	11,718	10,989	9,933	8,834
– Onshore Wholesale	1,590	1,552	1,667	1,439

Core operating profit	253	281	202	134
% Change		11%	(28%)	(34%)
% of Turnover	1.9%	2.2%	1.7%	1.3%
– SCS	188	227	148	91
– Onshore Wholesale	66	53	55	43

Logistics Business

Turnover	907	1,028	1,133	1,173
% Change		13%	10%	4%
Core operating profit	61	75	93	94
% Change		24%	23%	1%
% of Turnover	6.7%	7.3%	8.2%	8.0%

US\$ in million	2017 Audited	2018 Audited	2019 Audited
Cash and bank balances	349	612	932
Total assets	6,518 ¹	5,717 ²	5,800
Total equity attributable to Shareholders of the Company	1,748	1,202 ²	1,264

Source: 2017 Annual Report, 2018 Annual Report and 2019 Annual Report.

Note(s):

- (1) As restated in the 2018 Annual Report of the Company, the total assets include US\$1,641 million assets classified as held for sale.
- (2) As restated in the 2019 Annual Report. Original audited, total assets, total equity attributable to Shareholders and net profit attributable to Shareholders of the Company in the 2018 Annual Report of the Company were US\$5,341 million, US\$1,217 million and (US\$11) million respectively.
- (3) Adjusted earnings before interest, taxes and amortisation (“**Adjusted EBITDA**”) represents core operating profit (COP) adjusted for depreciation & amortization charged before COP, employee share award & share option expenses and other non-cash expenses, and payment of lease liability if applicable. For the avoidance of doubt, the Adjusted EBITDA figures are after deduction of lease payment.

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- (4) Financial figures in 2016 includes the Asia consumer and healthcare distribution business (divested in June 2016), which contributed to US\$566 million turnover and US\$4 million COP.
- (5) Adjusted net profit attributable to Shareholders from continuing operations (excluding non-recurring reorganization costs, other non-operating expenses, write-back of acquisition payable, bond redemption and corresponding tax and non-controlling interest impact).
- (6) The Group adopted HKFRS 16 for the year ended 31 December 2019, and the comparatives for the year ended 31 December 2018 have been restated accordingly. The financial results prior to 2018 have not been restated.

We note the following points in relation to the data presented above in Table 1:

(i) *Decrease in turnover*

Turnover represents sales generated from the Company's operations in the Trading Business and the Logistics Business. The reduction from US\$12,701 million (as of 31 December 2018) to US\$11,413 million (as of 31 December 2019) was due to continued customer destocking, bankruptcies and store closures, customer turnover in SCS and exits from non-strategic customers. In the past three years, the Company's turnover declined approximately 8%, 6%, and 10% in 2017, 2018, and 2019 respectively on a year-on-year basis.

According to the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, we note the Trading Business turnover represents approximately 92%, 91% and 90% of the total turnover of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively. Trading Business turnover decreased by approximately 11% from 2018 to 2019, which was mainly due to customers' continued destocking, bankruptcies and store closures, customer turnover in the SCS business, proactive exit from non-strategic customers and continued pressure on the Onshore Wholesale business' top line from weak customer sentiment and an unstable economic environment particularly in Europe. In the past three years, the Trading Business turnover declined approximately 6%, 8%, and 11% in 2017, 2018, and 2019 respectively on a year-on-year basis.

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According to the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, we note that the turnover of the Logistics Business represents approximately 8%, 9% and 10% of the total turnover of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively. The Logistics Business turnover increased by approximately 4% from 2018 to 2019, which was mainly driven by strong demand for in-country logistics services, offset by the slowdown in the global freight business and depressed freight rates due to the US-China trade war. In the past three years, the Logistics Business turnover increased by approximately 13%, 10%, and 4% in 2017, 2018, and 2019 respectively on a year-on-year basis.

(ii) Core operating profit ("COP") and Net (loss)/profit attributable to Shareholders

In the past two years, the Company's COP declined approximately 17% and 23% in 2018 and 2019 respectively on a year-on-year basis. The decline in 2019 was largely due to reductions in turnover and total margin in SCS as well as continued investment in digitalization initiatives. In the past two years, COP margin dropped approximately 0.6% from 2.6% in 2017 to 2.0% in 2019.

According to the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, we note that Trading Business's COP represents approximately 79%, 69% and 59% of the total COP of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively. The Trading Business's COP decreased by approximately 34% from 2018 to 2019 and approximately 28% from 2017 to 2018. This was largely due to the reduction in turnover in SCS and margin pressure from the customers which contributed to a decrease in total margin of the Trading Business. On the other hand, although the Company has achieved cost savings through productivity enhancement initiatives, these were offset by additional costs related to investment in the digitalization strategy which has not yet generated sufficient contribution to counter the decline in total margin. Furthermore, certain corporate overheads are relatively fixed by nature. The Trading Business's COP margin dropped by approximately 0.9% from 2.2% in 2017 to 1.3% in 2019 because the drop in operational costs was not enough to offset the decline in the total margin as mentioned above.

According to the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, we note that COP of the Logistics Business represents approximately 21%, 31% and 41% of the total COP of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively. COP of the Logistics Business increased by approximately 1% from 2018 to 2019 and approximately 23% from 2017 to 2018. The Logistics

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Business's COP margin increased by approximately 0.9% from 7.3% in 2017 to 8.2% in 2018 and decreased by 0.2% in 2019 to 8.0%. The increase in COP margin in 2018 was largely due to customer mix optimization, productivity gains and increased penetration of higher-margin value added services. The COP margin declined marginally in 2019 as continued gains from customer mix optimization, productivity improvements and increased penetration of higher-margin value-added services were offset by weakness in the global freight management business.

Net profit attributable to Shareholders of US\$17 million was recorded for the year ended 31 December 2019, compared to a net loss attributable to Shareholders of US\$13 million for the year ended 31 December 2018. The net loss in 2018 was due to an operating loss for the discontinued business¹ of US\$22 million during 2018 and final disposal losses resulting from the discontinued business of US\$114 million.

Excluding the discontinued operation, the net profit attributable to Shareholders from continuing operations for the year ended 31 December 2018 amounted to US\$123 million. Excluding non-recurring reorganization costs, other non-operating expenses, write-back of acquisition payable, bond redemption and corresponding tax and non-controlling interest impact, the adjusted net profit attributable to Shareholders for the year ended 31 December 2019 amounted to \$74 million, which represents an approximately 44% decrease from 2018 to 2019. The adjusted net profit attributable to Shareholders decreased by approximately 24% from 2017 to 2018.

(iii) Increase in cash and bank balances in 2019

The increase in cash and bank balances from US\$612 million (as of 31 December 2018) to US\$932 million (as of 31 December 2019) was mainly due to the net cash inflow from operating activities, the US\$300 million investment in the Logistics Business by Temasek and bond refinancing (US\$500 million bond was issued in 2019 and approximately US\$376 million was used for repurchase of the existing note, with the remaining amount of the existing note of approximately US\$374 million being expected to be redeemed upon maturity in May 2020).

¹ According to the Company's announcement dated on 3 April 2018, the discontinued business refers to the three product verticals which were disposed during the financial year ended 31 December 2018.

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(iv) Increase in total assets and total equity attributable to Shareholders in 2019

The increase in total assets from US\$5,717 million (as of 31 December 2018) to US\$5,800 million (as of 31 December 2019) was mainly due to the increase in net drawdown of long-term notes and bank loans and the net proceeds from partial disposal of ownership interests in a subsidiary subsequently reduced by dividends paid.

The increase in total equity attributable to equity shareholders of the Company from US\$1,202 million (as of 31 December 2018) to US\$1,264 million (as of 31 December 2019) was mainly due to the comprehensive income for the year ended 31 December 2019 and the partial disposal of ownership interests in a subsidiary (the Logistics Business) subsequently reduced by the dividends paid.

In conclusion, we concur that the digital disruption to retail, the ongoing economic headwinds and the evolving global trade complexity have put significant pressure on the Trading Business, and thus negatively impacted the Company's overall financial results in the recent few years, with growth of the Logistics Business not being sufficient to offset the decline of the Trading Business given its significant contribution. In addition, we also concur that the increasingly complex global trade environment, the protracted US-China trade war, and the COVID-19 virus have caused and may continue to cause disruptions to the global supply chain, which may further affect the Company's financial performance in future.

4. Information on the Offeror Group, Founder Group and the GLP Group

4.1 Information on the Offeror Group

The Offeror is a company incorporated in the Cayman Islands with limited liability and set up for the implementation of the Proposal. The Offeror is wholly-owned by HoldCo (a company incorporated in the Cayman Islands with limited liability).

HoldCo has two classes of shares: voting shares and non-voting shares. As at the Latest Practicable Date:

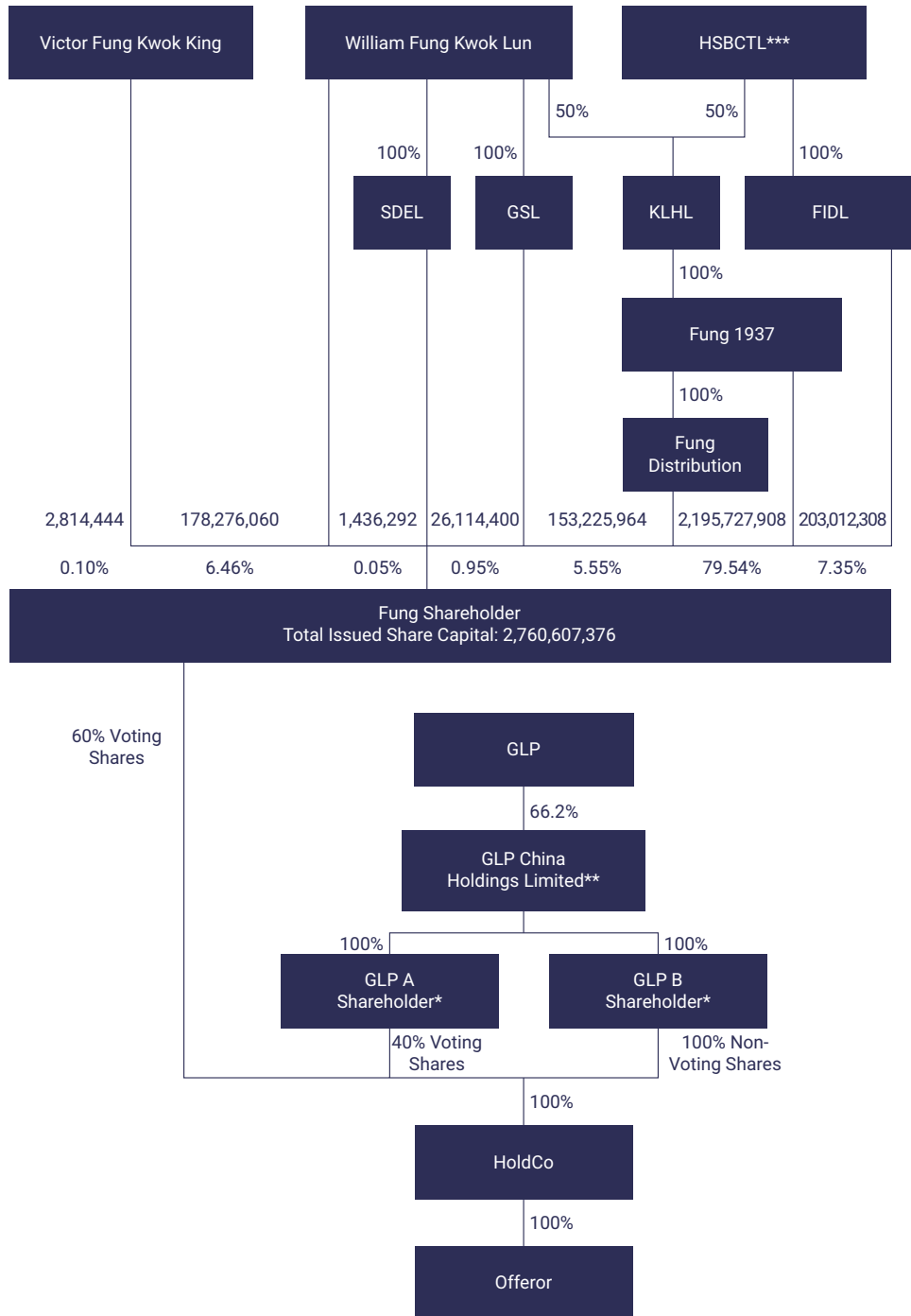
- (a) the Fung Shareholder held 2,760,607,376 voting shares, which constitute 60% of the voting shares, and 32.33% of the total number of shares in HoldCo;
- (b) GLP A Shareholder held 1,840,404,917 voting shares, which constitute 40% of the voting shares, and 21.55% of the total number of shares in HoldCo; and
- (c) GLP B Shareholder held 3,937,914,613 non-voting shares, which constitute 100% of the non-voting shares, and 46.12% of the total number of shares in HoldCo.

The Fung Shareholder is a company incorporated in the Cayman Islands with limited liability, which is wholly-owned by the Founder Group.

Information on GLP A Shareholder and GLP B Shareholder is set out in the section headed "Information on the GLP Group" below.

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The chart below sets out the shareholding structure of the Offeror as at Latest Practicable Date:



* As at the Latest Practicable Date, each of GLP A Shareholder and GLP B Shareholder was wholly owned by GLP China Holdings Limited.

** As at the Latest Practicable Date, GLP China Holdings Limited was held as to approximately 66.2% by GLP, 30.15% by entities managed or advised by HOPU and 3.65% by employees of GLP.

*** As at the Latest Practicable Date, HSBCTL did not have any discretion over any Shares it directly or indirectly holds.

4.2 Information on the Founder Group

The Founder Group comprises Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King, SDEL, GSL, Fung 1937, Fung Distribution and FIDL. SDEL and GSL are wholly-owned by Dr. William Fung Kwok Lun. Fung 1937 and Fung Distribution are indirectly held 50% by Dr. William Fung Kwok Lun and 50% by HSBCTL (on trust for the benefit of the family members of Dr. Victor Fung Kwok King), which in turn also wholly owns FIDL.

As at the Latest Practicable Date:

- (a) the sole director of the Fung Shareholder was Mr. Spencer Theodore Fung;
- (b) the directors of Fung 1937 were Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun, Mr. Benedict Chang Yew Teck and Mr. Lau Butt Farn;
- (c) the directors of SDEL were Dr. William Fung Kwok Lun and Ms. Julia Fung Shen Nai Kee;
- (d) the sole director of GSL was Dr. William Fung Kwok Lun;
- (e) the directors of Fung Distribution were Mr. Lau Butt Farn, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun; and
- (f) the directors of FIDL were Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun and Ms. Julia Fung Shen Nai Kee.

Dr. William Fung Kwok Lun joined the Group in 1972 and has over 47 years of experience in the sourcing and supply chain management industry. He is an executive Director and has been the Group Chairman since 2012.

Dr. Victor Fung Kwok King joined the Group in 1973 and has over 46 years of experience in the sourcing and supply chain management industry. He is the Honorary Chairman of the Group and a non-executive Director and was the Group Chairman from 1989 to 2012.

4.3 Information on the GLP Group

GLP Pte. Ltd. ("**GLP**"), a Singapore entity, is a leading global operator and investor in logistics, real estate, infrastructure, finance and related technologies. GLP operates across Brazil, China, Europe, India, Japan and the U.S., and is a leading developer and operator of logistics and the warehouse facilities serving manufacturers, retailers, e-tailers and logistics service providers, with a global property portfolio of approximately 62 million square meters. GLP also has approximately US\$89 billion in assets under management in real estate and private equity funds across the world.

GLP is owned by a consortium comprising: (i) SMG Eastern Limited (which is controlled by Mr. Ming Z. Mei, the chief executive officer of GLP), and its affiliates and entities managed or advised by them, and the directors of the investment holding vehicle are Mr. Ming Z. Mei, Mr. Alan David Yang and Mr. Adam Berns (collectively, "**SMG**"); (ii) HOPU Logistics Investment Management Co., Ltd. and its affiliates and entities managed or advised by them (collectively, "**HOPU**"), the directors of the investment holding vehicle are Mr. Teck Sien Lau, Mr. Yi Chen and Mr. Don Wayne Ebanks; (iii) Hillhouse Capital Logistics Management, Ltd. and its affiliates and entities managed or advised by them (collectively, "**Hillhouse Capital**"), the director of the investment holding vehicle is Ms. Emily Kong Li Yung; (iv) Bank of China Group Investment Limited and its affiliates (collectively, "**BOCGI**"), the directors of the investment holding vehicle are Ms. Wang Xiao Zhuo and Mr. Huang Tao; and (v) Vanke Real Estate (Hong Kong) Company Limited and its affiliates (collectively, "**Vanke**"), the directors of the investment holding vehicle are Mr. Mo Fan and Mr. Simon Cho Shu Ki. As at the Latest Practicable Date, each of HOPU, Hillhouse Capital, SMG, BOCGI and Vanke held approximately 21.1%, 21.0%, 21.0%, 15.7% and 21.2% of GLP, respectively.

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5. Impact of the Proposal on the shareholding structure of the Company

Table 2 below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately following implementation of the Proposal, assuming that there is no other change in the shareholding of the Company before the Effective Date.

Table 2: Shareholding structure of the Company as at the Latest Practicable Date and immediately following implementation of the Proposal

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of total Shares	Number of Shares	Approximate % of total Shares
(A) Offeror	–	–	8,538,926,906	100%
(B) Concert parties of the Offeror				
(B1) Shares that will be cancelled in consideration for the Founder Cancellation Consideration				
Victor Fung Kwok King ⁽¹⁾	2,814,444	0.03%	–	–
William Fung Kwok Lun ⁽²⁾	178,276,060	2.09%	–	–
SDEL ⁽³⁾	1,436,292	0.02%	–	–
GSL ⁽³⁾	26,114,400	0.31%	–	–
Fung Distribution ⁽⁴⁾	153,225,964	1.79%	–	–
Fung 1937 ⁽⁵⁾	2,195,727,908	25.71%	–	–
FIDL ⁽⁶⁾	203,012,308	2.38%	–	–
Sub-total	2,760,607,376	32.33%	–	–
(B2) Shares that will be cancelled in consideration for the Cancellation Price in cash				
SDEL ⁽⁷⁾	48,857,908	0.57%	–	–
Spencer Theodore Fung ⁽⁸⁾	5,016,000	0.06%	–	–
Chou Siu Mei, Sylvia ⁽⁹⁾	108,800	0.00%	–	–
Marc Robert Compagnon ⁽¹⁰⁾	4,196,400	0.05%	–	–
Carol Wang Compagnon ⁽¹¹⁾	14,000	0.00%	–	–
PSHL ⁽¹²⁾	12,289,780	0.14%	–	–
Joseph C. Phi ⁽¹³⁾	6,359,478	0.07%	–	–
Jocelyn J. Phi ⁽¹⁴⁾	38,000	0.00%	–	–
Martin Tang Yue Nien ⁽¹⁵⁾	60,000	0.00%	–	–
IIL ⁽¹⁶⁾	4,053,200	0.05%	–	–
Lau Butt Farn ⁽¹⁷⁾	5,554,342	0.07%	–	–
Fung Pui Kit Belinda ⁽¹⁸⁾	3,520	0.00%	–	–
IWIL ⁽¹⁹⁾	481,004	0.01%	–	–

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Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of total Shares	Number of Shares	Approximate % of total Shares
Fung Pui Ling Clara ⁽²⁰⁾	1,113,318	0.01%	-	-
KTI ⁽²¹⁾	263,120	0.00%	-	-
Fung Yue Ming Terence ⁽²²⁾	256,000	0.00%	-	-
Fung Wing Yee Sabrina ⁽²³⁾	871,200	0.01%	-	-
Stephen Yue Chun Fung ⁽²⁴⁾	90,000	0.00%	-	-
Sub-total	89,626,070	1.05%	-	-
(C) Offeror and its concert parties				
(A) + (B1) + (B2)	2,850,233,446	33.38%	8,538,926,906	100%
(D) Disinterested Shareholders				
Trustee ⁽²⁵⁾	125,901,900	1.47%	-	-
Other Disinterested Shareholders	5,562,791,560	65.15%	-	-
Sub-total	5,688,693,460	66.62%	-	-
(E) Shares that will be cancelled in consideration for the Cancellation Price in cash				
(B2) + (D)	5,778,319,530	67.67%	-	-
TOTAL				
(A) + (B1) + (B2) + (C) + (D)	8,538,926,906	100.00	8,538,926,906	100.00

Note (1): Dr. Victor Fung Kwok King is the Honorary Chairman of the Group, a non-executive Director, and a director of Fung Distribution, Fung 1937 and KLHL.

Note (2): Dr. William Fung Kwok Lun is the Group Chairman, an executive Director and a director of Fung Distribution, Fung 1937 and KLHL. He directly holds 178,276,060 Shares and wholly owns SDEL and GSL. He is also the grantee of 1,168,200 unvested Share Awards which will be accelerated and form part of the Scheme Shares.

Note (3): SDEL and GSL are wholly-owned by Dr. William Fung Kwok Lun.

Note (4): Fung Distribution is wholly-owned by Fung 1937. Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are directors of Fung Distribution.

Note (5): Fung 1937 directly holds 2,195,727,908 Shares and wholly-owns Fung Distribution. Fung 1937 is wholly-owned by KLHL which in turn is 50% held by Dr. William Fung Kwok Lun and 50% held by HSBCTL (on trust for the benefit of the family members of Dr. Victor Fung Kwok King). Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are directors of Fung 1937.

Note (6): FIDL is wholly-owned by HSBCTL (on trust for the benefit of the family members of Dr. Victor Fung Kwok King).

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- Note (7):* If the Proposal is implemented, Dr. William Fung Kwok Lun (on the one hand) and Dr. Victor Fung Kwok King and his family members (on the other hand) intend to hold an equal proportion of Shares (indirectly) in the privatised Company. In order to achieve this equal shareholding post-privatisation, it is proposed that 48,857,908 Scheme Share held by SDEL (which is wholly-owned by Dr. William Fung Kwok Lun) will be cancelled in exchange for the Cancellation Price in cash.
- Note (8):* Mr. Spencer Theodore Fung is the Chief Executive Officer of the Group and an executive Director. He is also the grantee of 9,200,000 unvested Share Awards which will be accelerated and form part of the Scheme Shares.
- Note (9):* Ms. Chou Siu Mei, Sylvia is the wife of Dr. William Fung Kwok Lun.
- Note (10):* Mr. Marc Robert Compagnon is a non-executive Director and the grantee of 9,004,600 unvested Share Awards which will be accelerated and form part of the Scheme Shares.
- Note (11):* Ms. Carol Wang Compagnon is the wife of Mr. Marc Robert Compagnon.
- Note (12):* PSHL is wholly owned by a trust of which Mr. Marc Robert Compagnon is the settlor and a beneficiary.
- Note (13):* Mr. Joseph C. Phi is an executive Director and the grantee of 8,810,200 unvested Share Awards which will be accelerated and form part of the Scheme Shares.
- Note (14):* Ms. Jocelyn J. Phi is the wife of Mr. Joseph C. Phi.
- Note (15):* Mr. Martin Tang Yue Nien is an independent non-executive Director.
- Note (16):* IIL is 50% owned by Mr. Benedict Chang Yew Teck, a director of Fung 1937 and 50% owned by Ms. Leong Kim Mei, the wife of Mr. Benedict Chang Yew Teck.
- Note (17):* Mr. Lau Butt Farn is a director of Fung 1937 and Fung Distribution.
- Note (18):* Ms. Fung Pui Kit Belinda is the sister of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun.
- Note (19):* IWIL is wholly-owned by Ms. Fung Pui Kit Belinda.
- Note (20):* Ms. Fung Pui Ling Clara is the sister of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun.
- Note (21):* KTI is wholly-owned by Ms. Fung Pui Ling Clara.
- Note (22):* Mr. Fung Yue Ming Terence is the son of Dr. William Fung Kwok Lun.
- Note (23):* Ms. Fung Wing Yee Sabrina is the daughter of Dr. Victor Fung Kwok King.
- Note (24):* Mr. Stephen Yue Chun Fung is the son of Dr. Victor Fung Kwok King.
- Note (25):* The Trustee holds 125,901,900 Trustee Held Shares, of which 118,712,500 will be used to satisfy the unvested Share Awards on vesting and 7,189,400 are to be used to satisfy future grants of Share Awards. Further details are set out in the section headed "Share Awards" below.
- Note (26):* The shareholding percentage in the table is subject to rounding adjustment.

6. Reasons for and benefits of the Proposal

The Proposal is expected to achieve a number of objectives and benefits as set out below:

6.1 For the Company: a proposal to facilitate a necessary transformation of the business alongside a highly accomplished partner, amid challenging market environments

In light of the digital disruption to the retail industry, the Company has undertaken restructuring efforts to reposition its businesses and to improve its competitive advantage. Although the Company has implemented a number of strategic initiatives to adapt to the shifting market dynamics, the Company's financial performance has remained under pressure. In 2020, the COVID-19 virus outbreak is having a significant adverse impact on global supply chains, and the Company expects to see further headwinds affecting its business activities.

In accordance with the 2019 Annual Report, we note that Group turnover decreased by 10% to approximately US\$11.4 billion from 2018 to 2019, which was mainly due to continued customer destocking, bankruptcies and store closures, customer turnover in the SCS business and exits from non-strategic customers. This was offset by new customer wins and market share gains for key customers, particularly in the Logistics Business. In addition, based on our discussion with the management of the Company, we understand that the COVID-19 virus outbreak, now spreading to more than 150 countries, is expected to affect consumer sentiment and the overall retail environment. Given the COVID-19 virus outbreak is creating more volatility and uncertainty in the global economy, the Company's customers will likely be negatively impacted. As such, we concur that the Company expects to see further headwinds affecting its business activities due to the COVID-19 virus outbreak.

Despite these ongoing challenges, the Offeror remains committed to the Company's long-term prospects. The Company believes that the transformational efforts it is currently undertaking will require deeper restructuring efforts and further investments in technology, infrastructure, and talent. In light of the COVID-19 virus outbreak and macroeconomic uncertainties, the Company's transformation will involve execution risk and the associated benefits will require a longer time to realise. The Offeror believes that the transformation to the Company will be more effectively implemented away from the public equity markets. The Offeror plans to contribute financial and operational resources to the Company in order to reinvigorate growth, seek out new business opportunities, and affirm its long-term preeminent position in the market.

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The Company considers having a strategic shareholder such as GLP, a leading global operator and investor in logistics, real estate, infrastructure, finance and related technologies with strong track record, to be beneficial. GLP will bring benefits given its global scale, diversified network of customers, and technological competencies. Equally, the Company's global network, well-diversified customer base among global brands and retailers, deep supply chain expertise, and vendor relationships also complement GLP's business. Given the Company and GLP have a shared ambition to establish the digital supply chain of the future, a partnership will be able to leverage their respective strengths in order to realize this common objective.

We note that GLP is a leading global operator and investor in logistics, real estate, infrastructure, finance and related technologies. GLP operates across Brazil, China, Europe, India, Japan, and the U.S., and is a leading developer and operator of logistics and warehouse facilities serving manufacturers, retailers, e-tailers and logistics service providers, with a global property portfolio of approximately 62 million square meters. GLP has also completed 2,000 properties across 630 logistics parks globally. As such, we consider GLP to have a strong track record and considerable technology expertise as a logistics warehouse operator and investor.

6.2 For Scheme Shareholders: an attractive opportunity to realize their investment at a compelling premium

The Scheme provides an attractive opportunity for the Scheme Shareholders to monetize their Shares at a compelling premium to the current market price of the Company. The Cancellation Price of HK\$1.25 for each Scheme Share represents a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date, and a premium of approximately 95.2% and 62.1% over the average closing price of approximately HK\$0.641 and HK\$0.771 per Share for 30 and 90 trading days up to and including the Last Trading Date, respectively.

In light of the above and given that (i) the Company's financial performance has remained under pressure as a result of the ongoing shifts in the global supply chain; (ii) in light of the COVID-19 virus outbreak and macroeconomic uncertainties, the Company's transformation will involve execution risk and the associated benefits will require a longer time to realise; and (iii) the Scheme provides an attractive opportunity for the Scheme Shareholders to monetize their Shares at a significant premium to the current market price of the Company, we are of the view that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned.

7. Basis of determination of the Cancellation Price

7.1 Share price and trading liquidity analysis of the Company

The Cancellation Price of HK\$1.25 per Scheme Share represents:

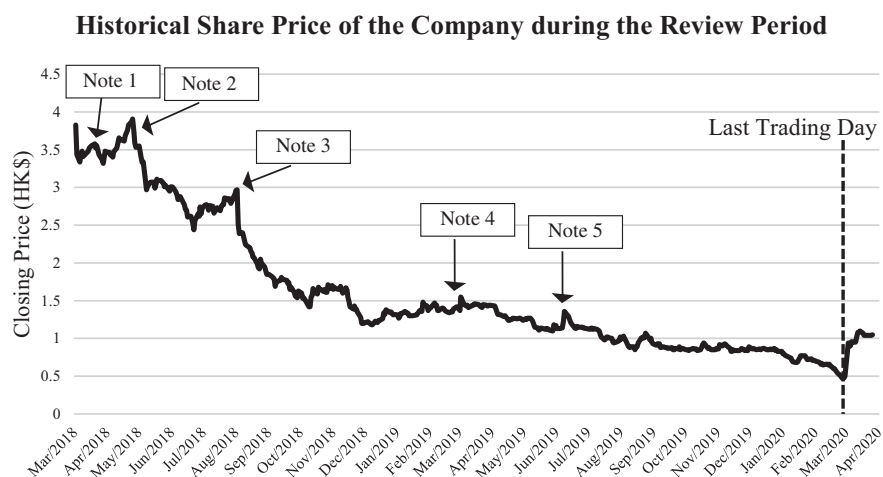
- a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 157.7% over the average closing price of approximately HK\$0.485 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- a premium of approximately 95.2% over the average closing price of approximately HK\$0.641 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- a premium of approximately 72.7% over the average closing price of approximately HK\$0.724 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- a premium of approximately 62.1% over the average closing price of approximately HK\$0.771 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- a premium of approximately 57.0% over the average closing price of approximately HK\$0.796 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- a premium of approximately 43.8% over the average closing price of approximately HK\$0.869 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- a premium of approximately 17.9% over the closing price of HK\$1.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 8.2% to the audited consolidated net asset value per Share of approximately HK\$1.155 as at 31 December 2019 (based on an exchange rate of US\$1.0 = HK\$7.80).

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(a) Analysis of historical Share price

Exhibit 1 below illustrates the daily closing price of the Shares quoted on the Stock Exchange from 24 months prior to Last Trading Date to the Latest Practicable Date (the “**Review Period**”). During the Review Period, the Shares traded between a maximum price of HK\$3.906 and a minimum price of HK\$0.475. During the Review Period, the Share price declined approximately 71.9%, compared to approximately 22.4% decline in Hang Seng Index and 3.04% rise in S&P 500 Index.

Exhibit 1: Company Historical Share Price (Ex-Special Cash and Ordinary Dividend⁶)



Source: Stock Exchange website, Bloomberg

* Notes:

- (1) 03/04/2018: Completion of disposal of product verticals businesses and announced a special dividend payout of HK\$0.476 per share;
- (2) 22/05/2018: Record date for the special dividend of HK\$0.476 per share;
- (3) 22/08/2018: The Company announced its interim results for the six months ended 30 June 2018, reported a net loss of approximately US\$85 million compared to a net profit of US\$101 million for the six months ended 30 June 2017;
- (4) 21/03/2019: The Company announced its plan for a potential spinoff of LF Logistics;
- (5) 28/06/2019: The Company announced the investment of US\$300 million by Temasek for a 21.7% stake in LF Logistics; and
- (6) The Company's Share price is quoted from the website of the Stock Exchange, which has reflected adjustment of the special dividend of HK\$0.476 per Share to historical Share price prior to the special dividend payout in May 2018.

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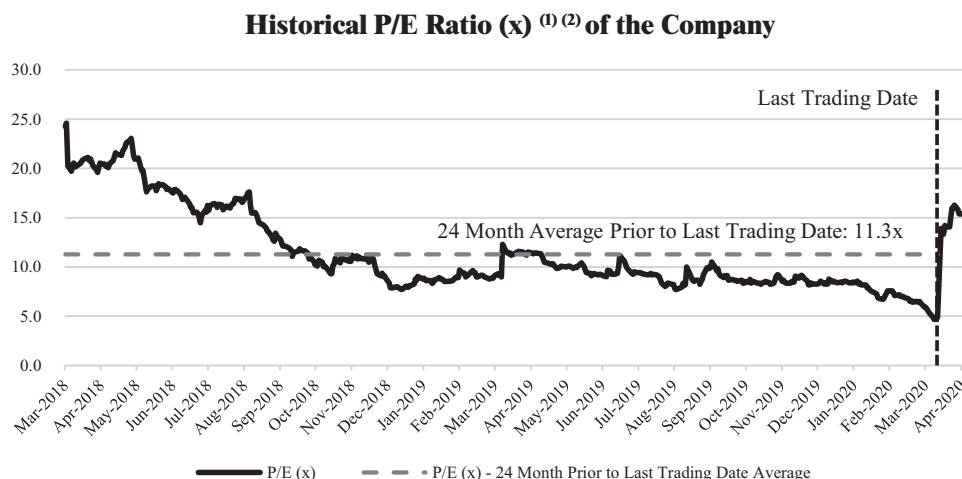
During the Review Period, we note that the closing prices of Shares ranged from HK\$0.475 to HK\$3.906, with an average closing price of approximately HK\$1.580. The Cancellation Price of HK\$1.25 is within the range of the lowest and highest closing price of the Shares quoted on the Stock Exchange during the Review Period, and represented a premium of approximately 163.2% over the lowest closing price of HK\$0.475 recorded on 17 March 2020, 18 March 2020 and 19 March 2020, and a discount of approximately 68.0% to the highest closing price of HK\$3.906 recorded on 15 May 2018.

We also note that subsequent to the announcement of investment of Temasek in LF Logistics as indicated in Note 5 of Exhibit 1 above, the Shares traded on a downward trend and declined approximately 63.2% from 28 June 2019 to the Last Trading Date, while the Hang Seng Index declined by approximately 20.1%.

(b) Analysis of historical valuation multiples

Exhibit 2 and Exhibit 3 below illustrate the P/E ratio and the AV/Adjusted EBITDA ratio (refer to section 7.2 for the definition) of the Company starting from 24 months prior to the Last Trading Date up till the Latest Practicable Date.

Exhibit 2: Company Historical P/E Ratio



Source: Stock Exchange website, Bloomberg

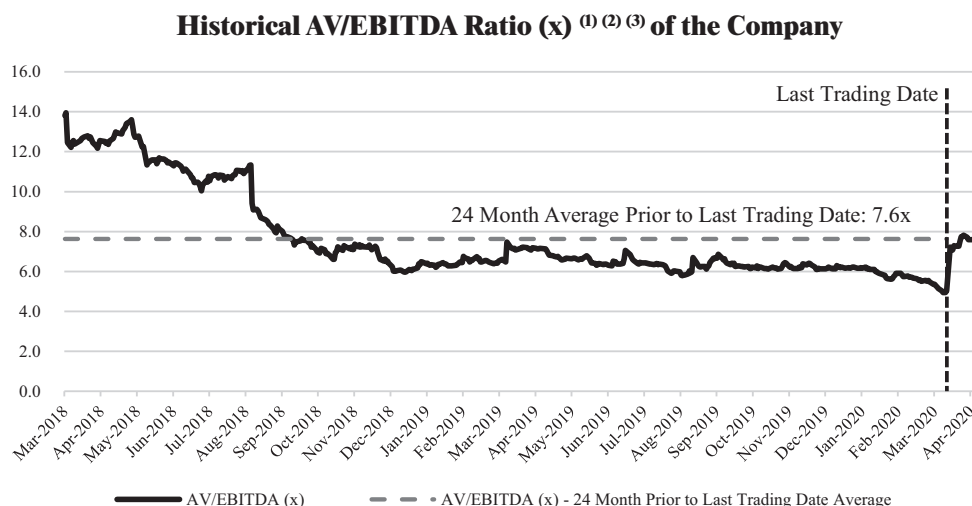
* Notes:

- (1) Calculated based on adjusted net profit attributable to shareholders from continuing operations (excluding non-recurring reorganization costs, other non-operating expenses, write-back of acquisition payable, bond redemption and corresponding tax and non-controlling interest impact) for the relevant trailing twelve-month period.

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- (2) Based on HK\$0.50 share price as of the Last Trading Date (before release of 2019 Annual Results post market close), the P/E ratio is (a) 4.9x based on adjusted net profit for the twelve-month trailing period ending 30 June 2019 (latest available), and (b) 7.4x based on adjusted net profit for the twelve-month period ending 31 December 2019.

Exhibit 3: Company Historical AV/Adjusted EBITDA Ratio



Source: Stock Exchange website, Bloomberg

* Notes:

- (1) Calculated based on the then latest available capital structure of the Company and Adjusted EBITDA for the relevant trailing twelve-month period.
- (2) Aggregate Value (AV) = Market Capitalisation + net debt + perpetual capital securities + minority interests (excluding lease liability). Adjusted EBITDA represents core operating profit (COP) adjusted for applicable depreciation & amortization charged before COP, employee share award & share option expenses and other non-cash expenses, and payment of lease liability, if applicable. For the avoidance of doubt, the Adjusted EBITDA figures are after deduction of lease payment.
- (3) Based on HK\$0.50 share price as of the Last Trading Date (before release of 2019 Annual Results post market close), the AV/Adjusted EBITDA ratio is (a) 5.0x based on Adjusted EBITDA for the twelve-month trailing period ended 30 June 2019 (latest available), and (b) 5.6x based on Adjusted EBITDA for the twelve-month period ended 31 December 2019.

During the 24 months prior to the Last Trading Date, we note that the Share price traded at an average P/E ratio of 11.3x and an average AV/Adjusted EBITDA ratio of 7.6x. Applying these historical valuation multiples to the Company's financial results based on 2019 Annual Report, the implied share price of the Company would have been HK\$0.76 per Share (based on the 24-month period average P/E Ratio of 11.3x) and HK\$1.05 per Share (based on the 24-month period average AV/Adjusted EBITDA Ratio of

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7.6x) respectively, and the Cancellation Price of HK\$1.25 per Share represent a premium of approximately 64.0% and 19.1% respectively.

In light of the above, we consider that the Cancellation Price is fair and reasonable in comparison to the historical valuation multiples of the Company.

Comparison of the Proposal and the Company's Historical Valuation Multiples

		For the 24 months prior to the Last Trading Date		
			Average	AV/ Adjusted
	The	Last	Average P/E	EBITDA
	Proposal	Trading Date	Ratio	Ratio
Share Price/Implied Share Price (HK\$)	1.25	0.50	0.76	1.05
% Premium/Implied Premium		150.0%	64.0%	19.1%
P/E Ratio²	18.5x	7.4x ¹	11.3x	
AV/Adjusted EBITDA Ratio³	8.4x	5.6x ¹		7.6x

(1) Based on HK\$0.50 Share price as of the Last Trading Date (before release of 2019 Annual Results post market close), P/E ratio is (a) 4.9x based on adjusted net profit for the twelve-month trailing period ending 30 June 2019 (latest available), and (b) 7.4x based on adjusted net profit for the twelve-month period ending 31 December 2019. Similarly, the AV/Adjusted EBITDA ratio is (a) 5.0x based on Adjusted EBITDA for the twelve-month trailing period ended 30 June 2019 (latest available), and (b) 5.6x based on Adjusted EBITDA for the twelve-month period ended 31 December 2019.

(2) Calculated based on adjusted net profit attributable to Shareholders from continuing operations (excluding non-recurring reorganization costs, other non-operating expenses, write-back of acquisition payable, bond redemption and corresponding tax and non-controlling interest impact) for the relevant trailing twelve-month period.

(3) Aggregate Value (AV) = Market Capitalisation + net debt + perpetual capital securities + minority interests (excluding lease liability). Adjusted EBITDA represents core operating profit (COP) adjusted for applicable depreciation & amortization charged before COP, employee share award & share option expenses and other non-cash expenses, and payment of lease liability, if applicable. For the avoidance of doubt, the Adjusted EBITDA figures are after deduction of lease payment.

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(c) Analysis of trading volume of the Shares

Table 3 below sets out the average daily trading volumes of the Shares on a monthly basis by way of a percentage of the daily traded volumes of the Shares to the total issued Shares from 1 March 2019.

Table 3: Company Share Average Daily Trading Volumes

Months	Average Daily Trading Volume (Shares)	Average Daily Traded Value (HK\$)	Approximate % of average daily trading volume to total issued Shares
1 March 2020 to the Last Trading Date	39,822,847	21,138,572	0.47%
February 2020	20,729,535	14,850,660	0.24%
January 2020	24,223,290	19,737,520	0.29%
December 2019	39,765,445	33,335,806	0.47%
November 2019	30,564,862	27,343,075	0.36%
October 2019	21,402,438	18,270,474	0.25%
September 2019	23,495,057	22,337,791	0.28%
August 2019	26,245,236	25,596,867	0.31%
July 2019	25,341,055	30,271,371	0.30%
June 2019	29,726,605	36,204,791	0.35%
May 2019	17,056,286	21,242,631	0.20%
April 2019	21,134,595	29,836,774	0.25%
March 2019	26,115,390	37,455,189	0.31%

Source: Bloomberg

As shown in the table above, it is apparent the liquidity of the Shares was generally low with the average trading volumes ranging between approximately 0.20% and 0.47% of the total issued Shares of the Company during the period from 1 March 2019 to the Last Trading Date.

As the Shares cannot be regarded as having been actively traded, the Proposal provides an exit opportunity for the Scheme Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price without disturbing the market price.

7.2 Comparable companies analysis

Given the unique nature of the Group, we have not been able to identify any listed company with business model and product coverage that are identical to the Group. We have used different selection criteria to screen the relevant comparable companies for the Trading Business and Logistics Business of the Group respectively.

Trading Business Comparables

While there are no direct comparable companies with the Trading Business of the Group, in order to assess the fairness and reasonableness of the Cancellation Price, we have attempted to identify the appropriate comparable companies for the Trading Business (the “**Trading Business Comparables**”) that (i) have a principal business in original equipment manufacturer (“**OEM**”) in one of the yarn, fabric, or garment businesses in Mainland China; and (ii) with market capitalisation of US\$200 million or above. We have identified four Trading Business Comparables (as set out in Table 4 below) which represent an exhaustive list based on the aforementioned selection criteria and publicly available information.

The business models of these OEMs are more focused on ownership of production capacity, which is different from the Trading Business which focuses on services rather than ownership of manufacturing production capacity. In the consumer goods value-chain, these OEMs are typically upstream players or suppliers to the Trading Business. Whilst we understand these companies are not direct comparable companies, we believe the four Trading Business Comparables identified provide guidance on the reasonableness of the Cancellation Price considering soft goods accounted for approximately 73% of the turnover of Trading Business and China accounted for approximately 43% of sourcing unit volume of Trading Business in 2019. We do note that typically the OEMs have higher profit margin than the service/agency business within this industry. We also note that revenues of these OEMs have generally increased in the past few years, in contrast to the turnover decline of the Trading Business (please refer to Table 1 for further details).

Logistics Business Comparables

We have attempted to identify the appropriate comparable companies for the Logistics Business (the “**Logistics Business Comparables**”) that reflect its product and geographical focus.

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Logistics Business includes in-country logistics and global freight management. In-country logistics business offers distribution center services, transportation management services and e-logistics services. Global freight management offers international freight solutions including freight forwarding, customs clearances and related services.

In accordance with the 2019 Annual Report, we note in-country logistics and global freight management accounted for 69% and 31% of turnover for the Logistics Business, respectively.

In addition, we further note that China was the key market for the Logistics Business, accounting for 58% of turnover in 2019. The rest of Asia, including Singapore, the Philippines, Malaysia, Thailand, Indonesia, India, Japan and Korea accounted for 36% of turnover, while the rest world accounted for 6%.

As part of this analysis, we have considered the following four sets of listed companies in order to identify appropriate comparable companies for the Logistics Business.

i. Freight Forwarders:

These companies focus on freight forwarding through global operations as their primary source of revenue, which is different from the Logistics Business with in-country logistics as the primary source of revenue. These companies also have a diversified global footprint with limited Asia contribution, which is different from the Logistics Business which is predominantly Asia focused. Key global freight forwarders include Kuehne + Nagel, DSV Panalpina, Expeditors and C.H. Robinson. We have not identified any Logistics Business Comparables from this set.

ii. Chinese Express Logistics:

Although these companies operate in a similar geographical footprint as the Logistics Business, they focus on a different service category of express delivery which is the last-mile delivery (transportation services from the nearest distribution hub to the final destination, such as a home or business) of goods to consumers primarily in the e-commerce sector, a service which is typically not provided by the Logistics Business and has very different characteristics. The Logistics Business may in fact use these companies as vendors to fulfil its orders in China and other countries. Some of the key Chinese express logistics players include SF Express, ZTO Express and Best Logistics. We have not identified any Logistics Business Comparables from this set.

iii. Asia-based Third Party Logistics Providers:

These companies are the most similar to the Logistics Business considering their business model and geographical exposure. We have identified appropriate comparables for the Logistics Business that (i) are Asia based and focused; and (ii) generate the largest contribution from Greater China. Both criteria are similar to the Logistics Business. We have identified Kerry Logistics and Sinotrans as Logistics Business Comparables from this set, which represent an exhaustive list based on the aforementioned selection criteria.

iv. Global Integrators:

These companies provide a mix of service offerings including third party logistics, freight forwarding, truck transportation, last mile services and post and parcel to their clients through global operations. While these companies are not directly comparable to the Logistics Business, we believe that there is an overlap with regard to the business model and geographical footprint and hence can be considered as a secondary reference for the purpose providing a more comprehensive perspective on the Logistics Business valuation. We have identified appropriate comparable companies for the Logistics Business that have material contribution from third-party logistics and freight forwarding and have therefore identified Deutsche Post and XPO Logistics as Logistics Business Comparables from this set, which represent an exhaustive list based on the aforementioned selection criteria.

We consider the Trading Business Comparables and the Logistics Business Comparables (collectively, the **"Comparable Companies"**) have been selected exhaustively as identified in our research through public information. We believe the Comparable Companies represent a sufficient and comparable sample set for the purpose of valuing both the Trading Business and the Logistics Business.

In our assessment, we have considered the price to earnings ratio (the **"P/E"**) and aggregate value-to-Adjusted EBITDA (the **"AV/Adjusted EBITDA"**) ratio. The **"Aggregate Value"** (or **"AV"**) represents market capitalisation + net debt + perpetual capital securities + minority interests (excluding lease liability). Adjusted EBITDA for the Group represents core operating profit (COP) adjusted for applicable depreciation & amortization charged before COP, employee share award & share option expenses and other non-cash expenses, and payment of lease liability if applicable, and Adjusted EBITDA for the Comparable Companies are presented after applying our adjustments and interpretations (such as adjustments for items unrelated to

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the ordinary course of business or other one-off items) to financial information published by the respective companies ("**Adjusted EBITDA**"). For the avoidance of doubt, the Adjusted EBITDA figures presented are after deduction of lease payment, which may be different from reported EBITDA under the HKFRS16 new accounting standard.

Both the P/E and AV/Adjusted EBITDA ratios are commonly used as benchmarks in valuing businesses. We note that P/E ratio shall be considered the primary valuation multiple (commonly used for consumer product companies as well as companies listed on the Stock Exchange), with AV/Adjusted EBITDA ratio providing a secondary reference.

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Table 4: Comparable Companies

Based on Closing Share Prices:		As of the Last Trading Date			Average of 180 trading days up to and including the Last Trading Date	
Company Name	Stock Code	Market Capitalisation (US\$ m)	P/E Ratio ⁽³⁾ (x)	AV/ Adjusted EBITDA Ratio ⁽²⁾ (x)	P/E Ratio ⁽³⁾ (x)	AV/ Adjusted EBITDA Ratio ⁽²⁾ (x)
Trading Business Comparables						
Crystal International Group Ltd.	2232 HK	739	4.9	2.7	7.4	4.1
Texhong Textile (Group) Co., Ltd.	2678 HK	693	6.9	5.1	9.3	5.8
Pacific Textile Holdings Limited	1382 HK	674	6.8	4.6	10.0	7.0
Best Pacific International Holdings Limited	2111 HK	204	5.3	6.7	8.1	8.4
Average – Trading Business Comparables			6.0	4.8	8.7	6.3
Median – Trading Business Comparables			6.0	4.9	8.7	6.4
Logistics Business Comparables						
Deutsche Post AG	DPSGY Xetra	28,230	9.8	6.1	14.5	8.7
XPO Logistics Inc	XPO NYSE	3,758	8.8	5.5	16.3	7.5
Kerry Logistics Network Limited	636 HK	1,982	8.2	6.4	11.5	8.2
Sinotrans Limited ⁽⁵⁾	598 HK 601598 CN	3,079	7.8	6.2	9.6	7.7
Average – Logistics Business Comparables			8.6	6.1	13.0	8.0
Median – Logistics Business Comparables			8.5	6.2	13.0	7.9
Overall Weighted by COP Contribution⁽⁴⁾						
Weighted Average – Comparable Companies⁽⁴⁾			7.1	5.3	10.5	7.0
Weighted Median – Comparable Companies⁽⁴⁾			7.1	5.4	10.5	7.0
The Company (based on the Closing Price)		547	7.4	5.6		
The Company (based on the Proposal)⁽¹⁾		1,368	18.5 ⁽³⁾	8.4		

Source: Company filings and Bloomberg

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Note(s):

- (1) Market capitalisation of the Company is calculated based on the Cancellation price per share of HK\$1.25. Figures are based on the 2019 Annual Report excluding exceptional items.
- (2) Aggregate Value (AV) = market capitalisation + net debt + perpetual capital securities + minority interests (excluding lease liability). Based on trailing 12 months reported earnings, and Adjusted EBITDA, excluding exceptional items. AV = market capitalisation + net debt + perpetual capital securities + minority interests. Adjusted EBITDA of US\$294 million for the year ended 31 December 2019 for the Company represents core operating profit (COP) adjusted for applicable depreciation & amortization charged before COP, employee share award & share option expenses and other non-cash expenses, and payment of lease liability. For the avoidance of doubt, the Adjusted EBITDA figures are after deduction of lease payment, which may be different from reported EBITDA under the HKFRS 16 new accounting standard.
- (3) Based on adjusted net profit attributable to shareholders for the year ended 31 December 2019 of approximately \$74 million, excluding non-recurring reorganization costs, other non-operating expenses, write-back of acquisition payable, bond redemption and corresponding tax and non-controlling interest impact.
- (4) Reflects the weighted average of the average and median of the Trading Business Comparables and the Logistics Business Comparables, weighted by the respective COP contribution for the year ended 31 December 2019 (Trading Business: 58.8%/Logistics Business: 41.2%).
- (5) Sinotrans Limited is dual listed on the Stock Exchange and Shenzhen Stock Exchange. Valuation multiples presented here are based on the H-share price (HK\$1.74) and A-share price (RMB3.51) applied to the relevant H-share and A-share market capitalisation on the Last Trading Date.

It should be noted that the AV/Adjusted EBITDA Multiples of the Comparable Companies as shown in Table 4 above were calculated based on the AV and Adjusted EBITDA after applying our adjustments and interpretations (such as adjustments for items unrelated to the ordinary course of business or other one-off items) of financial information published by the respective companies.

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The Company vs. Comparable Companies (as of the Last Trading Date)

	P/E Ratio (x)	AV/Adjusted EBITDA Ratio (x)
Comparable Companies		
Range of the respective average of the Trading Business Comparables and the Logistics Business Comparables	6.0–8.6	4.8–6.1
Range of the respective median of the Trading Business Comparables and the Logistics Business Comparables	6.0–8.5	4.9–6.2
Comparable Companies – Weighted by COP Contribution⁽¹⁾		
Average	7.1	5.3
Median	7.1	5.4
The Company (based on the Closing Price)	7.4	5.6
The Company (based on the Proposal)	18.5	8.4

Note:

- (1) Reflects the weighted average of the average and median of the Trading Business Comparables and the Logistics Business Comparables, weighted by the respective COP contribution for the year ended 31 December 2019 (Trading Business: 58.8%/Logistics Business: 41.2%).

As detailed below, the Company's implied valuation multiples based on the Proposal are higher than the weighted average and median multiples of the Comparable Companies both as on the Last Trading Date and also after isolating from the impact of COVID-19 virus outbreak. In light of this, we consider that the Cancellation Price is fair and reasonable in comparison to the Comparable Companies.

Based on Closing Share Prices as of the Last Trading Date

We note that the average P/E Multiples of the two groups of the Comparable Companies are within a reasonable range, being 6.0x to 8.6x, while the median P/E Multiples of these two groups are also within a reasonable range, being 6.0x to 8.5x.

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The P/E Multiples of 18.5x for the Company based on the Proposal is above the COP weighted average value of 7.1x and is also higher than the COP weighted median of 7.1x of the P/E Multiples as traded by the Comparable Companies. The higher P/E Multiple based on the Proposal compared to P/E Multiples of the Comparable Companies translates into a favourable Cancellation Price to be received by the Disinterested Shareholders pursuant to the Proposal.

We note that the average AV/Adjusted EBITDA Multiples of the two groups of the Comparable Companies are within a reasonable range, being 4.8x to 6.1x, while the median AV/Adjusted EBITDA Multiples of these two groups are also within a reasonable range, being 4.9x to 6.2x.

The AV/Adjusted EBITDA Multiples of 8.4x based on the Proposal for the Company is higher than the COP weighted average value of 5.3x and the COP weighted median of 5.4x of the AV/Adjusted EBITDA Multiples as traded by the Comparable Companies. The higher AV/Adjusted EBITDA Multiple based on the Proposal compared to AV/Adjusted EBITDA Multiples of the Comparable Companies translates into a favourable Cancellation Price to be received by the Disinterested Shareholders pursuant to the Proposal.

Isolating the Impact of COVID-19 Virus Outbreak

In order to isolate the impact from the global COVID-19 virus outbreak which was declared by the World Health Organisation as a global emergency on 31 January 2020, we have also looked at the implied valuation multiples of the Comparable Companies based on the average closing share prices for the 180 trading days up to and including the Last Trading Date. The P/E Multiple of the Company based on the Proposal of 18.5x is still higher than the COP weighted average of 10.5x and COP weighted median of 10.5x P/E Multiples of the Comparable Companies for this time period. The AV/Adjusted EBITDA Multiples of 8.4x based on the Proposal for the Company is higher than the COP weighted average value of 7.0x and the COP weighted median of 7.0x of the AV/Adjusted EBITDA Multiples as traded by the Comparable Companies. The higher P/E Multiple and AV/Adjusted EBITDA Multiple based on the Proposal compared to the P/E Multiples and AV/Adjusted EBITDA Multiples of the Comparable Companies translates into a favourable Cancellation Price to be received by the Disinterested Shareholders pursuant to the Proposal.

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“Sum-of-the-Parts” Sensitivity Analysis

As highlighted in Section 3 above, the Company consists of two businesses that have experienced very different growth rates over the past few years. Turnover and COP of the Trading Business have been declining, whereas those of the Logistics Business have been growing. In the analysis below, we want to examine that if the Logistic Business is valued at, or significantly above, the high end of the Logistics Business Comparables, whether the implied valuation multiple of the Trading Business is still reasonable compared to the Trading Business Comparables considering the Turnover and COP of the Trading Business has declined significantly over the last 3 years.

We want to highlight that the Company's equity value makes up for only part of the Company's capital structure. In order to calculate the total Aggregate Value of the Company, the total net debt, perpetual securities and minority interest of the company amounting to US\$1,093 million as of December 31, 2019 is added to the implied equity value of US\$1,368 million (based on Cancellation Price of HK\$1.25) resulting in an Aggregate Value of US\$2,461 million for the Company.

We have used 2 scenarios for the purpose of this analysis:

Scenario 1: Based on the Highest AV/Adjusted EBITDA Logistics Comparable Company Multiple

The below analysis calculates the implied Aggregate Value of the Trading Business by using the highest AV/Adjusted EBITDA Multiple within Logistics Business Comparables to calculate the Aggregate Value of the Logistics Business, i.e., Deutsche Post AG's pre COVID-19 Multiple of 8.7x. This results in an Aggregate Value of US\$1,006 million for the Logistics Business with an implied Aggregate Value of the Trading Business of US\$1,455 million (i.e. Company's Aggregate Value of US\$2,461 million less assumed Logistics Business Aggregate Value of US\$1,006 million).

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As shown in the table below, the implied Trading Business AV/Adjusted EBITDA is 8.2x, which is higher than the range of the Last Trading Date Multiples and Pre COVID-19 Multiples of the Trading Business Comparables of 4.8x–6.3x. Given that the Trading Business has declined at a CAGR of -19.6% over the last three years, we consider that the Cancellation Price is fair and reasonable in comparison to the Comparable Companies.

**Deutsche Post
AG's pre
COVID-19
Multiple of 8.7x**

US\$ m, except otherwise stated

***Split of Company AV based on
assumed Logistics Business AV***

Assumed Logistics Business AV	1,006
Implied Trading Business AV	1,455
Company AV pursuant to the Proposal	2,461

Implied Logistics Business Valuation

Assumed Logistics Business AV	1,006
Company ownership in the Logistics Business ¹	78.3%
Logistics Business AV attributable to the Company shareholders	788
Implied Logistics Business AV/ Adjusted EBITDA²	8.7x
<i>Logistics Business Comparables: Last Trading Date Multiples³ – Pre COVID-19 Multiples⁴</i>	
	6.1x–8.0x

Implied Trading Business Valuation

Implied Trading Business AV	1,455
Implied Trading Business AV/ Adjusted EBITDA²	8.2x
<i>Trading Business Comparables: Last Trading Date Multiples³ – Pre COVID-19 Multiples⁴</i>	
	4.8x–6.3x

Notes:

(1) Company's ownership in the Logistics Business is 78.3%.

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- (2) Adjusted EBITDA for the year ended 31 December 2019 – Logistics Business: US\$116 million/Trading Business: US\$178 million.
- (3) Last Trading Date Multiples: Average AV/Adjusted EBITDA Multiples of the relevant Comparable Companies as of the Last Trading Date (as defined above).
- (4) Pre COVID-19 Multiples: Average AV/Adjusted EBITDA Multiples of the relevant Comparable Companies based on the average closing share price for the 180 Trading Days up to and including the Last Trading Date (as defined above).

Scenario 2: Based on Temasek's Investment in Logistics Business

Temasek Holdings (Private) Limited ("**Temasek**"), through Dahlia Investments Pte. Ltd., had made an investment of US\$300m in the Logistics Business in August 2019 for a 21.7% stake ("**Temasek Investment**"). The US\$300 million investment by Temasek valued the Logistic Business at approximately US\$1,400 million with the resultant value attributable to the Shareholders being approximately US\$1,096 million representing 78.3% interest. This section aims to set out the sensitivity analysis based on the Temasek Investment and assuming an Aggregate Value of US\$1,400 million for the Logistics Business which implies an AV/Adjusted EBITDA of 12.1x for the Logistics Business, which is approximately 51% higher than the mean of Pre COVID-19 Multiples of the Logistics Business Comparables of 8.0x.

With an assumed Aggregate Value of the Logistics Business of US\$1,400 million, the resultant Aggregate Value of the Trading Business is US\$1,061 million (i.e. Company's Aggregate Value of US\$2,461 million less assumed Logistics Business Aggregate Value of US\$1,400 million), resulting in an implied AV/Adjusted EBITDA Multiple of 6.0x for the Trading Business. This is within the range of the Last Trading Date Multiples and Pre COVID-19 Multiples of the Trading Business Comparables of 4.8x–6.3x. Given that the Trading Business has declined at a CAGR of -19.6% over the last three years, we therefore consider that the Cancellation Price is fair and reasonable in comparison to the Comparable Companies.

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**Logistics
Business AV at
US\$1,400
million**

US\$ m, except otherwise stated

***Split of Company AV based on
assumed Logistics Business AV***

Assumed Logistics Business AV	1,400
Implied Trading Business AV	1,061
Company AV pursuant to the Proposal	2,461

Implied Logistics Business Valuation

Assumed Logistics Business AV	1,400
Company ownership in the Logistics Business ¹	78.3%
Logistics Business AV attributable to the Company shareholders	1,096
Implied Logistics Business AV/ Adjusted EBITDA²	12.1x
<i>Logistics Business Comparables: Last Trading Date Multiples³ – Pre COVID-19 Multiples⁴</i>	
	6.1x–8.0x

Implied Trading Business Valuation

Implied Trading Business AV	1,061
Implied Trading Business AV/ Adjusted EBITDA²	6.0x
<i>Trading Business Comparables: Last Trading Date Multiples³ – Pre COVID-19 Multiples⁴</i>	
	4.8x–6.3x

Notes:

- (1) Company's ownership in the Logistics Business is 78.3%.
- (2) Adjusted EBITDA for the year ended 31 December 2019 – Logistics Business: US\$116 million/Trading Business: US\$178 million.
- (3) Last Trading Date Multiples: Average AV/Adjusted EBITDA Multiples of the relevant Comparable Companies as of the Last Trading Date (as defined above).

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- (4) Pre COVID-19 Multiples: Average AV/Adjusted EBITDA Multiples of the relevant Comparable Companies based on the average closing share price for the 180 Trading Days up to and including the Last Trading Date (as defined above).

In order to analyze the Logistics Business valuation at which Temasek invested, we would like to provide an additional perspective where we have examined a hypothetical scenario of the Company divesting the Logistics Business at the same AV as the Temasek Investment of US\$1,400 million. Assuming the Logistics Business is cash-free and debt-free, the Company would receive US\$1,096 million in cash proceeds representing its 78.3% shareholding in the Logistics Business. If the cash proceeds received is used to repay net debt of US\$244 million and perpetual capital securities of US\$656 million at par, the resulting net cash proceeds attributable to the Company's shareholders would be US\$197 million, which represents HK\$0.18 per share.

US\$ million

Cash proceeds from divestment of the Logistics Business (78.3% interest)	1,096
(-) Repay net debt	(244)
(-) Repay perpetual capital securities	(656)

Resulting net cash proceeds	197
------------------------------------	------------

Implied resulting net cash proceeds (HK\$ per Share)	0.18
-----------------------------------------------------------------	-------------

The Cancellation Price of HK\$1.25, after deducting for the HK\$0.18 net cash proceeds per Share above, represents HK\$1.07 per Share for the Trading Business (i.e., Trading Business AV of US\$1,172 million) and implies an AV/Adjusted EBITDA of 6.6x for the Trading Business, which is higher than the mean of Pre COVID-19 Multiples of the Trading Business Comparables of 6.3x.

7.3 Break-even Sensitivity Analysis

As highlighted in Section 3 above, the Company consists of two distinct businesses that have experienced very different growth rates over the past few years. Historically, the Logistics Business' COP has grown at a CAGR of 15.6% over the last three years while the Trading Business' COP has declined at a CAGR of -19.6% over the same period. The purpose of this analysis is to provide the Shareholders an additional basis for assessing the Proposal by making an assessment on the hypothetical growth rates required for the two distinct

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businesses of the Company by considering the historical performance of the Company to achieve an equity value per Share of HK\$1.25 (i.e., the Cancellation Price). In order to determine the equity value, the multiples of comparable companies in Section 7.2 has been used.

Whilst we do not rely on the below analysis in formulating our opinion, we believe this analysis provides further context to the Cancellation Price. The purpose of the analysis is to present a complete picture for Shareholders who focus on the long term, and to show them that the equity value per share of HK\$1.25 implies a hypothetical growth rate, in particular for the Trading Business, that is significantly higher than the historical growth rate over the last three years of the Company.

This analysis assumes different scenarios of growth rates of the Logistics Business for the next three years by referencing growth rates of the Logistics Business for the last three years to come up with an implied growth rate required for the Trading Business for the next three years to justify the Cancellation Price. These different scenarios are as follows:

- (1) Assuming Logistics Business grows for the next 3 years at the same COP growth in 2019 on a constant currency basis: 3.9%.
- (2) Assuming Logistics Business grows for the next 3 years at the same COP CAGR as the last 2 years: 11.7%.
- (3) Assuming Logistics Business grows for the next 3 years at the same COP CAGR as the last 3 years: 15.6%.
- (4) Assuming Logistics Business grows for the next 3 years at the same average COP growth rate in 2017 and 2018: 23.6%.

Nothing in this Section 7.3 or this letter is intended to be profit forecast in any sense. The above growth rate scenarios are used for illustrative purposes only, and no forecast or statement is being given as to the expected growth rate or financial result of the Logistics Business or the Trading Business, or the expected equity value per share.

Calculation of Equity Value by using the multiples of Comparable Companies as identified in Section 7.2

In order to calculate the implied equity valuation for this Break-even Analysis, we have used the average AV/Adjusted EBITDA Multiples of the Comparable Companies for both the Trading Business and the Logistics Business. Further, we have referenced the average AV/Adjusted EBITDA Multiples as of (i) the Last Trading Date ("**Last Trading Date Multiples**") and

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(ii) in order to isolate the impact of COVID-19 virus outbreak, the average closing share price for the 180 trading days up to and including the Last Trading Date ("**Pre COVID-19 Multiples**"). Last Trading Date Multiples of the Logistics Business Comparables and Trading Business Comparables are 6.1x and 4.8x, respectively. Pre COVID-19 Multiples of the Logistics Business Comparables and Trading Business Comparables are 8.0x and 6.3x, respectively.

For illustrative purposes for this Break-even Analysis, we have assumed the following for calculating the implied equity value per share:

- Apply AV/Adjusted EBITDA Multiples of the Comparable Companies on Logistics Business and Trading Business Adjusted EBITDA in three years based on various growth assumptions to derive the Aggregate Value of the Company in three years.
- Use a discount rate of 8.5% based on an estimated Weighted Average Cost of Capital ("**WACC**") to discount the implied Aggregate Value in three years to a valuation as of Last Trading Date (20 March 2020). WACC has been derived by looking at the Company's cost of equity and cost of debt and represents the blended cost of capital of the Company.
- For the estimation of cost of equity, we have used the Capital Asset Pricing Model ("**CAPM**") which takes into account the risk-free rate, the market risk premium as well as the Company specific risk proxy "Beta". We have assumed (i) Average of spot rate 10-year U.S. Treasury and Chinese Government Bond for risk-free rate, (ii) Average of China and US market risk premia from Bloomberg for market risk premium; and (iii) Bloomberg Beta estimate for the Company. We have based the risk-free rate and market risk assumptions on U.S. and China given U.S. customers contribute the majority of the Company's revenue and China is the largest sourcing vendor base for the Company.
- For the determination of cost of debt, we have considered the cost of bonds, perpetual securities and bank loans of the Company. For the cost of bonds and perpetual capital securities, we have referenced the respective implied yields as quoted on Bloomberg. The cost of debt for bank loans is effected on a post-tax basis and based on the actual yield on bank loans.

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- Deduct net debt (US\$244 million), perpetual capital securities (US\$656 million) and minority interests (US\$193 million) as of 31 December 2019 to derive the implied equity value of the Company as of the Last Trading Date.
- Implied equity value per Share is based on a total number of Shares of 8,538,926,906.

Break-even Analysis

Using the Last Trading Date Multiples and the Pre COVID-19 Multiples, we have calculated the Aggregate Value of the Company in three years and discounted the same to the Last Trading Date by using WACC followed by deducting net debt, perpetual capital securities and minority interests as of 31 December 2019 to derive the implied equity value. As shown below, an equity value per Share of HK\$1.25 based on a Logistics Business Adjusted EBITDA growth rate of 3.9% to 23.6% for the next three years would imply a Trading Business Adjusted EBITDA growth rate of 39.0% to 27.1% based on Last Trading Date Multiples and 22.2% to 6.1% based on the Pre COVID-19 Multiples.

Equity value per share (HK\$)	1.25	1.25	1.25	1.25
Assumed Logistics Business Adjusted EBITDA CAGR	3.9% ⁽¹⁾	11.7% ⁽²⁾	15.6% ⁽³⁾	23.6% ⁽⁴⁾
Implied Trading Business Adjusted EBITDA CAGR (using Last Trading Multiples)	39.0%	35.0%	32.7%	27.1%
Implied Trading Business Adjusted EBITDA CAGR (using Pre COVID-19 Multiples)	22.2%	17.0%	13.9%	6.1%

Notes:

- (1) Assuming Logistics Business grows for the next 3 years at the same COP growth in 2019 on a constant currency basis.
- (2) Assuming Logistics Business grows for the next 3 years at the same COP CAGR as the last 2 years.
- (3) Assuming Logistics Business grows for the next 3 years at the same COP CAGR as the last 3 years.
- (4) Assuming Logistics Business grows for the next 3 years at the same average COP growth rate in 2017 and 2018.

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In light of the macroeconomic uncertainties, achieving such growth rates in the next three years will involve a high degree of execution risk, as well as financial and operational resources to reinvigorate growth, considering the COP of Trading Business has experienced a decline of 19.6% CAGR over the last three years. This is further accentuated by the following:

- Uncertainties in the global trade landscape are expected to continue to affect the supply chain over the next few years. Geopolitical uncertainty and its impact on the global supply chain may be expected to further intensify in 2020.
- COVID-19 virus outbreak has caused unprecedented and simultaneous disruptions on both supply and demand sides of the economy. The global COVID-19 virus outbreak is negatively impacting consumer sentiment and mid-tier, non-essential consumer goods are likely to be hit hardest. The overall retail demand environment for years to come may also be affected. This may impact all parts of the Company's businesses.
- The Company expects multi-year destocking trend in retail to continue in 2020 due to growth in digital and online businesses. Onshore wholesale business is expected to remain under pressure and Brexit may negatively impact consumer sentiment in UK.
- The global freight management service of the Logistics Business may continue to experience challenges arising from uncertainty around US-China trade relations and shipment delays due to production interruption in China and potentially other Asian countries as the COVID-19 virus outbreak expands to more countries across the globe.

7.4 Successful privatisation precedents

Exhibit 4 below shows a comparison of the Proposal to other successful privatisation proposals by way of scheme of arrangement of companies listed on the main board of the Stock Exchange announced since 1 January 2017 up to the Latest Practicable Date (the "**Successful Privatisation Precedents**"), which represents an exhaustive list of privatisation proposals by way of scheme of arrangement, we were able to identify from the Stock Exchange. Exhibit 4

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illustrates the premiums over the relevant last trading date, 30 day, 90 day, 120 day and 180 day periods' average share prices at which such privatisation proposals have been priced:

Exhibit 4: successful privatisation precedents

Date of initial announcement	Company	Last trading day	30 days average share price	90 days average share price	120 days average share price	180 days average share price
12 December 2019	Joyce Boutique Group Limited (stock code: 647)	91.8%	82.2%	62.7%	50.1%	32.2%
28 November 2019	China Agri-Industries Holdings Limited (stock code: 606)	34.1%	53.2%	72.5%	72.6%	70.0%
1 November 2019	Springland International Holdings Limited (stock code: 1700)	63.1%	56.8%	53.2%	51.3%	48.6%
20 October 2019	Dah Chong Hong Holdings Limited (stock code: 1828)	37.6%	54.8%	54.2%	49.8%	41.2%
3 October 2019	Huaneng Renewables Corporation Limited (stock code: 958)	18.7%	55.7%	51.2%	44.1%	41.5%
12 August 2019	TPV Technology Limited (stock code: 903)	41.4%	54.5%	87.4%	104.2%	138.8%
27 June 2019	Asia Satellite Telecommunications Holdings Ltd. (stock code: 1135)	23.4%	44.4%	56.5%	63.5%	70.9%
18 June 2019	C.P. Lotus Corporation (stock code: 121)	10.0%	29.4%	26.5%	28.1%	21.9%
14 June 2019	China Automation Group Limited (stock code: 569)	24.0%	47.8%	46.6%	45.5%	42.5%
4 April 2019	China Hengshi Foundation Company Ltd. (stock code: 1197)	10.6%	17.4%	24.4%	25.6%	27.6%

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Date of initial announcement	Company	Last trading day	30 days average share price	90 days average share price	120 days average share price	180 days average share price
28 March 2019	China Power Clean Energy Development Company Ltd. (stock code: 735)	41.9%	78.1%	101.9%	105.7%	88.6%
5 December 2018	Hopewell Holdings Limited (stock code: 54)	46.7%	55.5%	49.6%	48.2%	45.1%
30 October 2018	Advanced Semiconductor Manufacturing Corporation Limited (stock code: 3355)	66.7%	99.3%	90.2%	87.5%	85.2%
27 September 2018	Sinotrans Shipping Ltd. (stock code: 368)	50.0%	42.9%	32.4%	32.4%	28.0%
10 June 2018	Hong Kong Aircraft Engineering Company Limited (stock code: 44)	63.6%	62.9%	57.4%	54.2%	50.4%
7 June 2018	Portico International Holdings Ltd. (stock code: 589)	50.2%	49.2%	45.9%	48.0%	49.9%
10 November 2017	Welling Holding Ltd. (stock code: 382)	30.4%	33.8%	28.8%	24.9%	22.6%
3 July 2017	China Assets (Holdings) Limited (stock code: 170)	61.5%	76.6%	76.6%	75.3%	73.9%
19 June 2017	Bloomage BioTechnology Corporation Limited (stock code: 963)	14.0%	24.4%	33.7%	35.2%	32.5%
29 May 2017	China Metal International Holdings Inc. (stock code: 319)	27.5%	25.9%	24.4%	23.4%	18.5%
28 April 2017	Belle International Holdings Ltd. (stock code: 1880)	19.5%	21.4%	28.3%	30.2%	26.5%
20 April 2017	TCC International Holdings Limited (stock code: 1136)	38.5%	51.3%	76.5%	78.2%	88.5%

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Date of initial announcement	Company	Last trading day	30 days average share price	90 days average share price	120 days average share price	180 days average share price
29 March 2017	Goldin Properties Holdings Limited (stock code: 283)	14.2%	33.7%	33.3%	38.9%	44.0%
7 March 2017	Yingde Gases Group Company Limited (stock code: 2168)	(3.5%)	20.0%	57.1%	63.9%	74.9%
10 January 2017	Intime Retail (Group) Company Limited (stock code: 1833)	42.3%	51.8%	52.7%	54.1%	53.6%
	Maximum	91.8%	99.3%	101.9%	105.7%	138.8%
	Minimum	(3.5%)	17.4%	24.4%	23.4%	18.5%
	Average	36.2%	48.9%	53.8%	52.0%	49.1%
	Median	35.9%	51.3%	52.7%	45.5%	44.0%
The Proposal and the Scheme		150.0%	95.2%	62.1%	57.0%	43.3%

Source: Stock Exchange and Bloomberg

As indicated above, the premium over the Cancellation Price over the Last Trading Date is substantially higher than the respective range of the premiums of offer/cancellation prices for the Successful Privatisation Precedents. The premiums over the Cancellation Price over last 30 days, 90 days and 120 days are higher than the average and median of the respective range offered by the Successful Privatisation Precedents, and the premiums over the Cancellation Price over last 180 days falls within the respective range of the premiums of offer/cancellation prices for the Successful Privatisation Precedents. As such, we are of the view that the Cancellation Price is fair and reasonable as far as the Disinterested Shareholders are concerned.

8. The Founder Arrangement

As the Founder Arrangement (being (a) the receipt by the Founder Group of the Founder Cancellation Consideration in lieu of the Cancellation Price in cash; and (b) the entry by the relevant members of the Founder Group and the GLP Group into the Shareholders' Agreement) is not offered to all Shareholders, the Founder Arrangement requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code, and the Offeror has made an application for consent to the Executive.

The Proposal is conditional on the approval of the Founder Arrangement. Hence, if the Founder Arrangement is not approved, the Proposal will not proceed.

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We note that the Founder Cancellation Consideration is the consideration to be received by members of the Founder Group for the cancellation of their Founder Scheme Shares under the Scheme, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder (an entity that indirectly holds 32.33% of the Offeror's shares) as being fully paid in the amount of the Cancellation Price of HK\$1.25 per Fung Shareholder Share pursuant to the terms of the Founder Irrevocable Undertakings. Since the Founder Cancellation Consideration is based on the same Cancellation Price as for the cancellation of all other Scheme Shares, we consider this arrangement (the receipt by the Founder Group of the Founder Cancellation Consideration in lieu of the Cancellation Price in cash) is fair and reasonable.

We have reviewed the Shareholders' Agreement and note that the Fung Shareholder will own 60% of the voting shares and 32.33% of the total number of issued shares in HoldCo immediately upon the Scheme becoming effective. We also note that the Fung Shareholder is a wholly owned subsidiary of the Founder Group, which in turn holds the Founder Scheme Shares, representing approximately 32.33% of the total Shares. The Shareholders' Agreement does not provide the Founder Group with entitlements to more shareholding in the Company immediately upon the Scheme becoming effective other than its existing shareholding in the Company. We understand that the material terms of the Shareholders' Agreement have been disclosed in the Scheme Document, and accordingly in this IFA Letter. We have reviewed the Shareholders' Agreement and are of the view that it is based on normal commercial terms. We consider the entry by the relevant members of the Founder Group and the GLP Group into the Shareholders' Agreement is fair and reasonable.

In light of the above, we are of the view that the Founder Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons as summarized below, we consider that the terms of the Proposal, the Scheme and the Founder Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned:

- (a) as mentioned in section 3.1, the Company's financial performance has remained under pressure as a result of the ongoing shifts in the global supply chain;
- (b) as mentioned in section 3.1, in light of the COVID-19 virus outbreak and macroeconomic uncertainties, the Company's transformation will involve execution risk and the associated benefits will require a longer time to realise;

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- (c) the Scheme provides an attractive opportunity for the Scheme Shareholders to monetize their Shares at a significant premium to the current market price of the Company and in view of the lack of liquidity of the Shares trading, it offers a good opportunity for Disinterested Shareholders to exit;
- (d) the Cancellation Price is fair and reasonable in comparison to the historical valuation multiples of the Company;
- (e) the Cancellation Price is fair and reasonable in comparison to the Comparable Companies;
- (f) the Cancellation Price is fair and reasonable in comparison to the Successful Privatisation Precedents; and
- (g) the Founder Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned and the Proposal is conditional on the approval of the Founder Arrangement. Accordingly, if the Founder Arrangement is not approved, the Proposal will not proceed.

Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolutions(s) to be proposed at the Court Meeting and the SGM to approve and implement the Scheme and to approve the Founder Arrangement, respectively.

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited

Liu Chee Ming

Managing Director

Li Lan

*Director and Co-head of
Corporate Finance*

Both Mr. Liu Chee Ming and Mr. Li Lan are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Liu Chee Ming and Mr. Li Lan have over thirty years and thirteen years of experience in corporate finance industry, respectively.

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 100 of the Companies Act.

1. INTRODUCTION

Reference is made to the joint announcement dated 20 March 2020 issued by the Offeror and the Company in relation to the Proposal. On 20 March 2020, 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 99 of the Companies Act.

If the Proposal is approved and implemented:

- (a) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder (an entity that indirectly holds 32.33% of the Offeror's shares) as being fully paid in the amount of the Cancellation Price of HK\$1.25 per Fung Shareholder Share;
- (b) all other Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$1.25 per Scheme Share which shall be paid in cash;
- (c) new Shares corresponding to the cancelled Scheme Shares will be issued to the Offeror, credited as fully paid, such that the Company will become wholly-owned by the Offeror; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme.

2. TERMS OF THE PROPOSAL

The Scheme

Subject to the Conditions described in the section headed "*Conditions of the Proposal*" below being fulfilled or waived, as applicable, the Proposal will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

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The Scheme involves the cancellation of the Scheme Shares and the simultaneous issue to the Offeror, credited as fully paid, of such number of new Shares as is equal to the number of Scheme Shares cancelled to maintain the issued share capital of the Company.

The Scheme provides that:

- (a) the Founder Group will be entitled to the Founder Cancellation Consideration for the cancellation of the Founder Scheme Shares; and
- (b) all other Scheme Shareholders will be entitled to receive the Cancellation Price of HK\$1.25 per Scheme Share from the Offeror.

In the paragraphs below titled “Comparison of value” and “Highest and lowest prices”, the historical closing prices per Share mentioned as quoted on the Stock Exchange were obtained from the website of the Stock Exchange (<http://www.hkex.com.hk>) on the Last Trading Date, and thus have been adjusted for corporate actions and entitlement events including special dividends based on adjustment methods adopted by the Stock Exchange. Please refer to the website of the Stock Exchange for the adjustment method of historical securities prices.

Comparison of value

The Cancellation Price of HK\$1.25 per Scheme Share represents:

- (a) a premium of approximately 17.9% over the closing price of HK\$1.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 157.7% over the average closing price of approximately HK\$0.485 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 95.2% over the average closing price of approximately HK\$0.641 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 72.7% over the average closing price of approximately HK\$0.724 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;

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- (f) a premium of approximately 62.1% over the average closing price of approximately HK\$0.771 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 57.0% over the average closing price of approximately HK\$0.796 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 43.8% over the average closing price of approximately HK\$0.869 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date; and
- (i) a premium of approximately 8.2% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.155 as at 31 December 2019 (based on an exchange rate of US\$1.0 = HK\$7.80).

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other privatisation transactions in Hong Kong in recent years.

The Cancellation Price does not include any dividend to be declared by the Company (subject to the approval of the Shareholders) after the date of this Scheme Document and prior to the Scheme becoming effective. If the record date for determining entitlement to such dividend is before the Record Date for the Scheme, such amount will be retained by the Shareholders. Accordingly, the Cancellation Price will not be affected or reduced by the Shareholders' entitlement to any such dividend. For the avoidance of doubt, the Company does not intend to declare or pay any dividend on or before (i) the Effective Date or (ii) the date on which the Scheme lapses or is otherwise terminated (whichever is earlier).

Highest and lowest prices

During the six-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.940 on 7 November 2019 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.475 on 17 March 2020, 18 March 2020 and 19 March 2020.

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During the twelve-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.550 on 22 March 2019 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.475 on 17 March 2020, 18 March 2020 and 19 March 2020.

3. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

Taking into account that the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration, the Proposal will involve making an offer to cancel 5,778,319,530 Scheme Shares, in exchange for the Cancellation Price of HK\$1.25 per Scheme Share in cash.

The total amount of cash required to implement the Proposal in full would be approximately HK\$7,222,899,412.50, which will be funded by the GLP Group through external debt financing and/or internal resources of GLP.

Morgan Stanley, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying in full its payment obligations in respect of the cash consideration payable under the Proposal.

The Offeror does not intend to and will not require the Company to increase its financial indebtedness to implement the Proposal.

The notes and perpetual securities issued under the US\$2 billion medium term note and perpetual securities programme established by the Company on 11 October 2016 will remain listed on the Singapore Exchange Securities Trading Limited.

4. CONDITIONS OF THE PROPOSAL

The Proposal and the Scheme will only become effective and binding on the Company and all of the Shareholders if the following Conditions are fulfilled or waived (as applicable):

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

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- (c) the passing by the Shareholders at the SGM of (i) a special resolution to approve any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; and (ii) an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of the Company by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance with the procedural requirements and conditions, if any, under section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) in relation to the Founder Arrangement: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Founder Arrangement;
- (g) with respect to any applicable antitrust review in the USA under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder, the expiration or termination of any applicable waiting periods (including any extensions thereof) in connection with the Scheme;
- (h) all Approvals which are (i) required in connection with the Proposal by Applicable Laws or any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date;
- (i) no Authority 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 void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal); and

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- (j) all Applicable Laws having been complied with and no legal or regulatory requirement having been imposed by any Authority which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws in connection with the Proposal which are material in the context of the Group (taken as a whole), in each case up to and as at the Effective Date.

The Conditions in paragraphs (a) to (g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (h) to (j) (inclusive) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which 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 Proposal 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, other than pursuant to the Conditions in paragraphs (a) to (g) (inclusive), the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (h) to (j) (inclusive) not being satisfied. As at the Latest Practicable Date and based on the information available to the Offeror, the Offeror was also not aware of any Approvals which are required as set out in the Condition in paragraph (h) above.

As at the Latest Practicable Date, the Condition in paragraph (g) above had been satisfied.

If the Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM on 12 May 2020 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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Warning: Shareholders and potential investors 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 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.

5. FOUNDER IRREVOCABLE UNDERTAKINGS

On 20 March 2020, each member of the Founder Group has given an irrevocable undertaking in favour of the Offeror, the Fung Shareholder and the GLP Shareholders:

- (a) to agree to and assist in implementing the cancellation of the Founder Scheme Shares held by them in consideration for the Founder Cancellation Consideration;
- (b) to provide undertakings to the Court to agree to and be bound by the Scheme and to receive the Founder Cancellation Consideration in consideration for cancellation of their Founder Scheme Shares under the Scheme, in lieu of a class meeting of the Founder Group to approve the Scheme;
- (c) to the extent permitted by applicable laws (including the Takeovers Code), to vote any Shares held by them in favour of any resolutions proposed at the SGM to implement the Scheme or which are necessary for the Scheme to become effective; and
- (d) not to: (i) dispose of any interest in any Shares held by them; (ii) accept any other offer to acquire such Shares; or (iii) vote in favour of any resolution which is proposed in competition with the Scheme, until the Scheme becomes effective, lapses or is withdrawn.

The Founder Irrevocable Undertakings will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

As at the Latest Practicable Date, other than the Founder Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal.

6. ARRANGEMENTS MATERIAL TO THE PROPOSAL

Founder Arrangement

As the Founder Arrangement is not offered to all Shareholders, the Founder Arrangement requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code, and the Offeror has made an application for consent to the Executive.

The Offeror has made an application for consent from the Executive in relation to the Founder Arrangement conditional on:

- (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned; and
- (b) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement.

Shareholders' Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder, the GLP Group and HoldCo entered into the Shareholders' Agreement in respect of the governance of the Offeror Group, which is intended to take full effect upon the Scheme becoming effective. A summary of the key terms of the Shareholders' Agreement is set out below:

- (a) **Shareholding.** As further described in the section headed "*Information on the Offeror Group*" below, there are two classes of shares in HoldCo: voting shares and non-voting shares, of which: (i) the Fung Shareholder holds a majority (60%) of the voting shares (but no non-voting shares) and 32.33% of the total shares; (ii) GLP A Shareholder holds a minority (40%) of the voting shares, and 21.55% of the total shares; and (iii) GLP B Shareholder holds all of the non-voting shares, and 46.12% of the total shares.
- (b) **Voting rights.** The voting shares shall carry one vote each. The non-voting shares shall not carry any voting rights.
- (c) **Distributions.** All distributions by HoldCo shall be subject to (i) HoldCo having sufficient net profits attributable to the shareholders; (ii) approval of the HoldCo board as to the amount of the distribution; and (iii) a cap on distributions in any given year of 60% of the net profits attributable to the shareholders.

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- (d) **Economic rights.** The voting shares and the non-voting shares shall carry the same entitlement to any distributions by HoldCo pro rata to their respective shareholding in HoldCo, provided that:
- (i) the non-voting shares shall carry a priority over the voting shares on any distributions up to a benchmark of 5% of the subscription price per annum, such that if the amount of the distribution in any given year is not sufficient to cover such 5% dividend on all of the shares, the non-voting shares shall have a priority on payment ahead of the voting shares;
 - (ii) any shortfall on such 5% dividend on the shares in any given year shall accumulate and be rolled into the following year;
 - (iii) the voting shares shall only be entitled to a dividend if there is no accumulated shortfall on the 5% dividend from previous years on the non-voting shares, and a dividend of 3% for that given year has been paid on the non-voting shares; and
 - (iv) in exchange for such dividend priority, the non-voting shares shall be subject to a cap on its internal rate of return (IRR). If this cap is passed and maintained, the voting shares shall benefit from an increased entitlement to any subsequent distributions, such that 80% of the distribution that the non-voting shares would otherwise be entitled to receive will be apportioned to the voting shares instead. The amount of the cap on the IRR shall be notified by GLP to Fung 1937 on or before the Effective Date, which shall be no less than 15% and no more than 20%.
- (e) **Board composition.** The Fung Shareholder shall have the right to appoint a majority of the directors on the board of HoldCo, and GLP A Shareholder shall have the right to appoint a minority of the directors.
- (f) **Reserved matters.** The board of HoldCo will be responsible for the overall direction, supervision and management of the Offeror Group, subject to a limited number of minority protection reserved matters over which GLP A Shareholder shall have a veto right.
- (g) **Pre-emption rights.** Any new issues of shares by any member of the Offeror Group shall be subject to a right of pre-emption in favour of (i) the Fung Shareholder and GLP A Shareholder (pro rata to their respective proportionate shareholding of the voting shares) in respect of any new issue of voting shares; and (ii) GLP B Shareholder in respect of any new issue of non-voting shares.

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- (h) **Share transfer restrictions.** The parties shall be subject to a 5-year lock-up in respect of (direct and indirect) transfers of shares in HoldCo. The lock-up is subject to certain customary carve-outs, including a right for (i) GLP to transfer a minority stake in the GLP Shareholders during the lock-up period; (ii) the Fung Shareholder to transfer a minority stake in HoldCo during the lock-up period, provided it continues to hold a majority of the voting shares in HoldCo; and (iii) the parties to transfer their (direct and indirect) shares in HoldCo to controlled affiliates during the lock-up period for internal reorganisation purposes, but provided there is no change to the ultimate beneficial owner.
- (i) **Right of first refusal and tag along.** After the lock-up period, the parties shall have the right to transfer their (direct and indirect) shares in HoldCo subject to reciprocal rights of first refusal and tag-along rights.

Consortium Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder and the GLP Group entered into the Consortium Agreement, pursuant to which the parties have agreed to conduct and implement the Proposal in consultation with one another and for HoldCo to have the shareholding structure as further described in the section headed “*Information on the Offeror Group*” below.

The Consortium Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

Implementation Agreement

On 20 March 2020, the Offeror and the Company entered into the Implementation Agreement, pursuant to which the parties have agreed to use all reasonable endeavours to do all such things within their power to implement the Proposal and co-operate to obtain all Approvals required in connection with the Proposal.

Under the Implementation Agreement, the Company has undertaken to the Offeror to:

- (a) use all reasonable endeavours to implement the Scheme;
- (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, the Group shall not take certain actions, including (amongst others):
 - (i) carry on its business, other than in the ordinary and usual course;

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- (ii) issue any Shares;
- (iii) enter any merger or acquiring or disposing of any material assets;
and
- (iv) enter any transaction with any shareholder and/or director of any member of the Group, other than in the ordinary and usual course.

Nothing in the Implementation Agreement is intended to prevent or deprive: (1) the Shareholders from having the opportunity to consider, or (2) the Company from considering, in each case, any unsolicited alternative offers, proposals or transactions in respect of, or for, the issued ordinary share capital or assets or undertakings (whether the whole or a substantial part) of the Company or the Group from any person other than the Offeror.

The Implementation Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

7. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 8,538,926,906 Shares;
- (b) the Offeror did not legally or beneficially own, control or have direction over any Shares;
- (c) the Founder Group legally or beneficially owned, controlled or had direction over a total of 2,809,465,284 Shares, representing approximately 32.90% of the total Shares, of which the Founder Scheme Shares comprised 2,760,607,376 Shares, representing approximately 32.33% of the total Shares;
- (d) Global Brands (which, as at the Latest Practicable Date, was approximately 30.99% owned by Fung 1937) did not legally or beneficially own, control or have direction over any Shares and had not held any Shares or dealt in the Shares during the Relevant Period;
- (e) each shareholder of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI) and the GLP Group did not legally or beneficially own, control or have direction over any Shares and had not held any Shares or dealt in the Shares during the Relevant Period;

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- (f) persons acting in concert with the Offeror (other than the Founder Group, the GLP Group, shareholders of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI) and members of the Morgan Stanley group), the names of which are listed in section (B2) of the shareholding structure table in the section headed "Shareholding Structure of the Company and Effect of the Proposal and the Scheme" in the Explanatory Statement on pages 107 to 112 of this Scheme Document (except for SDEL), legally or beneficially own, control or have direction over a total of 40,768,162 Shares, representing approximately 0.48% of the total Shares;
- (g) save as disclosed in (c) and (f) above, the Offeror and its concert parties did not legally or beneficially own, control or have direction over any Shares, securities, warrants or options convertible into Shares;
- (h) members of the Morgan Stanley group, being a concert party of the Offeror, did not legally or beneficially own, control or have direction over any Shares (except those members who are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code, provided that any Shares held by any such members in their capacity as exempt principal traders must not be voted in the context of the Proposal (including the Founder Arrangement) in accordance with Rule 35.4 of the Takeovers Code);
- (i) the Disinterested Shareholders (being all Scheme Shareholders, other than those acting in concert with the Offeror) legally or beneficially owned, controlled or had direction over a total of 5,688,693,460 Shares, representing approximately 66.62% of the total Shares;
- (j) save as disclosed in the section headed "Share Awards" below, there were no securities, warrants or options convertible into Shares held, controlled or directed by the Offeror or its concert parties;
- (k) neither the Offeror nor its concert parties had entered into any outstanding derivative in respect of the securities in the Company; and
- (l) neither the Offeror nor its concert parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration. All other Scheme Shares (being a total of 5,778,319,530 Shares representing approximately 67.67% of the total Shares) will be cancelled in consideration for the Cancellation Price in cash upon the Scheme becoming effective.

The Shares held by HKSCC Nominees Limited as nominee on behalf of Southbound Investors will form part of the Scheme Shares, and the Cancellation Price will be paid to HKSCC Nominees Limited accordingly.

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The table below sets out 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).

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of total Shares	Number of Shares	Approximate % of total Shares
(A) Offeror	–	–	8,538,926,906	100%
(B) Concert parties of the Offeror				
(B1) Shares that will be cancelled in consideration for the Founder Cancellation Consideration				
Victor Fung Kwok King ⁽¹⁾	2,814,444	0.03%	–	–
William Fung Kwok Lun ⁽²⁾	178,276,060	2.09%	–	–
SDEL ⁽³⁾	1,436,292	0.02%	–	–
GSL ⁽³⁾	26,114,400	0.31%	–	–
Fung Distribution ⁽⁴⁾	153,225,964	1.79%	–	–
Fung 1937 ⁽⁵⁾	2,195,727,908	25.71%	–	–
FIDL ⁽⁶⁾	203,012,308	2.38%	–	–
Sub-total	2,760,607,376	32.33%	–	–
(B2) Shares that will be cancelled in consideration for the Cancellation Price in cash				
SDEL ⁽⁷⁾	48,857,908	0.57%	–	–
Spencer Theodore Fung ⁽⁸⁾	5,016,000	0.06%	–	–
Chou Siu Mei, Sylvia ⁽⁹⁾	108,800	0.00%	–	–
Marc Robert Compagnon ⁽¹⁰⁾	4,196,400	0.05%	–	–
Carol Wang Compagnon ⁽¹¹⁾	14,000	0.00%	–	–
PSHL ⁽¹²⁾	12,289,780	0.14%	–	–
Joseph C. Phi ⁽¹³⁾	6,359,478	0.07%	–	–
Jocelyn J. Phi ⁽¹⁴⁾	38,000	0.00%	–	–
Martin Tang Yue Nien ⁽¹⁵⁾	60,000	0.00%	–	–
IIL ⁽¹⁶⁾	4,053,200	0.05%	–	–
Lau Butt Farn ⁽¹⁷⁾	5,554,342	0.07%	–	–
Fung Pui Kit Belinda ⁽¹⁸⁾	3,520	0.00%	–	–
IWIL ⁽¹⁹⁾	481,004	0.01%	–	–
Fung Pui Ling Clara ⁽²⁰⁾	1,113,318	0.01%	–	–
KTI ⁽²¹⁾	263,120	0.00%	–	–
Fung Yue Ming Terence ⁽²²⁾	256,000	0.00%		
Fung Wing Yee Sabrina ⁽²³⁾	871,200	0.01%		
Stephen Yue Chun Fung ⁽²⁴⁾	90,000	0.00%	–	–
Sub-total	89,626,070	1.05%	–	–

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Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of total Shares	Number of Shares	Approximate % of total Shares
(C) Offeror and its concert parties				
(A) + (B1) + (B2)	2,850,233,446	33.38%	8,538,926,906	100%
(D) Disinterested Shareholders				
Trustee ⁽²⁵⁾	125,901,900	1.47%		
Other Disinterested Shareholders	5,562,791,560	65.15%		
Sub-total	5,688,693,460	66.62%	-	-
(E) Shares that will be cancelled in consideration for the Cancellation Price in cash				
(B2) + (D)	5,778,319,530	67.67%	-	-
TOTAL				
(A) + (B1) + (B2) + (C) + (D)	8,538,926,906	100.00	8,538,926,906	100.00

Note (1): Dr. Victor Fung Kwok King is the Honorary Chairman of the Group, a non-executive Director, and a director of Fung Distribution, Fung 1937 and KLHL.

Note (2): Dr. William Fung Kwok Lun is the Group Chairman, an executive Director and a director of Fung Distribution, Fung 1937 and KLHL. He directly holds 178,276,060 Shares and wholly owns SDEL and GSL. He is also the grantee of 1,168,200 unvested Share Awards which will be accelerated and form part of the Scheme Shares.

Note (3): SDEL and GSL are wholly-owned by Dr. William Fung Kwok Lun.

Note (4): Fung Distribution is wholly-owned by Fung 1937. Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are directors of Fung Distribution.

Note (5): Fung 1937 directly holds 2,195,727,908 Shares and wholly-owns Fung Distribution. Fung 1937 is wholly-owned by KLHL which in turn is 50% held by Dr. William Fung Kwok Lun and 50% held by HSBCTL (on trust for the benefit of the family members of Dr. Victor Fung Kwok King). Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are directors of Fung 1937.

Note (6): FIDL is wholly-owned by HSBCTL (on trust for the benefit of the family members of Dr. Victor Fung Kwok King).

Note (7): If the Proposal is implemented, Dr. William Fung Kwok Lun (on the one hand) and Dr. Victor Fung Kwok King and his family members (on the other hand) intend to hold an equal proportion of Shares (indirectly) in the privatised Company. In order to achieve this equal shareholding post-privatisation, it is proposed that 48,857,908 Scheme Share held by SDEL (which is wholly-owned by Dr. William Fung Kwok Lun) will be cancelled in exchange for the Cancellation Price in cash.

Note (8): Mr. Spencer Theodore Fung is the Chief Executive Officer of the Group and an executive Director. He is also the grantee of 9,200,000 unvested Share Awards which will be accelerated and form part of the Scheme Shares.

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- Note (9):* Ms. Chou Siu Mei, Sylvia is the wife of Dr. William Fung Kwok Lun.
- Note (10):* Mr. Marc Robert Compagnon is a non-executive Director and the grantee of 9,004,600 unvested Share Awards which will be accelerated and form part of the Scheme Shares.
- Note (11):* Ms. Carol Wang Compagnon is the wife of Mr. Marc Robert Compagnon.
- Note (12):* PSHL is wholly owned by a trust of which Mr. Marc Robert Compagnon is the settlor and a beneficiary.
- Note (13):* Mr. Joseph C. Phi is an executive Director and the grantee of 8,810,200 unvested Share Awards which will be accelerated and form part of the Scheme Shares.
- Note (14):* Ms. Jocelyn J. Phi is the wife of Mr. Joseph C. Phi.
- Note (15):* Mr. Martin Tang Yue Nien is an independent non-executive Director.
- Note (16):* IIL is 50% owned by Mr. Benedict Chang Yew Teck, a director of Fung 1937 and 50% owned by Ms. Leong Kim Mei, the wife of Mr. Benedict Chang Yew Teck.
- Note (17):* Mr. Lau Butt Farn is a director of Fung 1937 and Fung Distribution.
- Note (18):* Ms. Fung Pui Kit Belinda is the sister of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun.
- Note (19):* IWIL is wholly-owned by Ms. Fung Pui Kit Belinda.
- Note (20):* Ms. Fung Pui Ling Clara is the sister of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun.
- Note (21):* KTI is wholly-owned by Ms. Fung Pui Ling Clara.
- Note (22):* Mr. Fung Yue Ming Terence is the son of Dr. William Fung Kwok Lun.
- Note (23):* Ms. Fung Wing Yee Sabrina is the daughter of Dr. Victor Fung Kwok King.
- Note (24):* Mr. Stephen Yue Chun Fung is the son of Dr. Victor Fung Kwok King.
- Note (25):* The Trustee holds 125,901,900 Trustee Held Shares, of which 118,712,500 will be used to satisfy the unvested Share Awards on vesting and 7,189,400 are to be used to satisfy future grants of Share Awards. Further details are set out in the section headed "Share Awards" below.
- Note (26):* The shareholding percentage in the table is subject to rounding adjustment.

8. SHARE AWARDS

As at the Latest Practicable Date:

- (a) there were 118,712,500 granted unvested Share Awards, which entitle their holders to receive from the Trustee a total of 118,712,500 Shares; and

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- (b) there are 125,901,900 Trustee Held Shares, of which 118,712,500 can be used to satisfy the unvested Share Awards on vesting and 7,189,400 are to be used to satisfy future grants of Share Awards.

On 21 November 2019, 6,226,000 Share Awards were granted to each of Mr. Spencer Theodore Fung, Mr. Joseph C. Phi and Mr. Marc Robert Compagnon. In order to satisfy the vesting of these Share Awards, the Trustee bought an equivalent number of Shares in the market at a price of HK\$0.9198 per Share.

As at the Latest Practicable Date, 28,183,000 of the unvested Share Awards were held by persons acting in concert with the Offeror, including 1,168,200 held by Dr. William Fung Kwok Lun, 9,200,000 held by Mr. Spencer Theodore Fung, 9,004,600 held by Mr. Marc Robert Compagnon and 8,810,200 held by Mr. Joseph C. Phi.

Under the 2015 Share Awards Scheme, if there is (a) a change in control of the Company; or (b) a privatisation of the Company by way of a scheme or by way of an offer, the Board shall in its sole discretion determine whether the vesting dates of any Share Awards will be accelerated. The Board intends to accelerate the vesting of all unvested Share Awards to the Effective Date.

All of the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay the aggregate Cancellation Price for the Trustee Held Shares to the Trustee, which will then pay such amount to the grantees of the Share Awards by reference to the number of Share Awards attributable to such grantees on the Record Date as soon as practicable after receipt by the Trustee of the aggregate Cancellation Price. Any Cancellation Price received by the Trustee in respect of excess Trustee Held Shares that are not attributable to any granted Share Awards shall be paid to the Company. According to the trust deed of the 2015 Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Trustee Held Shares. Accordingly, such 125,901,900 Shares will not be voted at the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

9. SHARE OPTIONS

The Company had issued 8,000,000 Share Options, of which 4,000,000 Share Options were held by Mr. Spencer Theodore Fung and the remaining 4,000,000 were held by Mr. Marc Robert Compagnon.

Pursuant to the rules of the 2003 Share Option Scheme, Share Options granted but not exercised may be cancelled by the Company with the consent of the relevant holders of the Share Options.

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On 20 March 2020, with the consent of Mr. Spencer Theodore Fung and Mr. Marc Robert Compagnon, the Company cancelled all of the 8,000,000 outstanding Share Options. The Offeror will therefore not be making any offer to the holders of the Share Options pursuant to Rule 13 of the Takeovers Code.

10. REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Company: a proposal to facilitate a necessary transformation of the business alongside a highly accomplished partner, amid challenging market conditions.

In light of digital disruption to the retail industry, the Company has undertaken restructuring efforts to reposition its businesses and to improve its competitive advantage. Although the Company has implemented a number of strategic changes to adapt to shifting market dynamics, the Company's financial performance has remained under pressure. In addition, economic headwinds, which are expected to continue, are having a significant adverse impact on the Company's business activities.

Despite these ongoing challenges, the Offeror remains committed to the Company's long-term prospects. The Company believes that the transformational efforts it is currently undertaking will require a longer period to carry out deeper restructuring and further investment in technology, infrastructure, and talent. In light of global economic uncertainties, the Company's transformation will involve execution risk and the associated benefits will require a longer time to materialise. The Offeror believes that the transformation of the Company will be more effectively implemented away from the public equity markets. The Offeror plans to contribute financial and operational resources to the Company in order to reinvigorate growth, seek out new business opportunities, and affirm its long term preeminent position in the market.

The Company considers a partnership with GLP, a leading global operator and investor in logistics, real estate, infrastructure, finance and related technologies with a strong track record, to be advantageous. GLP will bring benefits given its global scale, diversified network of customers, and technological competencies. Equally, the Company's global network, well-diversified customer base among global brands and retailers, deep supply chain expertise, and vendor relationships also complement GLP's business. Given the Company and GLP have a shared ambition to establish the digital supply chain of the future, a partnership will be able to leverage their respective strengths in order to realize this common objective.

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For Scheme Shareholders: an attractive opportunity to realize their investment at a compelling premium.

The Scheme provides an attractive opportunity for the Scheme Shareholders to monetize their Shares at a compelling premium to the current market price of the Company. The Cancellation Price of HK\$1.25 for each Scheme Share represents a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date, and a premium of approximately 95.2% and 62.1% over the average closing price of approximately HK\$0.641 and HK\$0.771 per Share for 30 and 90 trading days up to and including the Last Trading Date, respectively.

11. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

The Offeror intends to continue the existing business of the Group, which principally comprises supply chain solutions, onshore wholesale and logistics.

As explained in the section headed "Reasons for and Benefits of the Proposal" in the Explanatory Statement, the Offeror plans to contribute financial and operational resources to the Company to carry out deeper restructuring and make further investment in technology, infrastructure, and talent. No major changes are expected to be introduced in the existing principal business of the Group in the immediate term, including any major redeployment of the fixed assets of the Group.

The Offeror does not have any plan to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal.

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

Subject to the requirements of the Takeovers Code, the Scheme 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 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.

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13. INFORMATION ON THE OFFEROR GROUP

The Offeror is a company incorporated in the Cayman Islands with limited liability and set up for the implementation of the Proposal. The Offeror is wholly-owned by HoldCo (a company incorporated in the Cayman Islands with limited liability).

HoldCo has two classes of shares: voting shares and non-voting shares. As at the Latest Practicable Date:

- (a) the Fung Shareholder held 2,760,607,376 voting shares, which constituted 60% of the voting shares, and 32.33% of the total number of shares in HoldCo;
- (b) GLP A Shareholder held 1,840,404,917 voting shares, which constituted 40% of the voting shares, and 21.55% of the total number of shares in HoldCo; and
- (c) GLP B Shareholder held 3,937,914,613 non-voting shares, which constituted 100% of the non-voting shares, and 46.12% of the total number of shares in HoldCo.

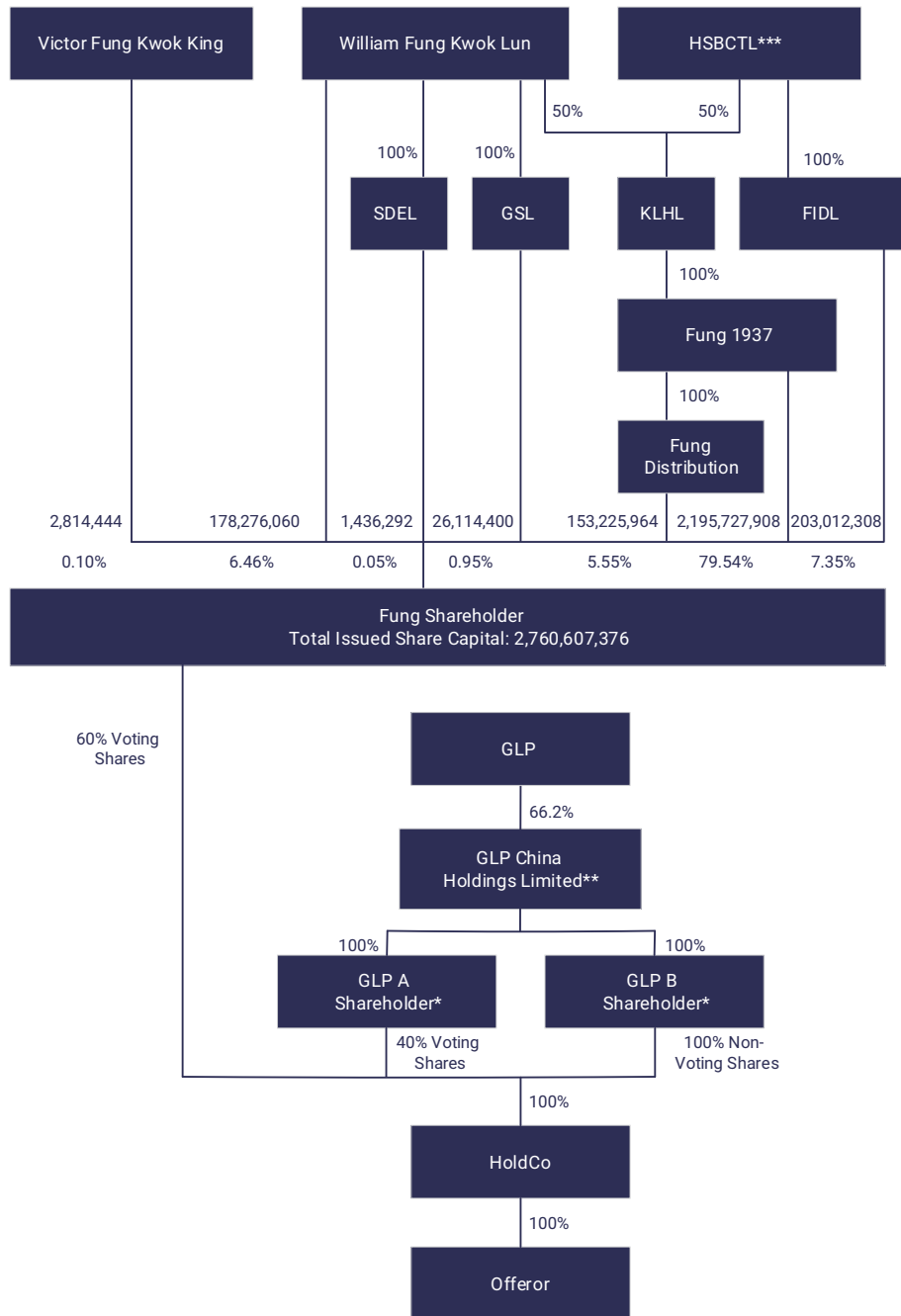
As at the Latest Practicable Date, the directors of the Offeror and HoldCo were Mr. Spencer Theodore Fung and Mr. Tan Mark Hai-Nern.

The Fung Shareholder is a company incorporated in the Cayman Islands with limited liability, which is wholly-owned by the Founder Group.

Information on GLP A Shareholder and GLP B Shareholder is set out in the section headed "*Information on the GLP Group*" below.

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The chart below sets out the shareholding structure of the Offeror as at the Latest Practicable Date:



* As at the Latest Practicable Date, each of GLP A Shareholder and GLP B Shareholder was wholly owned by GLP China Holdings Limited.

** As at the Latest Practicable Date, GLP China Holdings Limited was held as to approximately 66.2% by GLP, 30.15% by entities managed or advised by HOPU and 3.65% by employees of GLP.

*** As at the Latest Practicable Date, HSBCTL did not have any discretion over any Shares it directly or indirectly holds.

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14. INFORMATION ON THE FOUNDER GROUP

The Founder Group comprises Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King, SDEL, GSL, Fung 1937, Fung Distribution and FIDL. SDEL and GSL are wholly-owned by Dr. William Fung Kwok Lun. Fung 1937 and Fung Distribution are indirectly held 50% by Dr. William Fung Kwok Lun and 50% by HSBCTL (on trust for the benefit of the family members of Dr. Victor Fung Kwok King), which in turn also wholly owns FIDL.

As at the Latest Practicable Date:

- (a) the sole director of the Fung Shareholder was Mr. Spencer Theodore Fung;
- (b) the directors of Fung 1937 were Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun, Mr. Benedict Chang Yew Teck and Mr. Lau Butt Farn;
- (c) the directors of SDEL were Dr. William Fung Kwok Lun and Ms. Julia Fung Shen Nai Kee;
- (d) the sole director of GSL was Dr. William Fung Kwok Lun;
- (e) the directors of Fung Distribution were Mr. Lau Butt Farn, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun; and
- (f) the directors of FIDL were Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun and Ms. Julia Fung Shen Nai Kee.

Dr. William Fung Kwok Lun joined the Group in 1972 and has over 47 years of experience in the sourcing and supply chain management industry. He is an executive Director and has been the Group Chairman since 2012.

Dr. Victor Fung Kwok King joined the Group in 1973 and has over 46 years of experience in the sourcing and supply chain management industry. He is the Honorary Chairman of the Group and a non-executive Director and was the Group Chairman from 1989 to 2012.

15. INFORMATION ON THE GLP GROUP

The GLP Group comprises GLP, GLP A Shareholder and GLP B Shareholder.

As at the Latest Practicable Date:

- (a) the chief executive officer of GLP was Mr. Ming Z. Mei and the directors of GLP were Mr. Tan Mark Hai-Nern, Mr. Stephen Kent Schutte and Mr. Wee Hsiao Chung Paul; and

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- (b) the sole director of GLP A Shareholder and GLP B Shareholder is Mr. Tan Mark Hai-Nern.

GLP is a leading global operator and investor in logistics, real estate, infrastructure, finance and related technologies. GLP operates across Brazil, China, Europe, India, Japan, and the U.S., and is a leading developer and operator of logistics and warehouse facilities serving manufacturers, retailers, e-tailers and logistics service providers, with a global property portfolio of approximately 62 million square meters. GLP also has approximately US\$89 billion in assets under management in real estate and private equity funds across the world.

As at the Latest Practicable Date, each of GLP A Shareholder and GLP B Shareholder was wholly owned by GLP China Holdings Limited, which is 66.2% owned by GLP. GLP is owned by a consortium comprising: (i) SMG Eastern Limited (which is controlled by Mr. Ming Z. Mei, the chief executive officer of GLP), and its affiliates and entities managed or advised by them (collectively, **"SMG"**), and the directors of the investment holding vehicle are Mr. Ming Z. Mei, Mr. Alan David Yang and Mr. Adam Berns; (ii) HOPU Logistics Investment Management Co., Ltd. and its affiliates and entities managed or advised by them (collectively, **"HOPU"**), and the directors of the investment holding vehicle are Mr. Teck Sien Lau, Mr. Yi Chen and Mr. Don Wayne Ebanks; (iii) Hillhouse Capital Logistics Management, Ltd. and its affiliates and entities managed or advised by them (collectively, **"Hillhouse Capital"**), and the director of the investment holding vehicle is Ms. Emily Kong Li Yung; (iv) Bank of China Group Investment Limited and its affiliates (collectively, **"BOCGI"**), and the directors of the investment holding vehicle are Ms. Wang Xiao Zhuo and Mr. Huang Tao; and (v) Vanke Real Estate (Hong Kong) Company Limited and its affiliates (collectively, **"Vanke"**), and the directors of the investment holding vehicle are Mr. Mo Fan and Mr. Simon Cho Shu Ki. As at the Latest Practicable Date, each of HOPU, Hillhouse Capital, SMG, BOCGI and Vanke held approximately 21.1%, 21.0%, 21.0%, 15.7% and 21.2% of GLP, respectively.

16. INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda with limited liability, the Shares of which have been listed on the Stock Exchange since July 1992.

The Group is recognised as the world's leader in consumer goods design, development, sourcing and logistics. It specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. The Group is focused on building the supply chain of the future and accelerating the speed in the supply chain through the development of its digital platform.

Your attention is drawn to Appendix I headed "Financial Information Relating to the Group" and Appendix II headed "General Information" to this Scheme Document.

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17. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being simultaneously issued and credited as fully paid to the Offeror) and the share certificates for 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(2) of the Listing Rules, with effect from 9:00 a.m. on Wednesday, 27 May 2020.

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.

18. REGISTRATION AND PAYMENT

Assuming that the Record Date falls on Tuesday, 26 May 2020, it is proposed that the register of members of the Company will be closed from Thursday, 21 May 2020 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Wednesday, 20 May 2020.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Record Date as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Tuesday, 26 May 2020, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Thursday, 4 June 2020.

Cheques for the payment of the Cancellation Price will be sent 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 then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC, 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 will be responsible for any loss or delay in transmission.

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On or after the day being six 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's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror 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 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 years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror 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, if applicable, any deduction of interest, tax or any withholding tax or any other 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 for 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 Tuesday, 26 May 2020.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

19. OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and Bermuda, 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 any other jurisdictions.

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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.

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders 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, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal 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, 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 28 Shareholders (representing approximately 3.35% of the total number of the Shareholders) whose addresses as shown in the register of members of the Company ("**registered addresses**") were outside Hong Kong and those Shareholders together held 112,284,705 Shares (representing approximately 1.31% of the issued share capital of the Company). Those 28 Shareholders included: Shareholders in Australia, the British Virgin Islands, India, Macau, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, the United Kingdom and 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. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders.

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Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Morgan Stanley, the financial adviser to the Offeror, and Citi and HSBC, the financial advisers to the Company, 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.

20. TAXATION AND INDEPENDENT ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

All Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal and, in particular, whether the receipt of the Cancellation Price or the Founder Cancellation Consideration would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, any party acting in concert with the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal.

21. COURT MEETING AND SGM

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

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 "*Conditions of the Proposal*" above is satisfied.

Each Scheme Shareholder will be counted as one member of the Company for the purposes of calculating the majority in number of Scheme Shareholders under section 99 of the Companies Act at the Court Meeting. In accordance with the direction from the 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 it receives.

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Notice of the Court Meeting is set out on pages 159 to 160 of this Scheme Document. The Court Meeting will be held on Tuesday, 12 May 2020 at the time and place specified in the notice.

Immediately following the conclusion of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing (i) a special resolution to approve any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; (ii) an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of the Company by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled; (iii) an ordinary resolution to approve the Founder Arrangement.

All Shareholders will be entitled to attend the SGM and vote on the restoration of the share capital of the Company (as described in the Condition in paragraph (c) of the section headed "*Conditions of the Proposal*" above), but for the purposes of the Takeovers Code, only the Disinterested Shareholders will be entitled to vote at the SGM on the ordinary resolution to approve the Founder Arrangement.

Notice of the SGM is set out on pages 161 to 163 of this Scheme Document. The SGM will be held at the same place and on the same date at 12:30 p.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned).

China Securities Depository and Clearing Corporation Limited will collect voting instructions from Southbound Investors for the Court Meeting and the SGM, and then submit such voting instructions to HKSCC Nominees Limited on behalf of Southbound Investors.

As at the Latest Practicable Date, other than the Founder Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal.

22. 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 the Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are cast either in person or by proxy at the Court Meeting; and

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- (b) the number of votes cast by the Disinterested Shareholders present and voting either in person or by way of 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 Disinterested Shareholders.

23. INDICATIONS AS TO VOTING

Each of the Directors who hold or are beneficially interested in the Shares, being Dr Victor Fung Kwok King, Dr William Fung Kwok Lun, Mr Spencer Theodore Fung, Mr Joseph C. Phi and Mr Martin Tang Yue Nien, has indicated that those Shares held by him will be voted in favour of (i) the resolution to approve the Scheme at the Court Meeting and (ii) the resolutions to be proposed at the SGM to approve and give effect to the Scheme, including the issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled and extinguished, to the extent he is entitled to vote on the relevant resolution.

24. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the SGM.

25. 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 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 Proposal shall be borne by the Offeror.

26. ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

Shareholders who are entitled to attend and vote at the Court Meeting and the SGM are those whose names appear on the register of members of the Company as at the close of business on Wednesday, 6 May 2020. In order to qualify to vote at the Court Meeting and the SGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 6 May 2020. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the SGM.

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

Whether or not you are able to attend the Court Meeting and/or the SGM 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 SGM, in accordance with the instructions printed thereon, and to lodge them at the Company's Hong Kong office at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

The pink form of proxy for use at the Court Meeting should be lodged no later than 12:00 p.m. on 10 May 2020, which is 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the Chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. The white form of proxy for use at the SGM should be lodged no later than 12:30 p.m. on 10 May 2020, which is 48 hours before the time appointed for holding the SGM or any adjournment thereof, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the SGM 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 revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the Disinterested Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

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

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the SGM on 12 May 2020 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

EXPLANATORY STATEMENT

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

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, 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 SGM.

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

- (a) 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 SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the SGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the SGM shall be in accordance with all relevant provisions in the bye-laws of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the SGM 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 deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial

EXPLANATORY STATEMENT

Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the SGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, 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, or alternatively arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the SGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “*General Rules of CCASS*” and the “*CCASS Operational Procedures*” in effect from time to time.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company 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 99 of the Companies Act. In accordance with the direction from the 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 it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

27. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE SGM.

IF YOU WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, YOU SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF YOUR SHARES. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE STRONGLY URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

EXPLANATORY STATEMENT

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE. YOU SHOULD ALSO REMIND THE RELEVANT BENEFICIAL OWNERS THAT IF THEY WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, THEY SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF THEIR SHARES.

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.

28. FURTHER INFORMATION

Taking into account the recent development of the epidemic caused by coronavirus disease (COVID-19), the Company will implement the following prevention and control measures at the Court Meeting and the SGM to protect Shareholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;**
- (ii) every attending Shareholder or proxy is required to wear a surgical mask throughout the Court Meeting and the SGM; and**
- (iii) no refreshments will be served at the Court Meeting and/or the SGM.**

Furthermore, the Company wishes to advise all of the Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Court Meeting and/or the SGM as a proxy to attend and vote on any of the resolutions, instead of attending the Court Meeting and/or the SGM in person.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the HKSAR government, and if necessary will make further announcements in case of any update regarding the precautionary measures to be implemented at the Court Meeting and/or the SGM.

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

EXPLANATORY STATEMENT

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Morgan Stanley, Goldman Sachs, Citi, HSBC, 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 have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

29. LANGUAGE

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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

1. FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2019, 31 December 2018 and 31 December 2017 extracted from the annual reports of the Company for the years ended 31 December 2019, 31 December 2018 and 31 December 2017, respectively.

The auditors' reports issued by the auditors of the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 31 December 2018 and 31 December 2017 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
		(Restated ^(Note))	
Continuing Operations			
Turnover	11,413,312	12,700,744	13,534,209
Cost of sales	(10,221,721)	(11,395,406)	(12,185,061)
Gross profit	1,191,591	1,305,338	1,349,148
Other income	27,745	36,556	37,124
Total margin	1,219,336	1,341,894	1,386,272
Selling and distribution expenses	(384,973)	(410,243)	(395,279)
Merchandising and administrative expenses	(606,816)	(636,516)	(635,141)
Core operating profit	227,547	295,135	355,852
Gain on remeasurement of contingent consideration payable	621	8,948	31,492
Amortization of other intangible assets	(26,534)	(29,136)	(23,327)
Non-recurring reorganization costs	(46,825)	(14,991)	(33,945)
Other non-core operating expenses	(6,491)	(2,656)	–

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	For the year ended 31 December		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
		(Restated ^(Note))	
Operating profit	148,318	257,300	330,072
Interest income	11,531	10,608	12,261
Finance costs			
– Cost on early settlement of long-term notes	(7,640)	–	–
– Non-cash interest expenses	(15,302)	(15,045)	(3,284)
– Cash interest expenses	(66,844)	(55,433)	(66,477)
	(89,786)	(70,478)	(69,761)
Share of net (losses)/profits of associated companies and joint venture	(36)	205	1,898
Profit before taxation	70,027	197,635	274,470
Taxation	(15,756)	(29,855)	(40,830)
Profit for the year from Continuing Operations	54,271	167,780	233,640
Discontinued Operations			
Loss for the year from Discontinued Operations	–	(139,142)	(543,045)
Net profit/(loss) for the year	54,271	28,638	(309,405)
Profit/(loss) attributable to:			
– Shareholders of the Company	16,748	(13,308)	(374,573)
– Holders of perpetual capital securities	34,125	46,125	64,125
– Non-controlling interests	3,398	(4,179)	1,043
	54,271	28,638	(309,405)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	For the year ended 31 December		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
		(Restated ^(Note))	
Profit/(loss) attributable to Shareholders of the Company arising from:			
– Continuing Operations	16,748	122,836	170,418
– Discontinued Operations	–	(136,144)	(544,991)
	<u>16,748</u>	<u>(13,308)</u>	<u>(374,573)</u>
Comprehensive income attributable to:			
– Shareholders of the Company	15,347	32,698	(299,185)
– Holders of perpetual capital securities	34,125	46,125	64,125
– Non-controlling interests	<u>3,101</u>	<u>(4,186)</u>	<u>1,067</u>
Total comprehensive income (expense) for the year	<u>52,573</u>	<u>74,637</u>	<u>(233,993)</u>
Earnings/(losses) per share for profit/(losses) attributable to the Shareholders during the year			
– Basic from Continuing Operations (equivalent to)	1.6 HK cents 0.20 US cents	11.4 HK cents 1.47 US cents	15.8 HK cents 2.04 US cents
– Basic from Discontinued Operations (equivalent to)	N/A N/A	(12.6) HK cents (1.63) US cents	(50.6) HK cents (6.52) US cents
– Diluted from Continuing Operations (equivalent to)	1.6 HK cents 0.20 US cents	11.2 HK cents 1.45 US cents	15.7 HK cents 2.02 US cents
– Diluted from Discontinued Operations (equivalent to)	N/A N/A	(12.5) HK cents (1.60) US cents	(50.1) HK cents (6.46) US cents

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	For the year ended 31 December		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
		(Restated ^(Note))	
Dividends			
Interim dividend	10,962	32,886	120,064
Special dividend	–	–	519,549
Final dividend	(proposed) Nil	43,848	21,830
	<u>10,962</u>	<u>76,734</u>	<u>661,443</u>
Dividends per share			
Interim dividend per share	HK\$0.01	HK\$0.03	HK\$0.11
(equivalent to)	US\$0.001	US\$0.004	US\$0.014
Special dividend per share	Nil	Nil	HK\$0.476
(equivalent to)	–	–	US\$0.0614
Final dividend per share	(proposed) Nil	HK\$0.04	HK\$0.02
(equivalent to)	–	US\$0.005	US\$0.003
	<u>–</u>	<u>US\$0.005</u>	<u>US\$0.003</u>

Note: These figures, as extracted from the annual report of the Company for the year ended 31 December 2019, have been restated as a result of the retrospective application of HKFRS 16 (Leases).

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2017, 2018 and 2019.

2. CONSOLIDATED FINANCIAL STATEMENTS

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**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out on pages 143 to 243 of the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report 2019**”), which was published on 6 April 2020. The Annual Report 2019 is posted on the Company’s website <http://www.lifung.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0406/2020040600958.pdf>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”) are set out on pages 154 to 255 of the annual report of the Company for the year ended 31 December 2018 (the “**Annual Report 2018**”), which was published on 17 April 2019. The Annual Report 2018 is posted on the Company’s website <http://www.lifung.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417500.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”) are set out on pages 171 to 271 of the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report 2017**”), which was published on 12 April 2018. The Annual Report 2017 is posted on the Company’s website <http://www.lifung.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2017:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0412/ltn20180412409.pdf>

The 2019 Financial Statements (but not any other part of the Annual Report 2019), the 2018 Financial Statements (but not any other part of the Annual Report 2018) and 2017 Financial Statements (but not any other part of the Annual Report 2017) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

As at the close of business on 29 February 2020, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had total indebtedness as summarised below:

	As at 29 February 2020 US\$'000
Bank loans, advances, overdrafts and long-term notes:	
Current	
Bank advances for discounted invoices	37,009
Short-term bank loans – unsecured	4,885
Current portion of long-term notes	374,275
Bank overdrafts – unsecured ¹	12,130
Non-current	
Long-term bank loans – unsecured	566,621
Long-term notes – unsecured	497,002
	<hr/>
Total bank loans, advances, overdrafts and long-term notes	1,491,922
Lease liabilities	
Lease liabilities – current portion	116,798
Lease liabilities – non-current portion	314,153
	<hr/>
Total	<u><u>1,922,873</u></u>

1. The Group has been using multiple cash-pooling arrangements in certain countries to improve liquidity and minimize interest expenses. Cash pooling balances are reported based on the net amounts at day end. Bank overdrafts balance disclosed above includes net total of the overdrafts and cash balances under the multiple cash-pooling arrangements and bank overdrafts which are not subject to multiple cash-pooling arrangements
2. The total indebtedness (including lease liabilities) as at 31 December 2019 was approximately US\$1,591,862,000 and increased to approximately US\$1,922,873 as at 29 February 2020 to fund seasonality working capital requirements during the first quarter of the year. The total amount of bond and loan are at similar position as compared to 28 February 2019.

Contingent liabilities and guarantees

As at the close of business on 29 February 2020, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group did not have any outstanding contingent liabilities and guarantees.

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade payables, the Group did not, as at 29 February 2020, have any outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

As disclosed in the Company's annual report for the year ended 31 December 2019, the further spread and continuation of the COVID-19 virus following its outbreak in early 2020 is expected to affect consumer sentiment and mid-tier, non-essential consumer goods are likely to be hit hardest resulting in the Company's customers being negatively impacted. Retailers have started to implement temporary store closures, discount their goods and accumulate inventory due to weak consumer demand. The restricted international travel and flow of goods have made it more difficult for retailers to source products and have made the supply chain significantly more complex. As retailers switch to airfreight rather than shipping, and weak demand leads to order cancellations, the margin and turnover of the Company could be affected. The Asia focused in-country logistics business is also expected to face some headwinds in 2020 due to the impact of the COVID-19 virus outbreak.

However, as the spread and impact of the COVID-19 virus are still developing, it is premature and impracticable to assess the duration, scale and extent of its impact on the global economy and the likely impact on the Group's business and operations. The Company has seen a partial rebound of the in-country logistics business in March, and has implemented various cost-cutting measures to counter the effects of COVID-19 on its financial performance. Further, the stimulus and support being provided by governments in many countries are also expected to assist the Company, its customers and its suppliers in dealing with the impact of COVID-19.

Save as disclosed above, the Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Company.

The directors of the Offeror 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, the Founder Group and the GLP Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group, the Founder Group and the GLP Group) 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 statements in this Scheme Document misleading.

The Directors 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's financial adviser, the Founder Group and the GLP Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror, the Offeror's financial adviser, the Founder Group and the GLP Group) 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 statements in this Scheme Document misleading.

The sole director of the Fung Shareholder, Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King and the directors of the other members of the Founder Group 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 the GLP Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the GLP Group) 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 statements in this Scheme Document misleading.

The chief executive officer of GLP and the directors of GLP, GLP A Shareholder and GLP B Shareholder 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 the Founder Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the Founder Group) 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 statements 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\$150,000,000 divided into 12,000,000,000 Shares;
- (b) the issued and paid-up share capital of the Company comprised 8,538,926,906 Shares;
- (c) all of the Shares currently in issue ranked *pari passu* in all respects including as to capital, dividends and voting;
- (d) no new Shares had been issued by the Company since 31 December 2019 (being the end of the last financial year of the Company); and
- (e) other than the Share Awards as disclosed in the section headed “Share Awards” in the Explanatory Statement, there were no outstanding options, warrants or conversion rights affecting the Shares.

3. MARKET PRICES

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date and (iii) at the end of each month during the Relevant Period:

Date	Closing price per Share HK\$
17 April 2020, being the Latest Practicable Date	1.060
20 March 2020, being the Last Trading Date	0.500
at the end of each calendar month during the Relevant Period:	
30 September 2019	0.890
31 October 2019	0.860
29 November 2019	0.900
31 December 2019	0.850
31 January 2020	0.690
28 February 2020	0.650
31 March 2020	1.020

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$1.10 per Share as quoted on the Stock Exchange on 3 April 2020 and the lowest closing price of the Shares was HK\$0.475 per Share as quoted on the Stock Exchange on 17 March 2020, 18 March 2020 and 19 March 2020.
- (c) The Cancellation Price of HK\$1.25 per Scheme Share represents a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date.

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:

Name of Director	Number of Shares			Total	Percentage of Issued Share Capital ⁶
	Personal Interest	Family Interest	Trust/ Corporate Interest		
Victor Fung Kwok King	2,814,444	-	2,551,966,180 ¹	2,554,780,624	29.92%
William Fung Kwok Lun	178,276,060	108,800	2,426,530,672 ²	2,604,915,532	30.51%
Spencer Theodore Fung	5,016,000	-	2,561,166,180 ^{1&3}	2,566,182,180	30.05%
Marc Robert Compagnon	4,196,400	14,000	21,294,380 ⁴	25,504,780	0.30%
Joseph C. Phi	6,359,478	38,000	8,810,200 ⁵	15,207,678	0.18%
Martin Tang Yue Nien	60,000	-	-	60,000	0.00%

Notes:

As at Latest Practicable Date,

- (1) Victor Fung Kwok King and Spencer Theodore Fung (son of Victor Fung Kwok King and as his family member) were each deemed to have interests in 2,551,966,180 Shares held in the following manner:
- 203,012,308 Shares were indirectly held by HSBCTL through its wholly-owned subsidiary, FIDL. HSBCTL is the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King (the "Trust"); and
 - 2,195,727,908 Shares were directly held by Fung 1937, a wholly-owned subsidiary of KLHL, and 153,225,964 Shares were indirectly held by Fung 1937 through its wholly-owned subsidiary, Fung Distribution. KLHL is a company owned 50% by HSBCTL as trustee of the Trust and 50% by William Fung Kwok Lun.

- (2) 26,114,400 Shares and 50,294,200 Shares were held by GSL and SDEL respectively, both companies are beneficially owned by William Fung Kwok Lun. 2,348,953,872 Shares were indirectly held by KLHL as mentioned in Note (1)(b) above. 1,168,200 Shares represented the interests in Share Awards granted by the Company and remained unvested.
 - (3) Out of 2,561,166,180 Shares, 9,200,000 Shares represented the interests in Share Awards granted by the Company and remained unvested. The balance of 2,551,966,180 Shares represented the deemed interests of Spencer Theodore Fung as mentioned in Note (1) above.
 - (4) Out of 21,294,380 Shares, 9,004,600 Shares represented the interests in Share Awards granted by the Company and remained unvested. The balance of 12,289,780 Shares were held by PSHL, a company owned by a trust of which Marc Robert Compagnon is the settlor and a beneficiary.
 - (5) 8,810,200 Shares represented the interests in Share Awards granted by the Company and remained unvested.
 - (6) The approximate percentages were calculated based on 8,538,926,906 shares as of the Latest Practicable Date.
- (b) other than as set out below in this paragraph (b), no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or 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:

As at the Latest Practicable Date, INKA Internationale Kapitalanlagegesellschaft mbH ("**INKA**") held 544,000 Shares, representing approximately 0.00637% of the issued share capital of the Company, with voting discretion. INKA is a member of the HSBC Group and is accordingly presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code;

- (c) there was no arrangement 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 save for any borrowed shares which have been either on-lent or sold;
- (f) save as disclosed in the sections headed "*Shareholding Structure of the Company and Effect of the Proposal and the Scheme*" "*Share Awards*" in the Explanatory Statement, the Offeror or any person acting in concert with it did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (g) save for the interest of Mr. Spencer Theodore Fung as disclosed in (a) above, none of the directors of the Offeror 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 and no party acting in concert with it owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of Shares;
- (h) other than the Founder Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal;
- (i) other than the Founder Arrangement and the Founder Irrevocable Undertakings, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any party acting in concert with it; and
- (j) none of the Offeror or any party acting in concert with it had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

5. DEALINGS IN THE SHARES

On 21 November 2019, 6,226,000 Share Awards were granted to each of Mr. Spencer Theodore Fung, Mr. Joseph C. Phi and Mr. Marc Robert Compagnon. In order to satisfy the vesting of these Share Awards, the Trustee bought an equivalent number of Shares in the market at a price of HK\$0.9198 per Share.

Save for the above,

- (a) during the Relevant Period:
 - (i) no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (ii) none of the Offeror, the directors of the Offeror or any party acting in concert with it had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with it had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (b) during the period commencing from 20 March 2020 (being the date of commencement of the offer period) and ending on the Latest Practicable Date:
 - (i) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or 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) 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 any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (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 had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no fund manager (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 or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN OFFEROR'S SHARES

The Fung Shareholder holds 60% of the voting shares and 32.33% of the total number of shares in HoldCo, which in turn wholly-owns the Offeror. Please refer to the section headed "*Information on the Offeror Group*" for further detail on (i) the interests of Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King and Mr. Spencer Theodore Fung in the Offeror and HoldCo, and (ii) the shareholding structure of the Offeror and HoldCo.

As at the Latest Practicable Date, 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.

7. DEALINGS IN OFFEROR'S SHARES

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.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) save for the Proposal, the Scheme, the Founder Arrangement, the Founder Irrevocable Undertakings, the Shareholders' Agreement, the Consortium Agreement and the Implementation Agreement, there was no agreement or arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Offeror or any of its concert parties which might be material to the Proposal;
- (b) save for the Consortium Agreement, the Founder Irrevocable Undertakings and the Shareholders' Agreement, there were no agreements, arrangements or understanding between the Offeror or any party acting in concert with the Offeror and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposal;
- (c) 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 to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (d) there was no agreement or arrangement to which the Offeror or any of its concert parties was a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a Condition to the Proposal;

- (e) save for the Founder Irrevocable Undertakings, neither the Offeror nor its concert parties had received any irrevocable commitment to vote for or against the Proposal; and
- (f) save for the Founder Arrangement, the Founder Irrevocable Undertakings, the Shareholders' Agreement and the Consortium Agreement as disclosed in this Scheme Document, there was no understanding, arrangement or agreement or special deal between (1) any Shareholder of the Company; and (2) either (a) the Offeror or any party acting in concert with it (including the Founder Group and the GLP Group); or (b) the Company or the Company's subsidiaries or associated companies.

9. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) other than the Cancellation Price and the Founder Cancellation Consideration to be paid under the Scheme and the Proposal, no arrangement was in place for any benefit (other than statutory compensation required under appropriate laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) save for the Consortium Agreement, the Founder Irrevocable Undertakings and the Shareholders' Agreement, there were no agreements or arrangements between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) save for the Consortium Agreement, the Founder Irrevocable Undertakings and the Shareholders' Agreement there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

10. DIRECTORS' 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 6 months before the commencement of the offer period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name	Date of Service Contract	Expiry Date	Amount of Remuneration
Non-executive Director			
Dr. Victor Fung Kwok King	10 December 2019	31 December 2022	(i) HK\$300,000 per annum as Director; (ii) HK\$50,000 per annum as member of the Nomination Committee; (iii) HK\$50,000 per annum as member of the Remuneration Committee; and (iv) HK\$100,000 per annum as chairman of the Risk Management and Sustainability Committee
Mr. Marc Robert Compagnon	23 May 2019	31 December 2021	(i) HK\$300,000 per annum as Director; and (ii) HK\$50,000 per annum as member of the Risk Management and Sustainability Committee

Name	Date of Service Contract	Expiry Date	Amount of Remuneration
Independent Non-executive Director			
Ms. Margaret Leung Ko May Yee	10 December 2018	31 December 2021	(i) HK\$300,000 per annum as Director; (ii) HK\$200,000 per annum as chairman of the Audit Committee; and (iii) HK\$50,000 per annum as member of the Nomination Committee
Dr. Allan Wong Chi Yun	10 December 2019	31 December 2022	(i) HK\$300,000 per annum as Director; (ii) HK\$100,000 per annum as member of the Audit Committee; (iii) HK\$100,000 per annum as chairman of the Remuneration Committee; and (iv) HK\$50,000 per annum as member of the Risk Management and Sustainability Committee
Mr. Chih Tin Cheung	10 December 2019	31 December 2022	(i) HK\$300,000 per annum as Director; and (ii) HK\$100,000 per annum as member of the Audit Committee

11. 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 known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the offer period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries:

- (a) the subscription agreement dated 28 June 2019 entered into between the Company, LF Logistics Holdings Limited ("**LF Logistics**") and Dahlia Investments Pte. Ltd. (the "**Investor**") in relation to the subscription of shares representing 21.7% of the issued share capital in LF Logistics by the Investor for US\$300 million (subject to net debt adjustments), details of which are set out in the announcement of the Company dated 28 June 2019 (the "**Subscription**");
- (b) the shareholders agreement dated 8 August 2019 entered into between the Company, LF Logistics and the Investor in connection with the Subscription; and
- (c) the Implementation Agreement.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Scheme Document:

Name	Qualification
Morgan Stanley Asia Limited	a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to the Offeror in connection with the Proposal

Name	Qualification
Citigroup Global Markets Asia Limited	a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, and the financial adviser to the Company in connection with the Proposal
The Hongkong and Shanghai Banking Corporation Limited	a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Goldman Sachs (Asia) L.L.C.	a company incorporated in Delaware with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the financial adviser to Fung 1937 in connection with the Proposal
Platinum Securities Company 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 on the Proposal, the Scheme and the Founder Arrangement

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

14. MISCELLANEOUS

- (a) The registered office of the Offeror is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The registered office of Morgan Stanley is at Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (c) The principal parties acting in concert with the Offeror are the Fung Shareholder, the Founder Group, the GLP Group and shareholders of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI).
- (d) The addresses of Dr. William Fung Kwok Lun and Dr. Victor Fung Kwok King, are at 11/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (e) The registered office of Fung 1937 is at 11/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (f) The registered office of SDEL is at Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, British Virgin Islands.
- (g) The registered office of GSL is at 80 Broad Street, Monrovia, Liberia.
- (h) The registered office of Fung Distribution is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (i) The registered office of FIDL is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (j) The registered office of Fung Shareholder is at c/o Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY-1111, Cayman Islands.
- (k) The registered office of GLP Pte. Ltd. is at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore (048623).
- (l) The registered office of each of GLP A Shareholder and GLP B Shareholder are at c/o Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY-1111, Cayman Islands.
- (m) The registered office of the investment holding vehicle of SMG is at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

- (n) The registered office of the investment holding vehicle of HOPU is at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.
- (o) The registered office of the investment holding vehicle of Hillhouse Capital is at Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.
- (p) The registered office of the investment holding vehicle of Vanke is at Maples Corporate Services Limited of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (q) The registered office of the investment holding vehicle of BOCGI is at Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands.
- (r) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company's principal place of business in Hong Kong is at 11/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the Hong Kong office of the Company, at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time), (2) on the website of the Company <http://www.lifung.com> and (3) on the website of the SFC at <http://www.sfc.hk>:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association of the Company;
- (c) the bye-laws of the Company;
- (d) the annual reports of the Company for each of the year ended 31 December 2019 and the year ended 31 December 2018;
- (e) the letter from the Board, the text of which is set out on pages 24 to 39 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 40 to 42 of this Scheme Document;

- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 43 to 96 of this Scheme Document;
- (h) the written consents referred to in the section headed "*Experts and Consents*" in Appendix II – General Information;
- (i) the service contracts referred to in the section headed "*Directors' Service Contracts*" in Appendix II – General Information;
- (j) the material contracts referred to in the section headed "*Material Contracts*" in Appendix II – General Information;
- (k) the Founder Irrevocable Undertakings;
- (l) the Consortium Agreement;
- (m) the Implementation Agreement;
- (n) the Shareholders' Agreement; and
- (o) this Scheme Document.

SCHEME OF ARRANGEMENT

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2020: No.

IN THE MATTER OF

LI & FUNG LIMITED

AND

SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

BETWEEN

LI & FUNG LIMITED

AND

THE SCHEME SHAREHOLDERS

PRELIMINARY

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

"Business Day"	a day (other than Saturday or Sunday) on which the Stock Exchange is open for the transaction of business
"Cancellation Price"	the cancellation price of HK\$1.25 per Scheme Share
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Participant"	a person admitted to participate in CCASS as a participant, including an Investor Participant
"Companies Act"	the Companies Act 1981 of Bermuda

<p align="center">SCHEME OF ARRANGEMENT</p>

"Company"	Li & Fung Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 0494)
"Condition(s)"	the condition(s) to the Proposal as set out in the section headed "Conditions of the Proposal" in the Explanatory Statement
"Court"	the Supreme Court of Bermuda
"Court Meeting"	a meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme will be voted upon, or any adjournment thereof
"Effective Date"	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
"Explanatory Statement"	the explanatory statement set out in the Scheme Document
"FIDL"	First Island Developments Limited, a company incorporated in the British Virgin Islands with limited liability
"Founder Cancellation Consideration"	the consideration to be received by members of the Founder Group for the cancellation of their Founder Scheme Shares under the Scheme, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder as fully paid in the amount of the Cancellation Price per Fung Shareholder Share pursuant to the terms of the Founder Irrevocable Undertakings
"Founder Group"	Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King, SDEL, GSL, Fung 1937, Fung Distribution and FIDL

SCHEME OF ARRANGEMENT

“Founder Irrevocable Undertakings”	the irrevocable undertakings given by each members of the Founder Group in respect of the Founder Scheme Shares held by them as described in the section headed “Founder Irrevocable Undertakings” of the Scheme Document
“Founder Scheme Shares”	the Scheme Shares held by the Founder Group, less 48,857,908 Scheme Shares held by SDEL
“Fung 1937”	Fung Holdings (1937) Limited, a company incorporated in Hong Kong with limited liability
“Fung Distribution”	Fung Distribution International Limited, a company incorporated in the British Virgin Islands with limited liability
“Fung Shareholder”	New Era Investments Limited, a company incorporated in the Cayman Islands with limited liability, which holds 60% of the voting shares (but no non-voting shares) and 32.33% of the total shares in HoldCo (which in turn holds 100% of the shares in the Offeror)
“Fung Shareholder Shares”	the entire issued share capital of the Fung Shareholder, being 2,760,607,376 unpaid shares
“GSL”	Golden Step Ltd, a company incorporated in Liberia with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HoldCo”	Golden Lincoln Holdings II Limited, an exempted company incorporated in the Cayman Islands with limited liability

SCHEME OF ARRANGEMENT

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17 April 2020, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Long Stop Date”	30 September 2020
“Offeror”	Golden Lincoln Holdings I Limited, an exempted company incorporated in the Cayman Islands with limited liability
“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
“Record Date”	Tuesday, 26 May 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	the scheme of arrangement under section 99 of the Companies Act between the Company and the Scheme Shareholders with or subject to any modification, addition or condition which may be approved or imposed by the Court
“Scheme Document”	the composite scheme document (which contains, amongst other things, details of the Proposal), the accompanying proxy forms and notices of the Court Meeting and the SGM, published or despatched by the Offeror and the Company to all Shareholders

<h2 style="text-align: center;">SCHEME OF ARRANGEMENT</h2>

"Scheme Shareholders"	the registered holders of the Scheme Shares as at the Record Date
"Scheme Shares"	the Shares in issue on the Record Date
"SDEL"	Step Dragon Enterprise Limited, a BVI business company established under the BVI International Business Companies Act, Cap. 291 with limited liability
"SGM"	a special general meeting of the Company convened for the purposes of passing all necessary resolutions for, amongst other things, the implementation of the Scheme
"Share(s)"	the issued ordinary share(s) in the share capital of the Company
"Shareholder(s)"	the registered holder(s) of the Shares
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"US" or "United States"	United States of America

- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 25 October 1991. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$150,000,000 divided into 12,000,000,000 shares of which 8,538,926,906 shares had been issued fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and has undertaken to the Court to be bound by this 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 by the Offeror for the purpose of giving effect to this Scheme.
- (D) The primary purpose of this Scheme is to cancel all Scheme Shares and to issue new Shares to the Offeror equal to the number of Scheme Shares cancelled on the Effective Date so that the Company becomes wholly owned by the Offeror.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

CANCELLATION OF THE SCHEME SHARES

1. Simultaneously on the Effective Date:
 - (a) all Scheme Shares shall be cancelled; and
 - (b) the Company shall issue new Shares to the Offeror equal to the number of Scheme Shares cancelled and the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares.

PART II

CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES

2. In consideration of the cancellation of all Scheme Shares each Scheme Shareholder shall be entitled to receive the Cancellation Price save that members of the Founder Group shall be entitled to receive the Founder Cancellation Consideration.

PART III

GENERAL

3. Cheques in respect of the Cancellation Price shall be sent to Scheme Shareholders whose names appear in the register of members of the Company at close of business on the Record Date as soon as possible but in any event within seven Business Days of the Effective Date.
4. On or after the day being six calendar months after the date of posting the cheques for the Cancellation Price, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.
5. The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any

SCHEME OF ARRANGEMENT

payments made by the Offeror shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror 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 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.

6. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
7. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under Section 99 of the Companies Act has been delivered to the Registrar of Companies in Bermuda for registration.
8. The Company and the Offeror may jointly consent for and on behalf of all Scheme Shareholders to any modification(s) of or addition(s) to the Scheme or to any condition(s) which the Court may see fit to approve or impose.
9. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
10. Subject to the requirements of the Takeovers Code the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.

NOTICE OF COURT MEETING

**NOTICE OF COURT MEETING
IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT**

2020: No.

**IN THE MATTER OF
LI & FUNG LIMITED**

AND

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

BETWEEN

LI & FUNG LIMITED

AND

THE SCHEME SHAREHOLDERS

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 13 April 2020, the Court has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Li & Fung Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Tuesday, 12 May 2020 at 12:00 p.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

The Scheme and the explanatory statement required by section 100 of the Companies Act 1981 are part of the composite scheme document, which also includes this notice and other information, a copy of which can be obtained by Scheme Shareholders from the share registrar of the Company, Tricor Abacus Limited.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy 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.

NOTICE OF COURT MEETING

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

PINK forms appointing proxies should be lodged with the Company's Hong Kong office at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong, by 12:00 p.m. on Sunday, 10 May 2020, but if the **PINK** forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting who has absolute discretion whether or not to accept them.

By the Order, the Court has appointed Dr. William Fung Kwok Lun, or failing him, any other director of the Company, to act as chairman of the Court Meeting and has directed the chairman to report the results of the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 20 April 2020

By order of the Court
Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Attorneys for the Company

NOTICE OF SGM



LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Li & Fung Limited (the “**Company**”) will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Tuesday, 12 May 2020 at ^(see Note) 12:30 p.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting convened at the direction of the Supreme Court of Bermuda for the same day and place), for the purpose of considering and, if thought fit, passing (with or without modifications) the following as a special resolution and ordinary resolutions, respectively:

SPECIAL RESOLUTION

1. “**THAT**, for the purpose of giving effect to the scheme of arrangement between the Company and the Scheme Shareholders (the “**Scheme**”) as set out in the scheme document dated 20 April 2020 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting, on the Effective Date, any reduction of the issued share capital of the Company as a result of the cancellation of the Scheme Shares be and is hereby approved.”

ORDINARY RESOLUTIONS

2. “**THAT**:
 - (A) subject to and simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be restored by the application of the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares being applied in paying up in full at par the new shares of the Company to be issued to Golden Lincoln Holdings I Limited be and is hereby approved and the directors of the Company be and are hereby authorised to allot and issue the new shares of the Company accordingly;
 - (B) subject to the Scheme taking effect, the withdrawal of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be and is hereby approved; and
 - (C) the directors of the Company be and are hereby unconditionally authorised to do all acts and things and/or sign such documents as considered by them to be necessary or desirable for or in connection with the implementation of the Scheme, including (without limitation)

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(i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of issued share capital of the Company; (iii) the allotment and issue of the shares of the Company referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the Supreme Court of Bermuda may see fit to impose and to do all other acts and things and/or sign such documents considered by them to be necessary for or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Offeror by way of the Scheme as a whole.”

3. **“THAT**, the Founder Arrangement, which constitutes a special deal under Rule 25 of the Takeovers Code, be and is hereby approved.”

By Order of the Board
LI & FUNG LIMITED
Terry Wan Mei Chow
Company Secretary

Hong Kong, 20 April 2020

Notes:

- (1) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (2) At the Meeting, the above resolutions shall be voted on by way of a poll.
- (3) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies, representing respectively the number of shares of the Company held by that member, to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (4) In order to be valid, the 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 deposited at the Company's Hong Kong office at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong no later than 12:30 p.m. on 10 May 2020, which is 48 hours before the time appointed for holding the Meeting or any adjourned meeting (as the case may be). Form of proxy sent electronically will not be accepted.
- (5) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.
- (6) Shareholders who are entitled to attend and vote at the Meeting are those whose name appear on the register of members of the Company as at the close of business on Wednesday, 6 May 2020. In order to qualify for the right to attend and vote at the Meeting (or any adjournment thereof), all

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transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 6 May 2020 for registration.

- (7) If tropical cyclone warning signal no. 8 or above or post-super typhoon extreme conditions or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 12 May 2020, the Meeting will be postponed or adjourned and the Meeting will be held instead on Wednesday, 13 May 2020 at 12:30 p.m., or at a time on an alternative day to be announced that falls within 13 clear days of the original date scheduled for the Meeting in the event that a tropical cyclone warning signal no. 8 or above or post-super typhoon extreme conditions or a black rainstorm warning signal is in force at 9:00 a.m. on Wednesday, 13 May 2020. Shareholders may call the hotline at +852 2980 1333 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong or visit the website of the Company at <http://www.lifung.com> for details of alternative meeting arrangements. The 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 they would attend the 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.

- (8) **Taking into account 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 Meeting to protect Shareholders from the risk of infection:**
- (i) **compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;**
 - (ii) **every attending Shareholder or proxy is required to wear a surgical mask throughout the Meeting; and**
 - (iii) **no refreshments will be served at the Meeting.**

Furthermore, the Company wishes to advise all of the Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Meeting as a proxy to attend and vote on any of the resolutions, instead of attending the Meeting in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising their voting rights.

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 Meeting.

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

As at the date of this notice, the Executive Directors of the Company are Dr. William Fung Kwok Lun (Group Chairman), Mr. Spencer Theodore Fung (Group Chief Executive Officer) and Mr. Joseph C. Phi; the Non-Executive Directors are Dr. Victor Fung Kwok King (Honorary Chairman) and Mr. Marc Robert Compagnon; and the Independent Non-Executive Directors are Mrs. Margaret Leung Ko May Yee, Dr. Allan Wong Chi Yun, Mr. Martin Tang Yue Nien, Mr. Chih Tin Cheung and Mr. John G. Rice.