
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 I.T Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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 I.T Limited.

BROOKLYN INVESTMENT LIMITED
(Incorporated in Cayman Islands with limited liability)

I.T
I.T LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 999)

**(1) PROPOSAL FOR THE PRIVATISATION OF
I.T 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 I.T LIMITED**

Financial Adviser to the Offeror

Morgan Stanley

Joint Independent Financial Advisers to the Independent Board Committee



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED



中國通海企業融資有限公司
CHINA TONGHAI CAPITAL LIMITED

Unless the context otherwise requires, capitalised terms used in this Scheme Document 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 in Part IV 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 Joint Offeror Cooperation Arrangement is set out in Part V of this Scheme Document. A letter from the Joint Independent Financial Advisers containing their advice to the Independent Board Committee in connection with the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement is set out in Part VI of this Scheme Document. The Explanatory Statement is set out in Part VII of this Scheme Document. The actions to be taken by the Shareholders are set out in Part II of this Scheme Document.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Notices convening the Scheme Meeting and the SGM to be held at Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 16 April 2021 at 10:00 a.m. and 10:30 a.m. respectively (or, in the case of the SGM, as soon thereafter as the Scheme Meeting shall have concluded or been adjourned) are set out on pages SM-1 to SM-3 and SGM-1 to SGM-3 of this Scheme Document respectively. Whether or not you are able to attend the Scheme 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 Scheme 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 with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event 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 Scheme Meeting, it may also be handed to the Chairman of the Scheme Meeting (who will have absolute discretion on whether or not to accept it) at the Scheme Meeting if it is not so lodged.

Completion and return of a form of proxy for the Scheme 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.

Given the ever-evolving COVID-19 pandemic and the importance of safeguarding the health and safety of the Shareholders and attendees of the Scheme Meeting and the SGM, the Company will implement precautionary measures at the venue of the Scheme Meeting and the SGM which include but are not limited to:

- (i) All shareholders, proxies and other attendees are subject to compulsory body temperature check at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius or has any flu-like symptoms or is otherwise unwell will not be permitted to enter into the venue.
- (ii) All attending shareholders, proxies and other attendees are required to submit at the entrance of the venue a completed health declaration form (a copy can be downloaded from the Company's website at www.ithk.com). Any shareholder, proxy and other attendee who has travelled to areas outside of Hong Kong at any time in the preceding 14 days of the Scheme Meeting and the SGM, or is subject to any compulsory quarantine prescribed by the Department of Health of Hong Kong, or has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s), or lives with or has close contact with any person under home quarantine or self-quarantine in relation to COVID-19 will be denied entry into the venue.
- (iii) All shareholders, proxies and other attendees are required to clean their hands with alcohol-based hand sanitizer before entering the venue. All participants must wear a surgical mask and observe good personal hygiene throughout the Scheme Meeting and the SGM.
- (iv) Appropriate distance and space will be maintained in the seating plan. As the meeting room is of limited capacity, the Company may have other alternative arrangement at the venue as may be necessary.
- (v) The Company will not provide refreshments and will not distribute corporate gifts.
- (vi) If any participant declines to comply with any of the abovementioned measures, the Company reserves the right to deny such person to enter into the venue or to request him/her to leave the venue.
- (vii) The Company shall follow the latest directions under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation and implement further precautionary measures as and when necessary.

The Company strongly advises the Scheme Shareholders and Shareholders to appoint the Chairman of the Scheme Meeting and the Chairman of the SGM, respectively, as their proxy to vote on the resolution as an alternative to attending and voting at the Scheme Meeting and SGM in person.

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.

22 March 2021

TABLE OF CONTENTS

	<i>Page</i>
PART I — DEFINITIONS	1
PART II — ACTIONS TO BE TAKEN	9
PART III — EXPECTED TIMETABLE	13
PART IV — LETTER FROM THE BOARD	15
PART V — LETTER FROM THE INDEPENDENT BOARD COMMITTEE	50
PART VI — LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS	52
PART VII — EXPLANATORY STATEMENT	127
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — VALUATION OF THE OTHER OPERATIONS	II-1
APPENDIX III — LETTERS FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS AND THE AUDITOR ON UNAUDITED FINANCIAL INFORMATION	III-1
APPENDIX IV — GENERAL INFORMATION	IV-1
APPENDIX V — SCHEME OF ARRANGEMENT	V-1
APPENDIX VI — TRADING UPDATE ANNOUNCEMENT	VI-1
NOTICE OF SCHEME MEETING	SM-1
NOTICE OF SGM	SGM-1

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

“ABS 2000 Trust”	an irrevocable discretionary trust of which HSBCITL is the trustee, and Chairman (in his personal capacity), CCO (in his personal capacity), their respective spouses and family members are the beneficiaries
“ABS 2000 Trust Holding Companies”	Effective Convey Limited, Fine Honour Limited, Sure Elite Limited, Fresh Start Holdings Limited and Fortune Symbol Limited, which are directly wholly owned by HSBCITL (on trust for the benefits of Chairman (in his personal capacity), CCO (in his personal capacity), their spouses and family members) and which are the direct holders of the Shares owned by the ABS 2000 Trust
“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”	licences, approvals, permits, consents, permissions, clearances and registrations required by any Authority
“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
“Brand Operations”	the Group’s business operations relating to A Bathing Ape, AAPE by A Bathing Ape and associated sub-brands thereof, including Baby Milo, Milo Stores, BAPY, BAPE Black, and Mr. Bathing Ape
“business day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$3 per Non-Founder Scheme Share
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant

“CCO”	Mr. Sham Kin Wai, an executive Director and the chief creative officer of the Company
“Chairman”	Mr. Sham Kar Wai, an executive Director, the chairman of the Board and the chief executive officer of the Company
“Challenge Capital”	Challenge Capital Management Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“China Tonghai”	China Tonghai Capital Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	I.T 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: 999)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “ <i>Conditions of the Proposal</i> ” in the letter from the Board in Part IV of this Scheme Document
“Consortium Agreement”	the consortium agreement dated 4 December 2020 entered into between the Joint Offerors, Chairman and CCO (each in his personal capacity as a member of the Founder Group) in connection with the Proposal, the key terms of which are further described in the section headed “ <i>Consortium Agreement</i> ” in the letter from the Board in Part IV of this Scheme Document
“Court”	the Supreme Court of Bermuda
“CVC”	CVC Asia Pacific Limited, a company incorporated in Hong Kong, and its affiliates together with CVC Capital Partners SICAV-FIS S.A. and its subsidiaries and funds and investment vehicles managed or advised by the aforementioned entities (but excluding, for the avoidance of doubt, portfolio companies in which such funds and investment vehicles hold an interest)
“CVC Capital Partners Asia V Limited”	the general partner of CVC Funds
“CVC Funds”	CVC Capital Partners Asia V L.P. (96.15%), CVC Capital Partners Investment Asia V L.P. (1.58%) and CVC Capital Partners Asia V Associates L.P. (2.27%) which ultimately own CVC Holdco
“CVC Holdco”	Brooklyn Limited, a company incorporated in Hong Kong with limited liability which is wholly-owned by the CVC Funds
“CVC Network”	CVC Holdco, CVC and CVC Funds

“Director(s)”	the director(s) of the Company
“Disinterested Shareholders”	all of the Scheme Shareholders, 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 Scheme Shareholder who is interested in or involved in the Joint Offeror Cooperation Arrangement). For the avoidance of doubt, the Disinterested Shareholders include any member of the Morgan Stanley group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code
“EBITDA”	profit before income tax, share of losses of joint ventures, share of profit of an associate, finance income and finance costs, impairment of goodwill, property, furniture and equipment and right-of-use assets, depreciation and amortisation
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“EquityCo”	Brooklyn Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shareholding as at the Latest Practicable Date is detailed in the section headed “ <i>Information on the Offeror Group</i> ” in the letter from the Board in Part IV of this Scheme Document
“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 in Part VII of this Scheme Document
“Founder Cancellation Consideration”	the consideration to be received by members of the Founder Group holding Founder Scheme Shares for the cancellation of their Founder Scheme Shares under the Scheme, being the crediting of all of the unpaid EquityCo shares held by Founder Holdco (and approximately 13% of unpaid EquityCo shares that Founder Holdco has directed EquityCo to issue to CVC Holdco directly as part of the Joint Offeror Cooperation Arrangement) as being fully paid in an amount equivalent to the aggregate amount of the Cancellation Price per Scheme Share with respect to all the Founder Scheme Shares pursuant to the Joint Offeror Cooperation Arrangement
“Founder Group”	(a) Chairman (in his personal capacity); (b) CCO (in his personal capacity); (c) Ms. Sham Sau Han;

	(d) Ms. Sham Sau Wai;
	(e) Mr. Fung Yuk Hung;
	(f) the ABS 2000 Trust Holding Companies; and
	(g) Founder Holdco
“Founder Holdco”	3WH (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a member of the Founder Group
“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 letter from the Board in Part IV of this Scheme Document
“Founder Scheme Shares”	the Scheme Shares held by the Founder Group
“Framework Agreement”	the restructuring framework agreement dated 30 January 2021 signed between the Joint Offerors, Chairman, CCO (each in his personal capacity as a member of the Founder Group) and EquityCo, the key terms of which are further described in the section headed “ <i>Key terms of the Framework Agreement</i> ” in the letter from the Board in Part IV of this Scheme Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBCITL”	HSBC International Trustee Limited, a company incorporated in the Cayman Islands with limited liability
“Implementation Agreement”	the agreement entered into between the Offeror and the Company on 5 December 2020 pursuant to which the parties have agreed to pursue the Proposal, the key terms of which are further described in the section headed “ <i>Implementation Agreement</i> ” in the letter from the Board in Part IV of this Scheme Document
“Independent Board Committee”	the independent board committee of the Company comprising the following independent non-executive Directors: Dr. Wong Tin Yau, Kelvin, JP; Mr. Francis Goutenmacher; and Mr. Tsang Hin Fun, Anthony
“Interim Results Announcement”	the announcement of the Company dated 29 October 2020 relating to its interim results for the six months ended 31 August 2020

“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the joint announcement dated 6 December 2020 jointly issued by the Offeror and the Company
“Joint Independent Financial Advisers”	Challenge Capital and China Tonghai, being the joint independent financial advisers to advise the Independent Board Committee on the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement
“Joint Offeror Cooperation Arrangement”	(a) the cancellation of the Founder Scheme Shares in consideration for the Founder Cancellation Consideration; (b) the entry by the relevant members of the Founder Group, CVC Holdco and/or EquityCo into the Consortium Agreement and the Shareholders’ Agreement; and (c) the transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents)
“Joint Offerors”	Founder Group and CVC Holdco, and a “ Joint Offeror ” means each of them
“Last Trading Date”	30 November 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”	19 March 2021, 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 August 2021 (or any other date as may be agreed by the Offeror and the Company and as permitted by the Executive)
“Meeting Record Date”	Friday, 16 April 2021, or such other date to be announced to the Shareholders, being the record date for the purposes of determining the entitlement of Scheme Shareholders to attend and vote at the Scheme 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

“Non-Founder Scheme Shareholders”	the registered holders of the Non-Founder Scheme Shares
“Non-Founder Scheme Shares”	the Scheme Shares which are not held by the Founder Group
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 6 December 2020
“Offeror”	Brooklyn Investment Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly-owned by EquityCo
“Offeror Group”	EquityCo, 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
“Other Operations”	all the other operations of the Group other than the Brand Operations prior to completion of the Restructuring
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Condition”	the pre-condition to the making of the Proposal and the implementation of the Scheme, being the SAMR issuing a notice approving the Proposal and the Scheme, or the statutory clearance period specified by the SAMR pursuant to the PRC Anti-Monopoly Law, including any extension of such period, having elapsed and no objection having been raised or qualifications or requirements imposed by the SAMR in relation to the Proposal or the Scheme
“Pre-Condition Long Stop Date”	the date which is 180 days after the date of the Joint Announcement (or any other date as may be agreed by the Offeror and the Company and as permitted by the Executive)
“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
“Record Date”	Wednesday, 28 April 2021, or such other date to be announced to the Shareholders, being the record date for the purposes of determining the entitlements of the Non-Founder Scheme Shareholders to the Cancellation Price under the Scheme (whereas the members of the Founder Group holding Founder Scheme Shares will receive the Founder Cancellation Consideration under the Scheme pursuant to the Joint Offeror Cooperation Arrangement)

“Refinancing Documents”	the debt commitment letter issued by BNP Paribas and Standard Chartered Bank (Hong Kong) Limited to the Offeror on 6 December 2020 in connection with the Restructuring, and any financing, security or ancillary documents proposed to be entered into pursuant to the commitment letter, the details of which are further set out in the section headed “ <i>Information relating to the Brand Operations</i> ” in the letter from the Board in Part IV of this Scheme Document
“Refinancing Proceeds”	the total amount of loan to be drawn down by the entities dedicated to the Brand Operations under the five-year term loan facility pursuant to the Refinancing Documents (being up to HK\$1.8 billion)
“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 from 6 June 2020, being the date falling six months prior to 6 December 2020, being the commencement date of the offer period, up to and including the Latest Practicable Date
“Restructuring”	the restructuring of the Group and the Offeror Group (as applicable) which commenced after the date of the Joint Announcement and to be effected and completed after the Effective Date, such that: (a) the Group will separate its currently co-mingled Brand Operations and Other Operations; and (b) EquityCo will continue to own the Brand Operations, and Founder Holdco will own the Other Operations
“Restructuring Term Sheet”	the Restructuring term sheet dated 5 December 2020 signed between the Joint Offerors, Chairman, CCO (each in his personal capacity as a member of the Founder Group) and EquityCo, which has been terminated and superseded by the Framework Agreement
“SAMR”	The State Administration for Market Regulation of the PRC
“Scheme”	the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act involving, among other things, the cancellation of all of the Scheme Shares
“Scheme Document”	this composite scheme document (which contains, among other things, further details of the Proposal), the accompanying proxy forms and notices of the Scheme Meeting and the SGM, despatched by the Offeror and the Company to all Shareholders as required by the Takeovers Code
“Scheme Meeting”	the meeting of the Scheme Shareholders to be convened at the direction of the Court at Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 16 April 2021 at 10:00 a.m., at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Scheme Shareholders”	the registered holders of the Non-Founder Scheme Shares and the Founder Scheme Shares as at the Record Date
“Scheme Shares”	the Shares in issue on the Record Date

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, Hong Kong on Friday, 16 April 2021 at 10:30 a.m. (or immediately after the conclusion or adjournment of the Scheme Meeting) for the purposes of passing all necessary resolutions for, among other things, the implementation of the Scheme or any adjournment thereof
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement dated 5 December 2020 entered into between Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo, (as amended by the deed of amendment relating to the Shareholders’ Agreement dated 19 March 2021 entered into between the same parties), the key terms of which are further described in the section headed “ <i>Shareholders’ Agreement</i> ” in the letter from the Board in Part IV of this Scheme Document
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Update Announcement”	the announcement dated 26 February 2021 issued by the Company in relation to the unaudited third quarter trading update for the three months ended 30 November 2020
“US” or “United States”	the United States of America
“Valuation”	the fair value of 49.35% equity interest of the Other Operations as at 31 December 2020 as stated in the valuation report issued by the Valuer
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“%”	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.

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Scheme Meeting and the SGM, the register of members of the Company will be closed from Tuesday, 13 April 2021 to Friday, 16 April 2021 (both dates inclusive). In order to qualify to vote at the Scheme Meeting and the SGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 12 April 2021. 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 Scheme Meeting or the SGM.

A **pink** form of proxy for use at the **Scheme 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 Scheme 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 Scheme 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 branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Scheme Meeting should be lodged no later than 10:00 a.m. on Wednesday, 14 April 2021, which is 48 hours before the time appointed for holding the Scheme Meeting or any adjournment thereof. The pink form of proxy may also be handed to the Chairman of the Scheme Meeting (who will have absolute discretion on whether or not to accept it) at the Scheme Meeting. The white form of proxy for use at the SGM should be lodged no later than 10:30 a.m. on Wednesday, 14 April 2021, which is 48 hours before the time appointed for holding the SGM or any adjournment thereof, failing which it will not be valid. Please note that Friday, 2 April 2021 to Tuesday, 6 April 2021 are not working days in Hong Kong and the offices of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of forms of proxy.

The completion and return of a form of proxy for the Scheme 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 Scheme Meeting and/or the SGM, you will still be bound by the outcome of the Scheme 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 Scheme Meeting and/or the SGM in person or by proxy.

Voting at the Scheme 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 Scheme Meeting and the SGM on Friday, 16 April 2021 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 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, 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 Scheme Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend the Scheme 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 Scheme 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 Scheme Meeting and/or the SGM.

The appointment of a proxy by the Registered Owner at the Scheme 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 Scheme 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 Scheme 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 Scheme 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. 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.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of the HKSCC Nominees, you may also elect to become a Registered Owner, and thereby have the right to attend and vote (in person or by proxy) at the Scheme Meeting (if you are a Scheme Shareholder) and the SGM (as a Shareholder). You can become a Registered Owner by withdrawing some or all of your Shares from CCASS and arranging for such Shares to be transferred and registered in your own name. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Scheme Meeting and SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

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 Scheme Meeting under section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees 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.

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 SCHEME MEETING AND/OR AT THE SGM.

IF YOU WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE SCHEME 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 BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE SCHEME MEETING AND/OR AT THE SGM WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR OWN NAME (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN – ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS” ABOVE).

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 SCHEME 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.

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 dates and times.

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

Date of despatch of this Scheme Document	Monday, 22 March 2021
Latest time for lodging transfers of Shares in order to become entitled to vote at the Scheme Meeting and the SGM	4:30 p.m. on Monday, 12 April 2021
Register of members of the Company closed for determining entitlements of the Scheme Shareholders to attend and vote at the Scheme Meeting and entitlements of the Shareholders to attend and vote at the SGM (<i>Note 1</i>)	Tuesday, 13 April 2021 to Friday, 16 April 2021 (both days inclusive)
Latest time for lodging pink forms of proxy in respect of the Scheme Meeting (<i>Note 2</i>)	10:00 a.m. on Wednesday, 14 April 2021 (or alternatively to be handed to the chairman of the Scheme Meeting)
Latest time for lodging white forms of proxy in respect of the SGM (<i>Note 2</i>)	10:30 a.m. on Wednesday, 14 April 2021
Meeting Record Date	Friday, 16 April 2021
Scheme Meeting (<i>Note 3</i>)	10:00 a.m. on Friday, 16 April 2021
SGM (<i>Note 3</i>)	10:30 a.m. on Friday, 16 April 2021 (or immediately after the conclusion or adjournment of the Scheme Meeting)
Announcement of the results of the Scheme Meeting and the SGM.	no later than 7:00 p.m. on Friday, 16 April 2021
Expected last time for trading of Shares on the Stock Exchange	4:10 p.m. on Tuesday, 20 April 2021
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme.	4:30 p.m. on Thursday, 22 April 2021
Register of members of the Company closed for determining entitlements under the Scheme (<i>Note 4</i>).	from Friday, 23 April 2021 onwards
Court hearing of the petition for the sanction of the Scheme	Monday, 26 April 2021 (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 the Shares on the Stock Exchange	at or before 8:30 a.m. on Tuesday, 27 April 2021
Record Date	Wednesday, 28 April 2021
Effective Date (<i>Note 5</i>)	Wednesday, 28 April 2021 (Bermuda time)
Announcement of (1) the Effective Date; and (2) the withdrawal of listing of the Shares on the Stock Exchange	Wednesday, 28 April 2021
Withdrawal of listing of Shares on the Stock Exchange becomes effective (<i>Note 6</i>)	9:00 a.m. on Friday, 30 April 2021
Cheques for the cash payment under the Scheme to be despatched (<i>Note 7</i>)	on or before Friday, 7 May 2021

Notes:

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Scheme Meeting and the entitlement of the Shareholders to attend and vote at the SGM. This book closure period is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Scheme 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 lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible, but in any event 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 Scheme Meeting, it may also be handed to the Chairman of the Scheme Meeting (who will have absolute discretion on whether or not to accept it) at the Scheme Meeting if it is not so lodged. The completion and return of a form of proxy for the Scheme Meeting or the SGM will not preclude a Scheme Shareholder or a Shareholder, respectively, from attending and voting in person at the relevant meeting or any adjournment thereof and, in such event, the relevant form of proxy will be revoked by operation of law.
3. The Scheme Meeting and the SGM will be held at Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at the times and dates specified above. Please refer to the notice of the Scheme Meeting and the notice of the SGM as set out in pages SM-1 to SM-3 and pages SGM-1 to SGM-3, respectively, of this Scheme Document.
4. The register of members of the Company will be closed during such period for the purposes of determining the entitlements of the Scheme Shareholders under the Scheme.
5. The Scheme will become effective upon all the Conditions to the Proposal as set out in the section headed "*Conditions of the Proposal*" in the letter from the Board in Part IV of this Scheme Document having been fulfilled or waived (as applicable).
6. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Friday, 30 April 2021.
7. Cheques for cash entitlements to the Scheme Shareholders under the Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company within seven business days of the Effective Date.



I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

Executive Directors:

Sham Kar Wai
Sham Kin Wai
Chan Wai Kwan

Independent Non-Executive Directors:

Francis Goutenmacher
Wong Tin Yau, Kelvin, JP
Tsang Hin Fun, Anthony

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

31/F, Tower A
Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

22 March 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION
OF
I.T 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 I.T LIMITED**

INTRODUCTION

On 6 December 2020, the Offeror and the Company jointly announced that the Offeror and the Company have entered into the Implementation Agreement, pursuant to which the parties have agreed to use all reasonable endeavours to implement the Proposal to privatise the Company by way of a scheme of arrangement under section 99 of the Companies Act, subject to the Pre-Condition and the Conditions being fulfilled or waived, as applicable. On 19 January 2021, the Pre-Condition had been satisfied.

If the Scheme is approved and implemented:

- (a) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement;
- (b) all Non-Founder Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$3 per Non-Founder 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 directly 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 Joint Offeror Cooperation Arrangement) and to give you notice of the Scheme 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 in Part V of this Scheme Document; (ii) the letter from the Joint Independent Financial Advisers set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the Scheme set out in Appendix V headed “*Scheme of Arrangement*” to this Scheme Document.

TERMS OF THE PROPOSAL

The Board has, upon the satisfaction of the Pre-Condition, put forward the Proposal. Upon the fulfilment of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and:

- (a) for cancellation of the Founder Scheme Shares, Founder Holdco will be entitled to receive the crediting as being fully paid of all of its approximately 50.65% unpaid EquityCo shares (and approximately 13% of unpaid EquityCo shares that Founder Holdco has directed EquityCo to issue to CVC Holdco directly as part of the Joint Offeror Cooperation Arrangement as detailed in the section headed “*Joint Offeror Cooperation Arrangement*” below, including, amongst others, the “share adjustment” arrangement as set out in further details in paragraph (k) of the section headed “*Shareholders’ Agreement*” below and the arrangements described in the section headed “*Restructuring*” below); and
- (b) for cancellation of the Non-Founder Scheme Shares, the Non-Founder Scheme Shareholders will be entitled to receive the Cancellation Price of HK\$3 per Non-Founder Scheme Share in cash.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the consideration for cancellation of the Founder Scheme Shares and Non-Founder Scheme Shares 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 following the Effective Date.

Cancellation Price per Non-Founder Scheme Share

The Cancellation Price of HK\$3 per Non-Founder Scheme Share represents:

- (a) a premium of approximately 7.5% over the closing price of HK\$2.790 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 54.6% over the closing price of HK\$1.940 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 84.7% over the average closing price of approximately HK\$1.624 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 135.5% over the average closing price of approximately HK\$1.274 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 162.4% over the average closing price of approximately HK\$1.143 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 173.0% over the average closing price of approximately HK\$1.099 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 170.4% over the average closing price of approximately HK\$1.109 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 156.7% over the average closing price of approximately HK\$1.169 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 51.8% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.977 as at 29 February 2020; and
- (j) a premium of approximately 73.1% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.733 as at 31 August 2020, which is calculated by the sum of the Company's total issued share capital of HK\$119.58 million and total reserves of HK\$1,953.07 million (which are based on the financial information disclosed in the Interim Results Announcement), divided by the total number of outstanding Shares of 1,195,797,307 as at 31 August 2020.

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.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.870 on 4 February and 2 February 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.960 on 8 September 2020, 7 September 2020 and 10 August 2020.

Basis for determining 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 Group, the significant investment required to reinvigorate the financial performance of the Group, financial performance of the Group, recent and historic traded prices of the Shares, and with reference to other privatisation transactions in Hong Kong in recent years.

Dividend payment by the Company

As at the Latest Practicable Date, the Company had not declared any dividend which remained unpaid. The Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be). For the avoidance of doubt, the Cancellation Price does not include any dividend that may be declared by the Company (subject to the approval of the Shareholders) prior to the Effective Date and the Cancellation Price will not be affected or reduced by the Shareholders' entitlement to such dividend (if any).

Events following the Scheme becoming effective

On the basis of the number of Scheme Shares in issue as at the Latest Practicable Date, if the Conditions are fulfilled or waived (as applicable) and upon the Scheme becoming effective:

- (a) all of the Scheme Shares will be cancelled;
- (b) contemporaneously with the cancellation of the Scheme Shares, the Company will issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled such that the issued share capital of the Company will be maintained at the amount in issue immediately prior to the cancellation of the Scheme Shares. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid; and
- (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15(2) of the Listing Rules.

Assuming that the Scheme becomes effective on 28 April 2021, cheques for cash entitlements under the Scheme will be despatched as soon as possible, but in any event within seven business days following the Effective Date and accordingly, the cheques are expected to be despatched on or before 7 May 2021. Cheques shall be despatched by ordinary post at the risk of the addressees and none of the Offeror, any Joint Offeror, the Company, Morgan Stanley, any Joint Independent Financial Advisers and the Company's Hong Kong branch 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.

CONFIRMATION OF FINANCIAL RESOURCES

The Proposal involves making an offer to cancel all of the Non-Founder Scheme Shares, in exchange for the Cancellation Price of HK\$3 per Non-Founder Scheme Share in cash.

Taking into account that the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration, the total amount of cash required to implement the Proposal in full will be approximately HK\$1,305,593,229. The Offeror proposes to finance the consideration payable under the Scheme with a combination of existing fund facilities available to and/or equity commitment from the CVC Funds.

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.

PRE-CONDITION TO THE PROPOSAL AND THE SCHEME

The making of the Proposal was, and the implementation of the Scheme had been, subject to the satisfaction of the non-waivable Pre-Condition (being the SAMR issuing a notice approving the Proposal and the Scheme, or the statutory clearance period specified by the SAMR pursuant to the PRC Anti-Monopoly Law, including any extension of such period, having elapsed and no objection having been raised or qualifications or requirements imposed by the SAMR in relation to the Proposal or the Scheme) on or prior to the Pre-Condition Long Stop Date. On 19 January 2021, the Pre-Condition had been satisfied.

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 Scheme 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 Scheme Meeting (the Founder Group having provided an undertaking 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 – see the section headed “*Founder Irrevocable Undertakings*” below);
- (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 Scheme 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 Joint Offeror Cooperation Arrangement: (i) the receipt of an opinion from the Joint Independent Financial Advisers to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Joint Offeror Cooperation Arrangement;

- (g) all Approvals which are: (i) required in connection with the Proposal by Applicable Laws or any licences, 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;
- (h) 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);
- (i) 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;
- (j) since the date of the Joint Announcement, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole; and
- (k) save in connection with the implementation of the Proposal, the listing of the Company on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange, to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions in paragraphs (a) to (i) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (j) to (k) (inclusive) above 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 Pre-Condition and the Conditions in paragraphs (a) to (f) (inclusive) above, the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (g) to (i) (inclusive) above not being satisfied. As at the Latest Practicable Date and based on the information available to the Offeror, other than pursuant to the Pre-Condition and the Conditions in paragraphs (a) to (f) (inclusive) above, the Offeror was also not aware of any other Approvals which are required as set out in the Condition in paragraph (g) above.

As at the Latest Practicable Date, the Pre-Condition had been satisfied, all Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the Conditions had been satisfied or waived.

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 Scheme Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Scheme Meeting and the SGM on 16 April 2021 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.

FOUNDER IRREVOCABLE UNDERTAKINGS

On 5 December 2020, each member of the Founder Group gave an irrevocable undertaking in favour of the Offeror and CVC Holdco being the other Joint Offeror:

- (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;
- (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.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

Implementation Agreement

On 5 December 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 cooperate 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; and (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, unless otherwise approved by the Shareholders in a general meeting in accordance with Rule 4 of the Takeovers Code, 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, authorising or proposing the issue of any securities or making any change to its share capital, other than in respect of a wholly-owned member of the Group or pursuant to the terms of any shareholders' agreement governing any member of the Group; (iii) in respect of the Company only, recommending, proposing, declaring, paying or making any bonus issue, dividend or other distribution; (iv) entering into any merger or acquiring or disposing of any material assets; (v) incurring any indebtedness or creating any encumbrance, other than in the ordinary and usual course of business; (vi) creating or agreeing to create any encumbrance over its business or any asset except in the ordinary and usual course of business of the Group; or (vii) transferring or assigning to any third party any intellectual property which it owns or has the right of use as at the date of the Implementation Agreement as well as any other intellectual property which it subsequently acquires or obtains the right of use of.

The Company has further undertaken, amongst other things, that it will not, and will procure that no member of the Group shall, directly or indirectly (a) solicit, encourage, or otherwise seek to procure the submission of proposals, indications of interests or offers of any kind which are reasonably likely to lead to an alternative offer from any person other than the Offeror; and (b) enter into, or participate in, any discussions or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an alternative offer or provide any due diligence information on the Company and the Group to any third party in connection therewith, save to the extent that, based on the written advice of external legal counsel: (i) the Board reasonably considers that they are likely to be in breach of their directors' duties or statutory duties not to do so; or (ii) they are required to do so under Rule 6 of the Takeovers Code or other Applicable Laws.

Nothing in the Implementation Agreement is intended to prevent or deprive: (a) the Shareholders from having the opportunity to consider; or (b) 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.

Joint Offeror Cooperation Arrangement

As part of the Proposal, the relevant members of the Founder Group, CVC Holdco, EquityCo and/or the Offeror entered into the following Joint Offeror Cooperation Arrangement:

- (a) Consortium Agreement;
- (b) Shareholders' Agreement; and
- (c) transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents).

As the Joint Offeror Cooperation Arrangement (being: (a) the cancellation of the Founder Scheme Shares in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement; (b) the entry by the relevant members of the Founder Group, CVC Holdco and/or EquityCo into the Consortium Agreement and Shareholders' Agreement; and (c) the transactions in connection with the Restructuring) is not offered to all Shareholders (and is only offered to the members of the Founder Group, such that, after the Effective Date and the completion of the Restructuring, the Founder Group may continue to retain management control over, contribute to, participate in potential distributions of, and potentially benefit from a non-guaranteed increase in value of the Offeror Group, while at the same time bearing the risk of a potential fall in value, potential losses, or potential streams of negative cash flows of, or potential need for additional capital injection into the Offeror Group, resulting from undesirable performance or adverse market conditions, amongst other factors), the Joint Offeror Cooperation 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 from the Executive to the Joint Offeror Cooperation Arrangement conditional on (a) the Joint Independent Financial Advisers to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement.

The Proposal and the Scheme are therefore subject to:

- (a) the receipt of an opinion from the Joint Independent Financial Advisers to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement; and
- (c) the grant of consent from the Executive to the Joint Offeror Cooperation Arrangement, which will be conditional on satisfaction of the matters in paragraphs (a) and (b) above.

The Joint Independent Financial Advisers have stated in the letter from the Joint Independent Financial Advisers that they consider that the terms of the Proposal, including the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Joint Independent Financial Advisers have advised the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM. Please refer to the full text of the letter from the Joint Independent Financial Advisers as set out in Part VI of this Scheme Document. If the Joint Offeror Cooperation Arrangement is not approved by the Disinterested Shareholders at the SGM, the Joint Offeror Cooperation Arrangement will not be implemented, and the Scheme will not proceed.

Consortium Agreement

On 4 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), and the Joint Offerors 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 EquityCo 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.

Shareholders' Agreement

On 5 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo 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. On 19 March 2021, the same parties entered into a deed of amendment relating to the Shareholders' Agreement. A summary of the key terms of the Shareholders' Agreement (as amended by the deed of amendment) is set out below:

- (a) **Board composition.** Founder Holdco shall have the right to appoint three directors on the board of EquityCo, and CVC Holdco shall have the right to appoint two directors.
- (b) **Voting rights.** Ordinary shares, class A preference shares and class B preference shares in EquityCo will be voting, and each share will carry one vote.
- (c) **Dividend rights.** Each preference share will have a cumulative non-cash coupon at the rate of 10% per annum. No dividend on any ordinary share shall be declared unless the accrued interest on the preference shares is fully settled. EquityCo shall, as soon as practicable after the Effective Date and in any event prior to CVC Holdco's exit from EquityCo, declare and pay in cash to CVC Holdco, as a holder of class B preference shares, prior to and in preference to the dividend rights of any other EquityCo shareholder, an additional preferred dividend of HK\$800,000,000 (so long as the Offeror Group's balance sheet and debt financing terms and the applicable law permit such distribution, including through a dividend re-capitalisation, whereby EquityCo could borrow money to fund such preferred dividend payment together with any existing cash resources of the Offeror Group). While the timing of the declaration and payment of such additional preferred dividend to CVC Holdco through cash distribution is uncertain, in any event, CVC Holdco will be entitled to the economic benefits of such additional preferred dividend in its various exit scenarios. Please refer to the section headed "*Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco*" on pages 32-36 below for further analysis of CVC Holdco's right to the HK\$800 million preferred dividend.
- (d) **Reserved matters.** EquityCo board will be responsible for the overall direction, supervision and management of the Offeror Group, subject to minority protection reserved matters over which CVC Holdco shall have a veto right. Such reserved matters include, among others, amendment of constitutional documents and share capital, liquidation and winding up of any company of the Offeror Group, approval of the business plan and annual budget, appointment of auditors and senior management of the Offeror Group, change of business scope, any material borrowings, mergers, investments, acquisitions, disposals, granting of any material guarantees other than provided in the business plan, entering into or settling any material dispute, and entering into any material related party transactions.
- (e) **Pre-emption rights.** Each shareholder shall have pre-emption rights to participate in any issuance of new shares by EquityCo.
- (f) **Transfer restriction.** Other than with the prior written consent of CVC Holdco, Chairman, CCO (each in his personal capacity) and Founder Holdco shall not, subject to customary exceptions, transfer their or its EquityCo shares to third parties during the term of the Shareholders' Agreement.
- (g) **Non-compete and non-solicit.** Founder Holdco, Chairman, CCO (each in his personal capacity) and their affiliates shall not, other than carrying on the Other Operations, compete with the Brand Operation, and shall not solicit the employment of the senior managers of the Offeror Group, subject to customary exceptions.

- (h) **Liquidation preference.** In case of a liquidation event (including, with respect to the Offeror Group, any liquidation, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets), ahead of holders of other classes of shares, holders of class B preference shares shall be entitled to (i) participate in such liquidation event, or (ii) be paid by EquityCo, in respect of holders of class B preference shares, an amount no less than the sum of its investment amount and all accrued and unpaid dividend (including the HK\$800 million preferred dividend).
- (i) **Conversion rights.** Each preference share of EquityCo shall be automatically converted into ordinary shares immediately prior to the consummation of any initial public offering of EquityCo based on a conversion formula which, with respect to CVC Holdco as a holder of class B preference shares, factors in the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividends entitled to be received by CVC Holdco (including the HK\$800 million preferred dividend) towards CVC Holdco's entitlement under its conversion right.
- (j) **Exit.** Shareholders of EquityCo endeavour to procure that EquityCo shall consummate a qualified initial public offering (being a fully marketed public offering of EquityCo shares on the stock exchanges in Hong Kong, Tokyo, New York or other internationally reputable stock exchanges as EquityCo shareholders may agree) or a trade sale (being the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco) within approximately three to five years after the Effective Date, through which shareholders may exit from EquityCo. CVC Holdco has the right (but not the obligation) to exit ahead of other shareholders. CVC Holdco has the right to, in its absolute discretion, decide whether and when to pursue a qualified initial public offering or a trade sale if CVC Holdco has not exited from EquityCo five years from the Effective Date. In relation to the potential qualified initial public offering, as at the Latest Practicable Date, the shareholders of EquityCo had not agreed on any expected offer price or post-market valuation, or the method of listing.
- (k) **Share adjustment.** If the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo (calculated based on CVC Holdco's net return amount and investment amount) is in the range from 3.2 times to 3.5 times, up to approximately 13% of EquityCo shares (which were initially issued and credited to CVC Holdco as fully paid at the direction of Founder Holdco around the time of the Joint Announcement and the Effective Date respectively, and, as at the Effective Date, amounts to approximately HK\$465 million economic value as further elaborated in the section headed "*Restructuring*" below, and the future value of which at the time of CVC Holdco's future exits may change and is uncertain as at the Latest Practicable Date) will be proportionally returned to Founder Holdco upon CVC Holdco's future exits from EquityCo in accordance with a gradual scale. There is no certainty as to CVC Holdco's future exit return nor any guarantee that such share adjustment will eventually take place.
- (l) **Preferred dividend sharing.** After taking into account the share adjustment as described above, if the net money-on-money return achieved by CVC Holdco upon its future exits from EquityCo is greater than 3.5 times, CVC Holdco will share with Founder Holdco up to 63.5% of its preferred dividend actually received by CVC Holdco from EquityCo (to the extent that CVC Holdco's net money-on-money return remains above 3.5 times). There is no certainty as to CVC Holdco's future exit return nor any guarantee that such preferred dividend sharing will eventually take place.

- (m) **Additional upside sharing.** After taking into account the share adjustment and the preferred dividend sharing as described above, if the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo still exceeds 3.5 times, CVC Holdco will share with Founder Holdco an additional cash amount equal to approximately 15% of CVC Holdco's net return that is in excess of 3.5 times. There is no certainty as to CVC Holdco's future exit return nor any guarantee that such additional upside sharing will eventually take place.
- (n) **Termination.** The Shareholders' Agreement shall terminate (i) by the parties' written agreement, (ii) with respect to a shareholder, if that shareholder holds less than 10% EquityCo shares, (iii) upon a qualified initial public offering, and (iv) upon all EquityCo shares being held by one person.

Restructuring

Key terms of the Framework Agreement

On 5 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo entered into a legally binding Restructuring Term Sheet. In accordance with the Restructuring Term Sheet, on 30 January 2021, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo entered into the Framework Agreement, which terminated and superseded the Restructuring Term Sheet.

The Framework Agreement is the governing and guiding document for the Restructuring transactions. It reflects the principles and key terms of the Restructuring Term Sheet, and includes more detailed implementing provisions to effect the key terms agreed in the Restructuring Term Sheet. Pursuant to the Framework Agreement, parties have agreed to:

- (a) procure the implementation of the Restructuring, the process of which commenced promptly after the date of the Joint Announcement and is intended to be substantially completed within a short period of time after the Effective Date;
- (b) procure the establishment of new Group entities dedicated for the Brand Operations which are required to effect the Restructuring;
- (c) procure that necessary legally binding intra-group documents, implementing asset and share transfers conditional on and taking effect after the Effective Date (unless otherwise agreed between the parties) are entered into as soon as practicable after the new Group entities described in paragraph (b) above are set up, in order to separate the Group's co-mingled Brand Operations and the Other Operations by intra-group separation and transfer of the Brand Operations' identified employees, inventory, other tangible and fixed assets, lease agreements, other third-party contracts, intellectual properties, information technology infrastructure, data and cash from the co-mingled Group entities to selected or newly established Group entities dedicated to the Brand Operations. In this regard, the following types of agreement will be entered into:
 - (i) intra-group asset transfer agreement, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer of an agreed list of identified assets of the Brand Operations including inventories, stores, and other fixed assets and includes customary provisions relating to completion mechanism, liability apportionment, and further assurance obligations on the same terms and principles as set out in the Framework Agreement;

- (ii) intra-group share transfer agreement, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer of shares in four Group entities dedicated for the Brand Operations and includes customary provisions relating to completion mechanism, and fundamental warranties on title and capacity to be given by the transferor to the relevant transferee;
- (iii) intra-group intellectual property assignment deed, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer and assignment of an agreed list of identified intellectual property rights of the Brand Operations (including trade-marks, registered designs, registered copyright and domain names) and includes customary provisions relating to the assignment of ancillary rights (such as rights to apply for or defend the trademarks), warranties relating to title, no encumbrances and non-infringement of third party rights, undertakings, and indemnities to be given by the relevant transferor to the relevant transferee and further assurance obligations;
- (iv) intra-group transfer of an agreed lists of employees from the Other Operations to the Brand Operations on substantially the same terms as they are currently employed; and
- (v) intra-group transfer (by novation, split or renegotiation) of an agreed list of commercial contracts and leases entered into with third parties from the Other Operations to the Brand Operations on substantially the same terms as their current terms.

Pursuant to the Framework Agreement, the parties agreed that upon the completion of the Restructuring: (i) the Brand Operations will be allocated with sufficient cash of the Group to support its operations (being HK\$126 million as at the end of March 2021 and additional cash generated or received by the Brand Operations afterwards); (ii) the Other Operations will be allocated with the remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion immediately upon completion of the Restructuring); and (iii) the Refinancing Proceeds (being up to HK\$1.8 billion) to be borrowed by the entities dedicated to the Brand Operations pursuant to the Refinancing Documents (together with the cash reserves of the Group and proceeds of an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group and be allocated to the Other Operations) pursuant to the Framework Agreement) will be passed on to the Other Operations (as consideration for transfer of the assets, shares and intellectual properties of the Brand Operations as further described in the paragraph immediately below) to repay and discharge all the existing borrowings of the Group (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) so that the Other Operations would have no external debt. Please refer to the sections headed "*Valuation of the Other Operations*", "*Financial Information of the Other Operations*", "*Information relating to the Brand Operations*" and "*Information relating to the Other Operations*" on pages 36-39 below for further information of the Brand Operations and the Other Operations. Please refer to the section headed "*Information relating to the Brand Operations*" on pages 37-38 below for further details of the Refinancing Documents. Under the valuation report set out in Appendix II to this Scheme Document, the Valuer has taken into account the cash and cash equivalents of HK\$1.3 billion and nil interests bearing debt of the Other Operations immediately upon completion of the Restructuring after allocating the cash of the Group and Refinancing Proceeds pursuant to the above arrangement under the Framework Agreement in arriving at its valuation of the 49.35% equity interest in the Other Operations.

In connection with the debt refinancing arrangement pursuant to the Framework Agreement, the parties agreed that the total amount of consideration payable by the entities dedicated to the Brand Operations to the entities dedicated to the Other Operations for the intra-group transfers of the assets, shares and intellectual properties of the Brand Operations pursuant to the Framework Agreement as described in this paragraph (c) will be the total amount of the Refinancing Proceeds (being up to HK\$1.8 billion).

After implementing asset and share transfers, cash allocation and debt refinancing steps pursuant to the Framework Agreement as described in this paragraph (c):

- (i) entities dedicated to the Brand Operations will use the Refinancing Proceeds to purchase the assets, shares and intellectual properties of the Brand Operations pursuant to the Framework Agreement, to complete the separation of the Brand Operations and the Other Operations;
- (ii) entities dedicated to the Other Operations will use the Refinancing Proceeds received from the Brand Operations (together with the cash reserves of the Group and an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations) to repay the Group's external bank debt borrowed by the entities dedicated to the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) and associated costs;
- (iii) the transactions under steps (i) and (ii) above will happen simultaneously; and
- (iv) after allocating all cash and Refinancing Proceeds of the Group pursuant to the Framework Agreement, immediately upon completion of the Restructuring, the Other Operations will have remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion) and no external bank debt.

If it is not possible for any particular asset or contract transfers to be completed within a short period of time after the Effective Date (for reasons such as restrictions under applicable laws or failure to receive any third-party consent), then transitional alternative contractual arrangements, conditional on and taking effect after the Effective Date, shall be put in place, such that the Brand Operations may enjoy the equivalent arrangements relating to the relevant assets or contracts before or after completion of the Restructuring, pending transfers of the relevant asset or contract on the terms as disclosed in this paragraph (c). Parties will minimise as much as possible the need to enter into any alternative arrangement, which serves as fallback arrangements where the intended transfers pursuant to the Framework Agreement cannot be completed in time. The alternative arrangements will be implemented based on or consistent with the material terms of the relevant transfers as disclosed in this paragraph (c) or material terms of the transitional services agreements as disclosed in paragraph (d) immediately below; and

- (d) procure that the Brand Operations and the Other Operations enter into:
- (i) transitional services agreements, key terms of which are summarised as follows:
- | | |
|-------------------------------------|---|
| <i>Service scope/subject matter</i> | provision of services by the Other Operations to the Brand Operations relating to IT (including e-commerce), logistics, design support, administration and operations support and facilities services and other areas where transitional services are required; |
| <i>Tenure</i> | a period of six to twelve months with an early termination right by the relevant service recipient; |
| <i>Service Levels</i> | on equivalent services standards as provided to the services recipient as during the twelve month period prior to completion of the Restructuring; and |
| <i>Pricing/Pricing Policy</i> | charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-up. |
- (ii) long-term services agreements, key terms of which are summarised as follows:
- | | |
|-------------------------------------|--|
| <i>Service scope/subject matter</i> | long-term trading arrangement between the Brand Operations and the Other Operations, being (i) consignment or similar agreements for the sale of the Brand Operations products (i.e. fashion apparel and accessories bearing the trademarks of the Brand Operations) in the online and offline multi-branded channels of the Other Operations (or vice versa); (ii) facility services agreement for provision of services by the Other Operations to the Brand Operations relating to conference rooms, pantries and utilities in the PRC; and/or (iii) property and facility services for provision of services by the Other Operations to the Brand Operations relating to office premises in Taiwan to be provided by the Other Operations to the Brand Operations; |
| <i>Tenure</i> | the facility and property services will be provided for the duration of the relevant lease, with an early termination right by the relevant service recipient. The duration for other long-term services will depend on future business needs; |
| <i>Service Levels</i> | on equivalent services standards as provided to the services recipient as during the twelve month period prior to completion of the Restructuring for the facility and property services. The service levels for other long-term services will depend on future business needs; and |

Pricing/Pricing Policy

the facility and property services will be charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-up. The pricing for other long-term services will be determined based on market price and arm's length commercial negotiations, and on terms no more favorable than the terms available to and/or from any independent third-party service provider providing similar services in the relevant local market. Each time when a long-term agreement is entered into, the service recipient will compare the rate offered by the Brand Operations or the Other Operations (as the case may be) with the market rates charged by other independent third-party service providers in the relevant local market, and the prices to be charged by the Brand Operations or the Other Operations (as the case may be) under any long-term services will be within the range of the market rate charged by other independent third-party service providers in the relevant local market.

As at the Latest Practicable Date, the new Group entities and each of their branches dedicated to the Brand Operations required to effect the Restructuring are in the process of being set up and such new Group entities and their branches will be substantially set up by the end of April 2021 (subject to potential delays in certain locations). As at the Latest Practicable Date, whilst communications relating to the Restructuring are being carried out within the Group and with the Brand Operations' third-party contract counterparties, other than the Restructuring Term Sheet and the Framework Agreement (which terminated and superseded the Restructuring Term Sheet), no definitive implementing documents to implement and effect the transfers of Brand Operations' asset and shares, any alternative arrangement, the transitional or long-term services arrangements pursuant to the Framework Agreement had been signed. It is anticipated that such definitive implementing documents may be signed before, on or within a short period after the Effective Date, pursuant to and in accordance with the terms of the Framework Agreement.

There will be no change in the material terms of the Framework Agreement or the material terms of such definitive implementing documents relating to the Restructuring as disclosed in this section headed "*Restructuring*" between the Latest Practicable Date and the completion of the Restructuring. Pursuant to the Framework Agreement, to the extent that any definitive documents implementing the intra-group transfers of the assets and shares of the Brand Operations are signed before the Effective Date, such definitive agreements will be conditional upon and will only take effect after the Effective Date (unless otherwise agreed between the parties). Pursuant to the Implementation Agreement and the Consortium Agreement, any costs incurred relating to the Restructuring (together with any costs incurred relating to the Scheme and the other parts of the Joint Offeror Cooperation Arrangement) will be borne by the Offeror and ultimately be shared by the Joint Offerors, regardless of whether the Scheme becomes effective, lapses or is withdrawn.

Furthermore, under the Framework Agreement:

- (a) the Founder Group members have warranted to CVC Holdco that: (i) they have the requisite power and authority to enter into and perform the binding obligations under the Framework Agreement and the related implementing documents; and (ii) assets or shares of the Brand Operations being transferred pursuant to the Framework Agreement are validly owned by the relevant transferor without encumbrance, and are sufficient for the operation of the Brand Operations; and

- (b) the parties have agreed that, with respect to liabilities incurred in connection with the relevant Brand Operations' assets being transferred pursuant to the Framework Agreement, the transferor shall be responsible, and shall indemnify the transferee, for the liabilities incurred before and up to the date of the relevant transfer, and the transferee shall be responsible, and shall indemnify the transferor, for the liabilities incurred after the date of the relevant transfer.

After the Scheme becomes effective, CVC Holdco will have a 49.35% indirect interest in the Other Operations (as part of the Offeror Group). After the Brand Operations and the Other Operations are effectively separated after the Effective Date, under the Framework Agreement, CVC Holdco has agreed to transfer or procure the transfer of its 49.35% indirect interest in the Other Operations to Founder Holdco in accordance with the steps set out in the Framework Agreement, the key transaction steps being (i) the transfer by the Company of all of its shares in the holding company of the Other Operations to Founder Holdco in consideration for the issue by Founder Holdco of a promissory note for the amount of HK\$10 million to the Company (together with other quantifiable and non-quantifiable consideration as set out in the section headed "*Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco*") immediately below on pages 32 to 36); (ii) the distribution or assignment of such promissory note from the Company to the Offeror and then to EquityCo; and (iii) the buy-back by EquityCo from Founder Holdco of EquityCo shares representing HK\$10 million of EquityCo's share capital, payable by setting off against the promissory note of HK\$10 million owed by Founder Holdco to EquityCo.

EquityCo's share capital structure as at the Latest Practicable Date is set out below. EquityCo's share capital structure as at the Latest Practicable Date will remain unchanged as at the Effective Date and immediately prior to the completion of the Restructuring.

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	5,015,008	1,811,864,043	0	1,816,879,051	50.65%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.35%
Total	<u>10,027,953</u>	<u>1,811,864,043</u>	<u>1,765,499,925</u>	<u>3,587,391,921</u>	<u>100%</u>

The Restructuring steps for transfer of the CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco will reduce EquityCo's total share capital and EquityCo's share capital attributable to Founder Holdco by HK\$10 million, respectively. Accordingly, immediately upon completion of these Restructuring steps, EquityCo's share capital structure will be as follows:

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	4,987,055	1,801,891,996	0	1,806,879,051	50.51%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.49%
Total	<u>10,000,000</u>	<u>1,801,891,996</u>	<u>1,765,499,925</u>	<u>3,577,391,921</u>	<u>100%</u>

Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco

Having taken into account the Other Operations' financial condition, lease liabilities and other cash requirements for operating and reviving its business, the consideration for the transfer of CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco includes, amongst others, the following:

- (a) by directing EquityCo to credit as fully paid approximately 13% EquityCo shares to CVC Holdco (which were issued by EquityCo to CVC Holdco on an unpaid basis before the date of the Joint Announcement) at the Effective Date, Founder Holdco is deemed to have been passed to CVC Holdco approximately HK\$465 million economic value (being approximately 13% of EquityCo's total share capital of HK\$3,587,391,921 as at the Effective Date, as further disclosed in the section headed "*Information on the Offeror Group*" on page 44 below).

As disclosed in the section headed "*Shareholding Structure of the Company and Effect of the Proposal*" on pages 40-43 below, as at the Latest Practicable Date, the Founder Scheme Shares represent approximately 63.61% of the total Shares. Pursuant to the terms of the Proposal, in consideration of cancelling the Founder Scheme Shares (representing approximately 63.61% of the total Shares), Founder Holdco will only receive approximately 50.65% EquityCo shares as part of the Founder Cancellation Consideration. The economic value of the remaining approximately 13% EquityCo shares (equivalent to approximately HK\$465 million in economic value as at the Effective Date) is deemed to have been passed to CVC Holdco as at the Effective Date as part of the Joint Offeror Cooperation Arrangement and as part of the consideration for the disposal of CVC Holdco's 49.35% indirect interests in the Other Operations to Founder Holdco.

Pursuant to the terms of the Shareholders' Agreement, all or part of such 13% EquityCo shares issued to CVC Holdco at the direction of Founder Holdco are subject to potential adjustment and may be transferred to Founder Holdco for nil consideration upon CVC Holdco's future exits from EquityCo through a qualified initial public offering or a trade sale years after the Effective Date as part of the incentivisation arrangement offered by CVC Holdco to the Founder Group who will continue to retain management control over, contribute its expertise and skills and drive the future value creation of the Offeror Group (consisting of the Brand Operations only after completion of the Restructuring) under the Joint Offeror Cooperation Arrangement. Under the Shareholders' Agreement, CVC Holdco will only transfer all or some of such 13% EquityCo shares it holds to Founder Holdco based on a gradual scale (with the percentage of share adjustment corresponding to the net return achieved by CVC Holdco through its future exits) as set out in the Shareholders' Agreement in the event that the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is from 3.2 times to 3.5 times. In the event that the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is below 3.2 times, no EquityCo shares will be transferred to Founder Holdco under the share adjustment arrangement.

There is no certainty as to whether, when or how CVC Holdco will exit from EquityCo, future return that can be actually achieved by CVC Holdco through its future exits, the value of the 13% EquityCo shares at the time of CVC Holdco's future exits, nor any guarantee that any such share adjustment will actually take place. Please refer to paragraphs (j) and (k) under the section headed "*Shareholders' Agreement*" on pages 24 to 26 above for further details;

- (b) by agreeing that CVC Holdco's class B preference shares in EquityCo will have a right to HK\$800 million of preferred dividend (and the conversion rights and liquidation preference which will factor in CVC Holdco's entitlement to any unpaid HK\$800 million preferred dividend), Founder Holdco is deemed to have given up and passed to CVC Holdco approximately HK\$405 million economic value (being the right to the *pro rata* dividend in EquityCo that Founder Holdco has given up to CVC Holdco).

Pursuant to the terms of the Shareholders' Agreement and as further elaborated in the paragraphs immediately below, Founder Holdco is deemed to have given up and passed to CVC Holdco HK\$405 million in economic value by giving CVC Holdco (i) a right to receive HK\$800 million of preferred dividend in cash as soon as practicable after the Effective Date and in any event prior to CVC Holdco's exit from EquityCo. Notwithstanding CVC Holdco's entitlement and EquityCo's contractual obligation to declare and pay CVC Holdco such HK\$800 million preferred dividend in cash prior to CVC Holdco's exit from EquityCo under the Shareholders' Agreement, the timing of the payment of the HK\$800 million preferred dividend to CVC Holdco through cash distribution is uncertain. However, CVC Holdco's right to such HK\$800 million preferred dividend is not subject to any expiry date before CVC Holdco's exit from EquityCo, and ranks prior to dividend rights of any other EquityCo shareholder; (ii) a conversion right which allows CVC Holdco to convert its class B preference shares in EquityCo into ordinary shares of EquityCo (which factors in the value equivalent to any unpaid HK\$800 million preferred dividend) at the time of an initial public offering of EquityCo (which may or may not happen, as further elaborated in the paragraphs immediately below); and (iii) a right to receive a lump sum payment (which includes value equivalent to any unpaid HK\$800 million preferred dividend) in case of a liquidation event (which may or may not happen and is subject to prior written consent or affirmative vote of CVC Holdco as holder of EquityCo class B preference shares as a reserved matter, and include any liquidation, winding-up or dissolution of EquityCo, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or any of its subsidiaries).

Under the Shareholders' Agreement, CVC Holdco's right to such HK\$800 million of preferred dividend (i) is a binding contractual obligation on EquityCo, Founder Holdco, Chairman, and CCO (each in his personal capacity as a member of the Founder Group), (ii) is not subject to any other approval or veto rights by any other EquityCo shareholders, Chairman or CCO, (iii) is not subject to any time limitation or expiry date before CVC Holdco exits from EquityCo, and (iv) ranks prior and in preference to dividend rights of any other EquityCo shareholder. EquityCo and each EquityCo shareholder are contractually obligated to do all things to procure and enable the cash distribution of the HK\$800 million preferred dividend to CVC Holdco. Such HK\$800 million preferred dividend shall be declared and paid to CVC Holdco as soon as practicable and in any event prior to CVC Holdco's exit from EquityCo so long as the Offeror Group's balance sheet, debt financing terms and applicable laws permit such distribution (which can be achieved through methods such as effecting a dividend re-capitalisation, whereby EquityCo could borrow money to fund such preferred dividend payment together with existing cash resources of the Offeror Group). The HK\$800 million amount of the preferred dividend was reached as part of the commercial agreement between the Joint Offerors, factoring in what parties agreed was an appropriate value which forms one element of the overall consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco.

Notwithstanding CVC Holdco's entitlement to the HK\$800 million preferred dividend and EquityCo's contractual obligation to declare and pay CVC Holdco such HK\$800 million preferred dividend in cash prior to CVC Holdco's exit from EquityCo under the Shareholders' Agreement, the timing for the full payment of the HK\$800 million preferred dividend to CVC Holdco through cash distribution is uncertain. However, to the extent any HK\$800 million preferred dividend is not fully paid to CVC Holdco through cash distribution, CVC Holdco can still enjoy the economic benefits of such HK\$800 million preferred dividend on the basis that, pursuant to the terms of the Shareholders' Agreement:

- (i) CVC Holdco's right to the HK\$800 million preferred dividend is not subject to any time limitation or expiry date and CVC Holdco can demand EquityCo to declare and pay such HK\$800 million preferred dividend to CVC Holdco pursuant to the terms of the Shareholders' Agreement any time before CVC Holdco exits from EquityCo;
- (ii) immediately prior to the consummation of any initial public offering of EquityCo, all EquityCo class B preference shares held by CVC Holdco shall be converted into ordinary shares of EquityCo based on a conversion formula which factors in the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements to be received by CVC Holdco (including the HK\$800 million preferred dividend) (as a consequence, Founder Holdco would be entitled to less, and CVC Holdco would be entitled to additional ordinary shares of EquityCo at the time of the initial public offering (equivalent to HK\$800 million in value (or part thereof)) if the HK\$800 million preferred dividend had not been fully paid at the time). There is no assurance on whether CVC Holdco will exit from EquityCo through initial public offering or when any initial public offering can take place. However, in the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide (in any event no later than 12 years from the Effective Date), in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale;
- (iii) in the event there is a liquidation event (which may or may not happen and is subject to prior written consent or affirmative vote of CVC Holdco as holder of EquityCo class B preference shares as a reserved matter and include any liquidation, winding-up or dissolution of the EquityCo, as well as share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or

any of its subsidiaries), CVC Holdco shall, from available proceeds, ahead of other EquityCo shareholders holding other classes of shares, be entitled to be paid by EquityCo an amount no less than the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements (including the HK\$800 million preferred dividend). Whether CVC Holdco can be paid with the full amount of the HK\$800 million preferred dividend in case of a liquidation event depends on the value of total assets and/or available proceeds of EquityCo upon a liquidation event. Shareholders and potential investors should be aware that if the Offeror Group becomes insolvent and is liquidated, wound up or dissolved without sufficient residual assets to settle any unpaid preferred dividend contractually entitled to be received by CVC Holdco, there is a possibility that CVC Holdco may enjoy economic benefits of less than HK\$800 million;

- (iv) parties agree that before CVC Holdco undertakes any trade sale (being the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco) to effect its exit, the HK\$800 million preferred dividend must be first paid to CVC Holdco in full. If CVC Holdco has not been paid the HK\$800 million preferred dividend in cash, CVC Holdco could elect to either (a) remain in EquityCo until it is first paid the HK\$800 million cash preferred dividend (using existing cash resources of the Offeror Group or by way of dividend re-capitalisation) and then exit by way of a trade sale; or (b) exit and enjoy its economic benefits of HK\$800 million through its conversion rights upon an initial public offering as detailed in paragraph (ii) above or the liquidation preference payment in the case of liquidation event as detailed in paragraph (iii) above; and
- (v) EquityCo shareholders agree to endeavor to procure that EquityCo shall consummate a qualified initial public offering or a trade sale within three to five years after the Effective Date and that CVC Holdco has a right to exit ahead of and in priority to any other EquityCo shareholders through such qualified initial public offering or the trade sale. In the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide, in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale. Founder Holdco and EquityCo shall cooperate with CVC Holdco to consummate the qualified initial public offering or trade sale. As a company ultimately backed and controlled by a private equity fund, CVC Holdco has agreed to dispose all of its EquityCo shares and exit from EquityCo either through a qualified initial public offering or a trade sale within a reasonable period of time and in any event no later than 12 years from the Effective Date. Pursuant to the terms of the Shareholders' Agreement, EquityCo is contractually obligated to declare and pay to CVC Holdco the HK\$800 million preferred dividend in cash prior to CVC Holdco's exit. As set out in paragraph (iv) above, the parties agree that before CVC Holdco exits through a trade sale, the HK\$800 million preferred dividend must be first paid to CVC Holdco in full. As set out in paragraph (ii) above, in the event of an initial public offering, CVC Holdco will be entitled to the economic benefit of the HK\$800 million preferred dividend through its conversion right.

Please refer to paragraphs (c) and (l) under the section headed "*Shareholders' Agreement*" on pages 24 to 26 above for further details;

- (c) Founder Holdco settling the HK\$10 million nominal equity purchase price for the transfer of the Other Operations from the Offeror Group to Founder Holdco by setting off against the consideration of EquityCo's repurchase of Founder Holdco's EquityCo shares representing HK\$10 million EquityCo's share capital. Please refer to the section headed "*Key terms of the Framework Agreement*" above for further details of those transaction steps; and

- (d) Founder Holdco agreeing, as part of the terms of the broader Joint Offeror Cooperation Arrangement, to pass to CVC Holdco certain rights, including liquidation preference, exit preference and minority protection reserved matters in EquityCo, and subjecting Founder Holdco's EquityCo shares to transfer restrictions. Please refer to the section headed "*Shareholders' Agreement*" above for further details.

Each item of consideration described in paragraphs (a) to (d) immediately above represents in aggregate all quantifiable consideration (totaling up to approximately HK\$880 million, being the sum of (i) approximately HK\$465 million economic value as further described in paragraph (a) immediately above; (ii) up to approximately HK\$405 million as further described in paragraph (b) immediately above; and (iii) approximately HK\$10 million as further described in paragraph (c) immediately above) and non-quantifiable consideration (as described in paragraph (d) immediately above and set out in further details in this section headed "*Joint Offeror Cooperation Arrangement*") for CVC Holdco to transfer its 49.35% indirect interest in the Other Operations to Founder Holdco.

The Joint Offerors have agreed to undertake the Restructuring as a part of the broader Joint Offeror Cooperation Arrangement package, rather than as a standalone transaction.

Valuation of the Other Operations

Based on the valuation report of the Other Operations prepared by the Valuer set out in Appendix II headed "*Valuation of the Other Operations*" to this Scheme Document, the valuation of 49.35% equity interest in the Other Operations amounted to approximately HK\$730.9 million as at 31 December 2020.

As set out in the valuation report, the valuation of the Other Operations was made by the Valuer using the market approach based on the assumptions that: (a) there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Other Operations; (b) the Other Operations on a standalone basis would have the similar level of such cost structure as the allocation by the Company of the shared corporate head office (including regional head offices) costs and warehouse costs between the Other Operations and the Brand Operations in preparation of the financial information of the Other Operations for the twelve months ended 31 December 2020; (c) the operational and contractual terms stipulated in the relevant contracts and agreements will be honored; (d) the facilities and systems proposed are sufficient for future expansion in order to realise the growth potential of the business and maintain a competitive edge; (e) the Valuer has assumed the accuracy of the financial and operational information of Other Operations provided by the Company and has relied to a considerable extent on such information in arriving at its opinion of value; and (f) there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value. For further details, please refer to the section headed "*Major Assumptions*" in the Valuation of the Other Operations in Appendix II to this Scheme Document.

The valuation of 49.35% equity interest in the Other Operations has taken into account the cash and cash equivalents of HK\$1.3 billion and nil interests bearing debt of the Other Operations immediately upon completion of the Restructuring after allocating all cash and Refinancing Proceeds of the Group pursuant to the Framework Agreement. For further details, please refer to the section headed "*Key terms of the Framework Agreement*" on pages 26-32 above and the section headed "*Calculation of Valuation Result*" in the Valuation of the Other Operations in Appendix II to this Scheme Document.

Financial Information of the Other Operations

The unaudited EBITDA with adjustment of impairment charge of the Other Operations for the twelve months ended 31 December 2020 was HK\$454,546,000.

The unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been prepared by the Directors based on the unaudited financial information of the Group for the twelve months ended 31 December 2020 and on a basis consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020 (being the latest published financial statements of the Group).

As the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 is for a completed period which has already ended, no assumption is involved in its computation. However, the Group has not historically recharged corporate head office costs comprised in the operating expenses including but not limited to management information, accounting and financial reporting, treasury, taxation, cash management, employee benefit administration, payroll and professional services to any of its underlying operations. As a result, an allocation has been made of the amounts of shared corporate head office costs between the Other Operations and the Brand Operations, based on various methods including the usage of the services, headcounts and size of the relevant operations. These costs were affected by the arrangements that existed in the Group and are not necessarily representative of the position that may prevail in the future.

Pursuant to Rule 10 of the Takeovers Code, the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 constitutes a profit forecast and must be reported on by the Company's financial adviser and its auditors or consultant accountants in accordance with the Takeovers Code. The unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been reported on by PricewaterhouseCoopers, the auditor of the Company, and the Joint Independent Financial Advisers. PricewaterhouseCoopers has reported that, so far as the accounting policies and calculations are concerned, the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020. The Joint Independent Financial Advisers are of the opinion that the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been compiled with due care and consideration.

Your attention is drawn to the letters issued by the Joint Independent Financial Advisers and PricewaterhouseCoopers as set out in Appendix III headed "*Letters from the Joint Independent Financial Advisers and the Auditor on Unaudited Financial Information*" to this Scheme Document.

Information relating to the Brand Operations

Upon completion of the Restructuring, the Brand Operations will mainly include the Group's operations of design, sourcing, and sale of streetwear products bearing self-owned A Bathing Ape, AAPE by A Bathing Ape brands and associated sub-brands thereof, including, without limitation Baby Milo, Milo Stores, BAPY, BAPE Black, and Mr. Bathing Ape. Unless otherwise agreed between the Joint Offerors, based on the scope of the Brand Operations as at the Latest Practicable Date, it is anticipated that upon completion of the Restructuring, (a) the Brand Operations will have leased stores, employees, assets, intellectual properties, and contractual relationships that are dedicated to the Brand Operations (the details of which are set out in the agreed lists of entities, assets, contracts, leases, employees, data and intellectual properties of the Brand Operations as annexed to the Framework Agreement), and sufficient cash to support its operations (being HK\$126 million as at the end of March 2021 and additional cash generated or received by the Brand Operations afterwards); and (b) the external bank debt of the Group borrowed by the entities dedicated for the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) will be fully repaid using (i) the Refinancing Proceeds (being up to HK\$1.8 billion), (ii) the Group's existing cash reserves, and (iii) any shareholders loan made under the Framework Agreement (including an interest-free

shareholder loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to an amount equivalent to the sum of HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations).

In connection with the Restructuring, BNP Paribas and Standard Chartered Bank (Hong Kong) Limited have issued a debt commitment letter to the Offeror on 6 December 2020 relating to a five-year term loan facility for up to approximately HK\$1,800,000,000 and a revolving credit facility for up to approximately HK\$200,000,000. It is proposed that the Refinancing Proceeds (being up to approximately HK\$1,800,000,000 under the five-year term loan facility) and the proceeds under the revolving credit facility (being up to approximately HK\$200,000,000) will be used (a) to purchase the assets, shares and intellectual properties of the Brand Operations as described in the section headed “*Key Terms of the Framework Agreement*” above; (b) simultaneously with (a), to ultimately repay the Group’s external bank debt borrowed by the entities dedicated to the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021), together with Group’s existing cash reserves and shareholders’ loan under the Framework Agreement; (c) to finance the costs incurred by the Group relating to the Restructuring; and (d) for general corporate and operational purposes. It is also proposed that, under the Refinancing Documents: (a) conditions precedent to draw-down will include, amongst others, the Scheme becoming effective, and completion of most of the Restructuring steps (subject to ongoing transitional arrangements); (b) the borrower for the term loan facility will be a Group entity dedicated to the Brand Operations after the Effective Date and the borrowers for the revolving facility may include the Offeror and other Group entities dedicated to the Brand Operations after the Effective Date; and (c) after the Effective Date and draw-down, the facilities under the Refinancing Documents will be guaranteed by certain Group entities dedicated to the Brand Operations and secured against shares and assets of the Group entities dedicated to the Brand Operations. As part of the security package, upon draw-down under the Refinancing Documents after the Effective Date, the Offeror will become one of the guarantors under the Refinancing Documents and the shares of the Offeror owned by EquityCo will be subject to an equitable share mortgage in favour of BNP Paribas and Standard Chartered Bank (Hong Kong) Limited and other potential syndication refinancing lenders. For further details, please refer to the section headed “*Reasons for and Benefits of the Proposal*” in the Explanatory Statement in Part VI of this Scheme Document.

Information relating to the Other Operations

Upon completion of the Restructuring, the Other Operations will mainly consist of the retail operations for the sale and distribution of garments bearing third-party owned brands (such as Off-White, Acne Studios, Comme des Garçons, and Fred Perry) and over 10 self-owned brands (such as CHOCOOLATE). Unless otherwise agreed between the Joint Offerors, based on the scope of the Other Operations as at the Latest Practicable Date, it is anticipated that, upon completion of the Restructuring:

- (a) the Other Operations will have:
 - (i) around 600 leased stores in Hong Kong, the PRC, Macau and Taiwan, selling multi-branded fashion wear and accessories;
 - (ii) more than 6,000 employees (working as senior management, store managers, store sales personnel, designers, merchandisers, human resources, finance and administrative personnel);
 - (iii) over 10 self-owned brands (including :CHOCOOLATE, Izzue, fingercroxx, b+ab, 5cm, under garden, tout à coup, aftermaths, ccaabb, greenishpink, overprotection, blockait, MINI CREAM, and MUSIUM DIV);

- (iv) real properties (including office units and car parks in Hong Kong and a warehouse under construction in the PRC);
 - (v) inventory, fixed assets and contractual relationships that are needed for the operation of the Other Operations (with third-party brand licensors, manufacturers, landlords, or franchisees);
 - (vi) the remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion for the Other Operations immediately upon completion of the Restructuring); and
- (b) the external bank debt of the Group borrowed by the entities dedicated for the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) will be fully repaid using the Refinancing Proceeds (being up to HK\$1.8 billion), the Group's existing cash reserves, any shareholders' loan made under the Framework Agreement (including an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to an amount equivalent to the sum of HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations).

Reasons for the Restructuring

As further explained in the sections headed "*Reasons for and Benefits of the Proposal*" and "*The Offeror's Intention Regarding the Group*" in the Explanatory Statement in Part VII of this Scheme Document, the Joint Offerors and the Offeror plan to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. Together with a shared ambition to uncover potential for the Brand Operations, a partnership between the Founder Group and CVC Holdco will provide the optimal structure and platform for both sides to unleash their respective strengths in realising the common objective to create long-term value for the Brand Operations while allowing Founder Holdco to take necessary steps to revive the Other Operations.

Other arrangements

As at the Latest Practicable Date:

- (a) save for the Proposal, the Scheme, the Joint Offeror Cooperation Arrangement (being (A) the cancellation of the Founder Scheme Shares in consideration for the Founder Cancellation Consideration; (B) the entry by the relevant members of the Founder Group, CVC Holdco and/or EquityCo into the Consortium Agreement and Shareholders' Agreement; and (C) the transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents)), the Founder Irrevocable Undertakings 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 EquityCo or 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 Irrevocable Undertakings and the Joint Offeror Cooperation Arrangement as disclosed in the section headed "*Arrangements Material to the Proposal*" above, there was no special deal between: (i) any Shareholder; and (ii) either (A) the Offeror or any party acting in concert with it (including the Founder Group and the CVC Network); or (B) the Company or the Company's subsidiaries or associated companies.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 1,195,797,307 Shares;
- (b) as detailed below, the Founder Group legally or beneficially owned, controlled or had direction over a total of 760,599,564 Shares, representing approximately 63.61% of the total Shares;
- (c) CVC Holdco did not legally or beneficially own, control or have direction over any Shares;
- (d) the Offeror did not legally or beneficially own, control or have direction over any Shares;
- (e) Morgan Stanley, being a concert party of the Offeror, did not legally or beneficially own, control or have direction over any Shares (except those Shares which may be held in its capacity as an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code);
- (f) save as disclosed in paragraph (b) above and in the table below, neither the Offeror nor any party acting in concert with it legally or beneficially owned, controlled or had direction over any Shares;
- (g) neither the Offeror nor any party acting in concert with it had entered into any outstanding derivative in respect of the securities in the Company;
- (h) neither the Offeror nor any party acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (i) the Disinterested Shareholders legally or beneficially owned, controlled or had direction over a total of 435,197,743 Shares, representing approximately 36.39% of the total Shares.

The Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement. All Non-Founder Scheme Shares (being a total of 435,197,743 Shares representing approximately 36.39% of the total Shares) will be cancelled in consideration for the Cancellation Price in cash upon the Scheme becoming effective.

The table 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.

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) Joint Offerors				
(A1) Founder Group				
ABS 2000 Trust (1)	698,564,441	58.42%	–	–
Mr. Sham Kar Wai (2)	6,834,000	0.57%	–	–
Mr. Sham Kin Wai (3)	6,834,000	0.57%	–	–
Ms. Sham Sau Han (4)(6)	39,743,941	3.32%	–	–
Ms. Sham Sau Wai (4)	7,692,985	0.64%	–	–
Mr. Fung Yuk Hung (4)	930,197	0.08%	–	–
(A2) CVC Holdco	–	–	–	–
(A3) Offeror	–	–	1,195,797,307	100%
(A)Sub-total = (A1)+(A2)+(A3)	760,599,564	63.61%	1,195,797,307	100%
(B) Concert parties of the Offeror (5)	–	–	–	–
(C) Disinterested Shareholders	435,197,743	36.39%	–	–
TOTAL (A)+(B)+(C)	1,195,797,307	100%	1,195,797,307	100%

Note (1): Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members are beneficiaries of the ABS 2000 Trust, which is an irrevocable discretionary trust of which HSBCITL is the trustee. Amongst the ABS 2000 Trust Holding Companies, Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by HSBCITL as a trustee of the ABS 2000 Trust (on trust for the benefit of its beneficiaries). Each of Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members is therefore deemed to be interested in the interests of the ABS2000 Trust Holding Companies in the Company.

Note (2): Mr. Sham Kar Wai is an executive Director, Chairman of the Board and the chief executive officer of the Company.

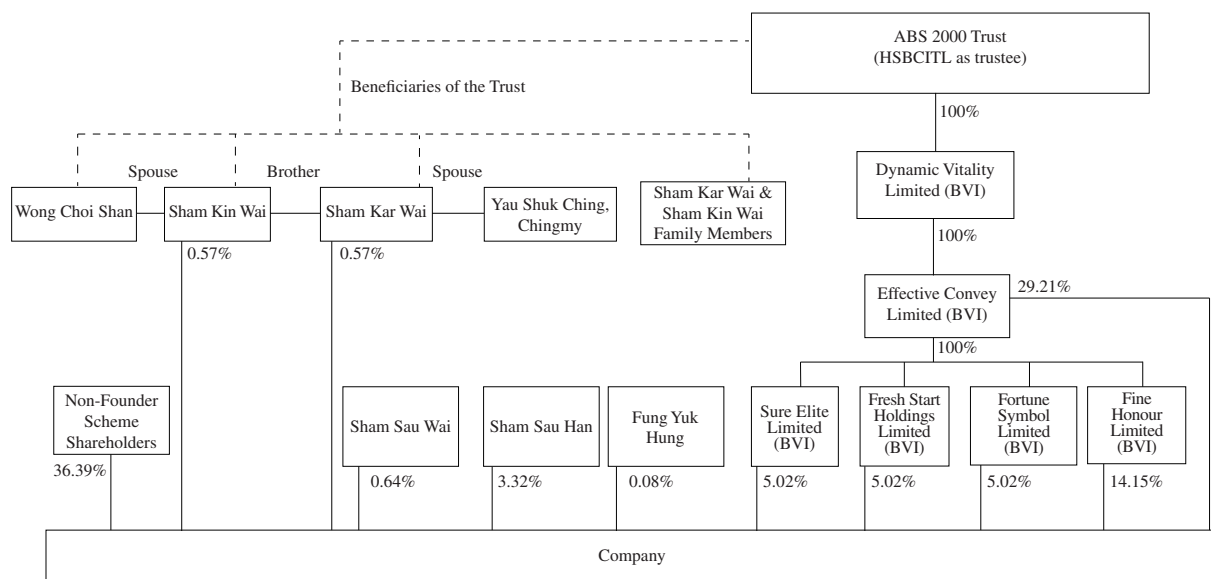
Note (3): Mr. Sham Kin Wai is an executive Director and the chief creative officer of the Company.

Note (4): Ms. Sham Sau Han and Ms. Sham Sau Wai are sisters to Mr. Sham Kar Wai and Mr. Sham Kin Wai. Mr. Fung Yuk Hung is brother-in-law to Mr. Sham Kar Wai and Mr. Sham Kin Wai.

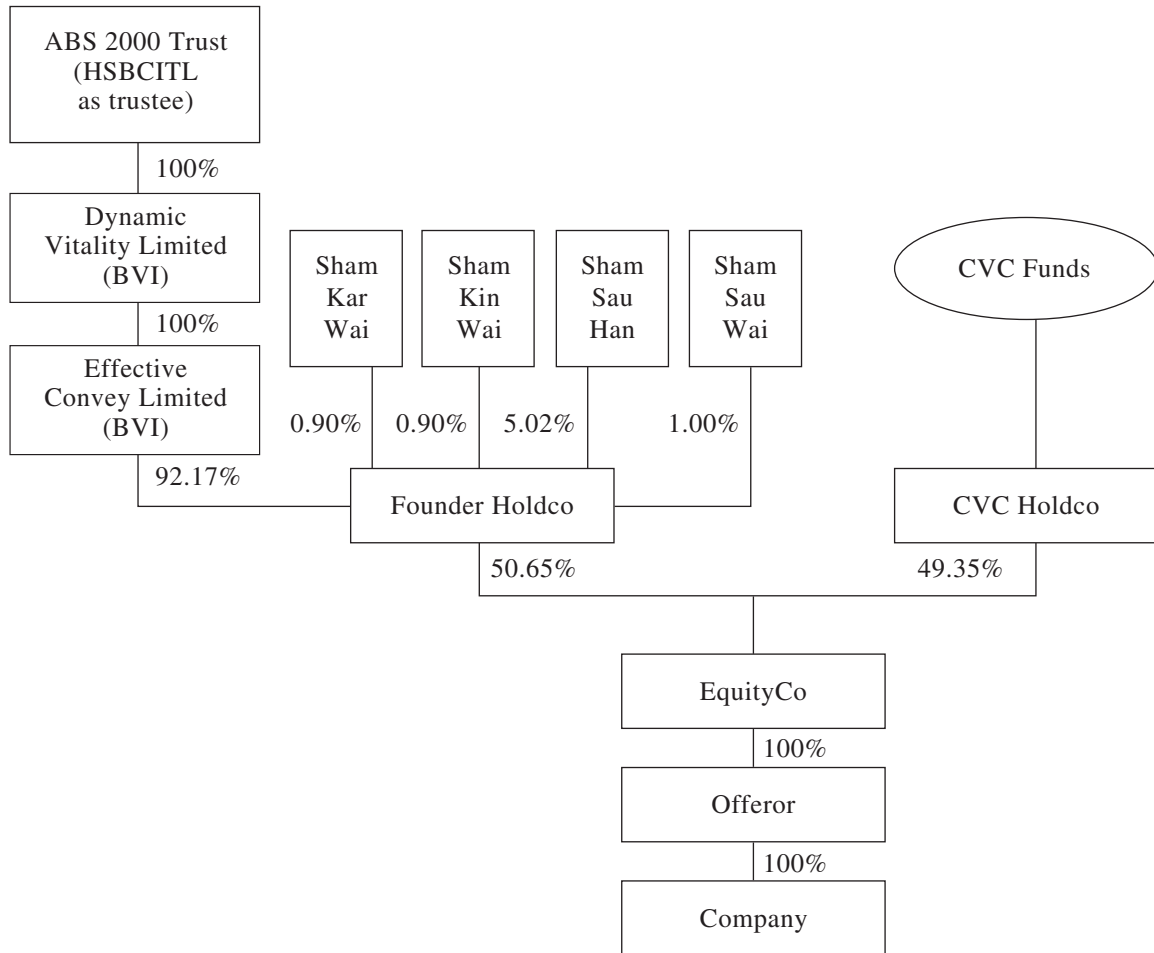
Note (5): Morgan Stanley is the financial adviser to the Offeror in relation to the Proposal. Accordingly, Morgan Stanley and relevant members of the Morgan Stanley group which hold Shares on their own account or on a discretionary managed basis are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by exempt principal traders or exempt fund managers).

Note (6): The shareholding percentage in the table is subject to rounding adjustment.

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



The chart below sets out the illustrative shareholding structure of the Company immediately upon the Scheme becoming effective:



INFORMATION ON THE GROUP

The Company is an exempted company incorporated in Bermuda with limited liability, the shares of which have been listed on the Stock Exchange since March 2005 with the stock code 999. The Group is principally engaged in the design, sourcing and sale of fashion wear and accessories.

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

INFORMATION ON THE OFFEROR GROUP

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

As at the Latest Practicable Date:

- (a) EquityCo had three classes of shares: ordinary shares, class A preference shares and class B preference shares, with the following breakdown.

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	5,015,008	1,811,864,043	0	1,816,879,051	50.65%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.35%
Total	<u>10,027,953</u>	<u>1,811,864,043</u>	<u>1,765,499,925</u>	<u>3,587,391,921</u>	<u>100%</u>

Further details of the terms and conditions of EquityCo’s ordinary shares, class A preference shares and class B preference shares upon the Effective Date are further described in the section headed “*Shareholders’ Agreement*” above.

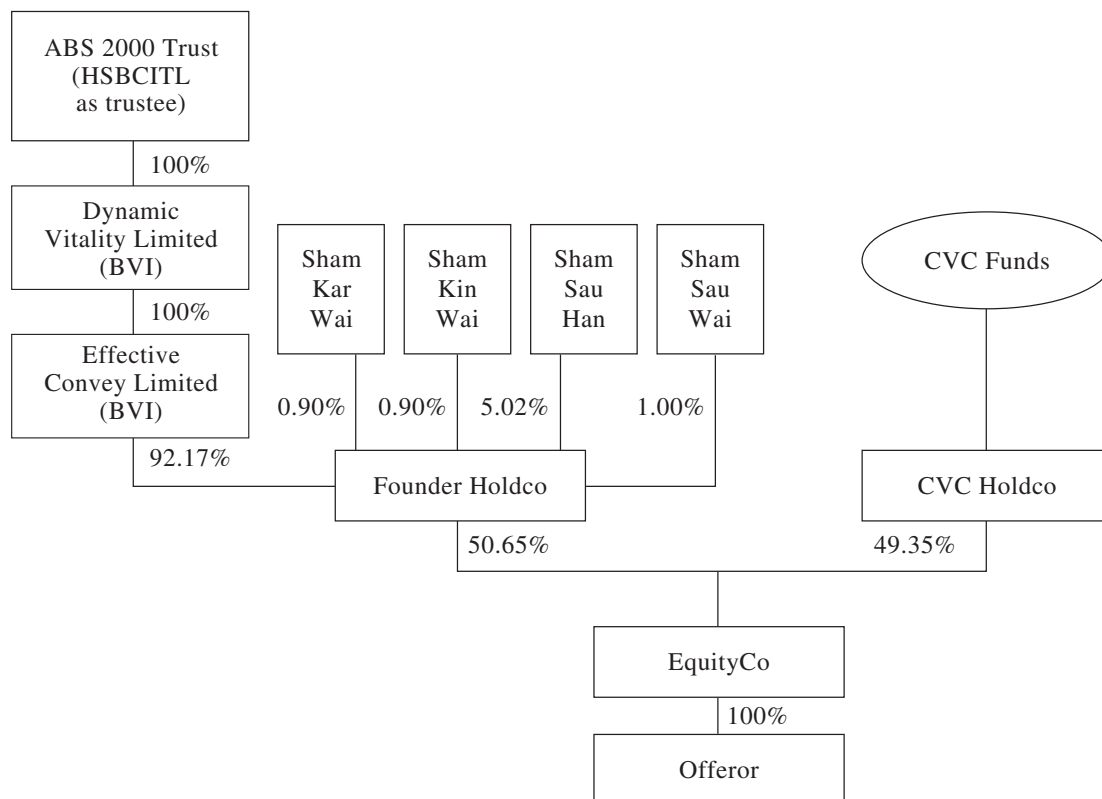
For EquityCo’s share capital structure immediately upon completion of the Restructuring, please refer to the section headed “*Restructuring*” above.

- (b) The board of each of EquityCo and the Offeror comprised Mr. Sham Kar Wai and Mr. Yann Jiang.

Further details of Mr. Sham Kar Wai are further described in the section headed “*Information on the Founder Group*” below.

Mr. Yann Jiang is a director and member of the CVC greater China and regional team, based in Hong Kong. Prior to joining CVC, Mr. Jiang worked at Caisse de Dépôt et Placement du Québec in its direct private equity team in Singapore, COTY Inc. in its investment team based in Geneva, and previously at Morgan Stanley in Paris as an investment banking professional. Mr. Jiang holds a master’s degree in management from HEC Paris (Grande Ecole).

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



INFORMATION ON THE FOUNDER GROUP

The Founder Group comprises Mr. Sham Kar Wai, Mr. Sham Kin Wai, Ms. Sham Sau Han, Ms. Sham Sau Wai, Mr. Fung Yuk Hung, Founder Holdco and the ABS 2000 Trust Holding Companies.

- (a) Both Mr. Sham Kar Wai and Mr. Sham Kin Wai founded the Group in 1988 and have more than 30 years of experience in the fashion retail industry.

Mr. Sham Kar Wai is an executive Director, Chairman of the Board and the chief executive officer of the Company. He is responsible for the overall management and strategic development of the Group. He has established an extensive network of contacts with international design houses.

Mr. Sham Kin Wai is an executive Director and the chief creative officer of the Company. CCO's principal focus has been on merchandising and product design for the Company and is responsible for the creative and aesthetic aspects of the Group's businesses.

- (b) Founder Holdco is a company incorporated in the British Virgin Islands with limited liability and set up for the implementation of the Proposal. As at the Latest Practicable Date, Founder Holdco was owned as to 92.17% by Effective Convey Limited, a wholly-owned subsidiary of Dynamic Vitality Limited, which was in turn wholly-owned by HSBCITL (as trustee for ABS 2000 Trust on trust for the benefit of Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members), 0.90% by Mr. Sham Kar Wai, 0.90% by Mr. Sham Kin Wai, 5.02% by Ms. Sham Sau Han and 1.00% by Ms. Sham Sau Wai. As at the Latest Practicable Date, the directors of Founder Holdco were Mr. Sham Kar Wai and Ms. Sham Sau Han.

- (c) The ABS 2000 Trust Holding Companies are directly or indirectly wholly owned by HSBCITL (on trust for the benefits of Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members).
- (d) Ms. Sham Sau Han and Ms. Sham Sau Wai are sisters to Mr. Sham Kar Wai and Mr. Sham Kin Wai. Mr. Fung Yuk Hung is brother-in-law to Mr. Sham Kar Wai and Mr. Sham Kin Wai.

INFORMATION ON THE CVC NETWORK

The CVC Network comprises CVC Holdco, CVC and CVC Funds.

- (a) CVC Holdco is an exempted company incorporated in Hong Kong with limited liability and set up for the implementation of the Proposal. CVC Holdco is ultimately wholly-owned by CVC Funds. CVC Holdco is an independent third party and is not connected with and is not a person acting in concert with the Company or its subsidiaries or any connected persons of the Company (other than members of the Founder Group).
- (b) CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and approximately 550 employees throughout Europe, Asia and the US. To date, CVC has secured commitments of more than US\$160 billion from some of the world's leading institutional investors across its private equity strategies. In total, CVC currently manages over US\$117 billion of assets. Today, funds managed or advised by CVC are invested in over 90 companies worldwide, employing approximately 450,000 people in numerous countries. Together, these companies have combined annual sales of over US\$100 billion. For more information, please visit www.cvc.com.
- (c) CVC Funds are widely held among a large number of investors, including pension funds, sovereign wealth funds, financial institutions and various other partners.
- (d) CVC Capital Partners Asia V Limited is the general partner of CVC Funds. CVC Capital Partners Asia V Limited is ultimately controlled by CVC Capital Partners SICAV-FIS S.A.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed "*Reasons for and Benefits of the Proposal*" in the Explanatory Statement in Part VII of this Scheme Document.

THE OFFEROR'S INTENTION REGARDING THE GROUP

Your attention is drawn to the section headed "*The Offeror's Intention Regarding the Group*" in the Explanatory Statement in Part VII of this Scheme Document.

The Board is aware of and welcomes the Offeror's intention regarding the Group as set out in the section headed "*The Offeror's Intention Regarding the Group*" in the Explanatory Statement in Part VII of this Scheme Document.

FINANCIAL ADVISER

The Offeror has appointed Morgan Stanley as its financial adviser in connection with the Proposal.

INDEPENDENT BOARD COMMITTEE AND JOINT INDEPENDENT FINANCIAL ADVISERS

An Independent Board Committee, which comprises the following independent non-executive Directors: Dr. Wong Tin Yau, Kelvin, JP; Mr. Francis Goutenmacher; and Mr. Tsang Hin Fun, Anthony, has been established by the Board on 4 December 2020 to make a recommendation to the Disinterested Shareholders as to whether (a) the terms of the Proposal, and in particular the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable to the Disinterested Shareholders; and (b) to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM.

The Joint Independent Financial Advisers have been appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee on the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement. The full text of the letter from the Joint Independent Financial Advisers is set out in Part VI of this Scheme Document.

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 contemporaneously 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 at 9:00 a.m. on Friday, 30 April 2021.

The Scheme Shareholders will be notified by way of an announcement of the 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.

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.

In the event that proposed privatisation of the Company by the Offeror is not successful, the Company will continue to explore options to refinance the existing indebtedness of the Group and carry on its existing businesses of design, sourcing and sale of fashion wear and accessories.

OVERSEAS SHAREHOLDERS

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.

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.

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, 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.

Your attention is also drawn to the section headed “*Overseas Shareholders*” in the Explanatory Statement in Part VII of this Scheme Document.

TAXATION ADVICE

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal. It is emphasised that none of the Offeror, persons acting in concert with the Offeror, the Company, Morgan Stanley 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.

Your attention is also drawn to the section headed “*Taxation Advice*” in the Explanatory Statement in Part VII of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “*Registration and Payment*” in the Explanatory Statement in Part VII of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in Part II of this Scheme Document headed “*Actions to be Taken*”.

SCHEME MEETING AND SGM

For the purpose of exercising your right to vote at the Scheme Meeting and/or the SGM, you are requested to read carefully the section headed “*Scheme Meeting and SGM*” in the Explanatory Statement in Part VII of this Scheme Document, Part II of this Scheme Document headed “*Actions to be Taken*”, and the notices of the Scheme Meeting and the SGM on pages SM-1 to SM-3 and pages SGM-1 to SGM-3, respectively, of this Scheme Document.

RECOMMENDATION

Your attention is drawn to the recommendation of the Joint Independent Financial Advisers to the Independent Board Committee in respect of the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement as set out in the letter from the Joint Independent Financial Advisers in Part VI 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 Joint Offeror Cooperation Arrangement as set out in the letter from the Independent Board Committee in Part V of this Scheme Document.

FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee as set out in Part V of this Scheme Document, the letter from the Joint Independent Financial Advisers as set out in Part VI of this Scheme Document, the Explanatory Statement as set out in Part VII of this Scheme Document, the appendices to this Scheme Document, the notice of the Scheme Meeting as set out on pages SM-1 to SM-3 of this Scheme Document and the notice of the SGM as set out on pages SGM-1 to SGM-3 of this Scheme Document. In addition, a **pink** form of proxy in respect of the Scheme Meeting and a **white** form of proxy in respect of the SGM are enclosed with this Scheme Document.

By order of the Board of
I.T Limited
Sham Kar Wai
Chairman



I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

22 March 2021

To the Disinterested Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION
OF
I.T 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 I.T LIMITED**

Reference is made to the announcement dated 6 December 2020 jointly issued by the Offeror and the Company in relation to the Proposal and the scheme document dated 22 March 2021 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), the latter of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders as to whether (a) the terms of the Proposal, and in particular the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable to the Disinterested Shareholders; and (b) to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM. Details of the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement are set out in the letter from the Board and the Explanatory Statement of the Scheme Document.

Challenge Capital and China Tonghai, the Joint Independent Financial Advisers, have been appointed by the Company with our approval, to advise us on the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement. The details of their advice and the principal factors taken into consideration in arriving at their advice are set out in the letter from the Joint Independent Financial Advisers in the Scheme Document.

In the letter from the Joint Independent Financial Advisers as set out in the Scheme Document, the Joint Independent Financial Advisers state that they consider that the terms of the Proposal, including the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable so far as the Disinterested Shareholders are concerned, and advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM.

PART V LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement, and having taken into account the advice of the Joint Independent Financial Advisers, and in particular the factors, reasons and recommendations as set out in its letter, considers that the terms of the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned.

Accordingly, the Independent Board Committee recommends:

- (1) at the Scheme 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 any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; and
 - (ii) the ordinary resolution to approve the application of the reserve created by the cancellation of the Scheme Shares to contemporaneously maintain the issued share capital of the Company by allotting and issuing to the Offeror such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled and the authorisation of the directors of the Company to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme; and
 - (b) the Disinterested Shareholders to vote in favour of the ordinary resolution to approve the Joint Offeror Cooperation Arrangement which constitutes a special deal under Rule 25 of the Takeovers Code.

The Independent Board Committee draws the attention of the Disinterested Shareholders to (i) the letter from the Board as set out in the Scheme Document; (ii) the letter from the Joint Independent Financial Advisers, which sets out the principal factors taken into consideration in arriving at their advice to the Independent Board Committee, as set out in the Scheme Document; and (iii) the Explanatory Statement as set out in the Scheme Document.

Yours faithfully,

Independent Board Committee

Mr. Francis Goutenmacher
Independent
Non-Executive Director

Dr. Wong Tin Yau, Kelvin, JP
Independent
Non-Executive Director

Mr. Tsang Hin Fun, Anthony
Independent
Non-Executive Director

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The following is the full text of a letter of advice from Challenge Capital and China Tonghai, the Joint Independent Financial Advisers to the Independent Board Committees, for the purpose of incorporation into the Scheme Document.



22 March 2021

To the Independent Board Committee

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF
I.T 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 I.T LIMITED**

INTRODUCTION

We refer to our appointment as the joint independent financial advisers to the Independent Board Committee in respect of the Proposal, details of which are set out in the Scheme Document dated 22 March 2021 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

The Independent Board Committee consists of all independent non-executive Directors, namely Dr. Wong Tin Yau, Kelvin, JP; Mr. Francis Goutenmacher; and Mr. Tsang Hin Fun, Anthony. The Independent Board Committee has been established to make a recommendation to the Disinterested Shareholders as to whether: (a) the terms of the Proposal including the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable so far as the Disinterested Shareholders are concerned; and (b) to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM. The Independent Board Committee has approved our appointment as the Joint Independent Financial Advisers in respect of the Proposal. As the Joint Independent Financial Advisers, our role is to give an independent opinion to the Independent Board Committee in such regard.

Each of Challenge Capital and China Tonghai is not associated with the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent opinion to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (a) the information, facts and representations contained or referred to in the Scheme Document; (b) the information, facts and representation supplied or provided by the Company, the Directors and the management of the Group; (c) the opinions expressed by and the representations of the Directors and the management of the Group; and (d) our review of relevant public information. We have assumed that all the information and facts provided and representations and beliefs, intentions and opinions expressed to us or contained or referred to in the Scheme Document are true, accurate and complete in all respects as at the Latest Practicable Date and may be relied upon. We have also assumed that all statements contained and information, facts and representations made to us or referred to in the Scheme Document were true at the time they were made and continue to be true up to the time of the Scheme Meeting and SGM and all statements of belief, intentions and opinions of the Directors and the management of the Group and those as set out or referred to in the Scheme Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information, representations, beliefs, opinions and intentions provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Company that no material facts have been withheld or omitted from the information provided to us and referred to in the Scheme Document and that all information or facts provided or representations or beliefs, opinions or intentions provided to us by any of the Directors and the management of the Company are true, accurate, complete and not misleading in all respects which have been made after due and careful enquiry at the time they were made and continued to be so until the Scheme Meeting and SGM.

The Scheme Shareholders will be informed by the Company and us as soon as practicable if there is any material change to the information disclosed in the Scheme Document during the offer period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Disinterested Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view so as to provide a reasonable basis for our opinion regarding the terms of the Proposal. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its respective subsidiaries and associates.

We have not considered the tax and regulatory implications on the Disinterested Shareholders as a result of the Proposal, if implemented, since these are particular to their individual circumstances. In particular, the Disinterested Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

On 6 December 2020, the Offeror and the Company jointly announced that they had entered into the Implementation Agreement on 5 December 2020, pursuant to which the parties had agreed to use all reasonable endeavours to implement the Proposal to privatise the Company by way of a scheme of arrangement under section 99 of the Companies Act. Subject to the satisfaction of the Pre-Condition (being the SAMR issuing a notice approving the Proposal and the Scheme, or the statutory clearance period specified by the SAMR pursuant to the PRC Anti-Monopoly Law, including any extension of such period, having elapsed and no objection having been raised or qualifications or requirements imposed by the SAMR in relation to the Proposal or the Scheme), the Proposal will be made. On 19 January 2021, the Pre-Condition was satisfied.

Subject to the fulfilment or waiver (as applicable) of the Conditions, the proposed privatisation of the Company will be implemented by way of the Scheme.

(a) Terms of the Proposal

If the Proposal is approved and implemented:

- (i) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement;
- (ii) all Non-Founder Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$3 per Non-Founder Scheme Share, which shall be paid in cash;
- (iii) new Shares will be issued to the Offeror, credited as fully paid, such that the Company will become wholly-owned directly by the Offeror; and
- (iv) the listing of the Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.

Based on the Cancellation Price and the number of Shares in issue as at the Latest Practicable Date, the Proposal valued 100% equity interest in the Company at approximately HK\$3,587,391,921.

The Disinterested Shareholders should note that as stated in the “Letter from the Board” in the Scheme Document, the Cancellation Price will not be increased and the Offeror does not reserve the right to do so. If the Scheme is not approved or the Proposal otherwise lapses, 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.

(b) Conditions of the Proposal

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

- (i) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting at the Scheme 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 Scheme Meeting (the Founder Group having provided an undertaking to the Court to agree to and be bound by the Scheme and to receive the Founder Cancellation Consideration in consideration for cancellation of its Founder Scheme Shares under the Scheme);
- (ii) 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 Scheme 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;
- (iii) the passing by the Shareholders at the SGM of: (a) a special resolution to approve any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; and (b) an ordinary resolution to apply the reserve created by the cancellation of the

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

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;

- (iv) 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;
- (v) 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;
- (vi) in relation to the Joint Offeror Cooperation Arrangement: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Joint Offeror Cooperation Arrangement;
- (vii) all Approvals which are: (i) required in connection with the Proposal by Applicable Laws or any licences, 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;
- (viii) 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);
- (ix) 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;
- (x) since the date of the Joint Announcement, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole; and
- (xi) save in connection with the implementation of the Proposal, the listing of the Company on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions in paragraphs (i) to (ix) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (x) to (xi) (inclusive) above in whole or in part. The Company does not have the right to waive any of the Conditions. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. For details of the other Conditions, please refer to the section headed “5. Conditions of the Proposal” in “Part VII Explanatory Statement” of the Scheme Document.

As at the Latest Practicable Date, none of the Conditions had been satisfied or waived.

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 Scheme Meeting or the SGM.

(c) Founder irrevocable undertakings

On 5 December 2020, each member of the Founder Group gave an irrevocable undertaking in favour of the Offeror and CVC Holdco (being the other Joint Offeror):

- (i) to agree to and assist in implementing the cancellation of the Founder Scheme Shares held by them in consideration for the Founder Cancellation Consideration;
- (ii) 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;
- (iii) 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
- (iv) not to: (a) dispose of any interest in any Shares held by them; (b) accept any other offer to acquire such Shares; or (c) 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.

(d) Arrangements material to the Proposal

- (i) Implementation Agreement

On 5 December 2020, the Offeror and the Company entered into the Implementation Agreement, pursuant to which the Company has undertaken to the Offeror to: (a) use all reasonable endeavours to implement the Scheme; and (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, unless otherwise approved by the Shareholders in a general meeting in accordance with Rule 4 of the Takeovers Code, the Group shall not take certain actions, details of which are set out in the section headed “7. Arrangements Material to the Proposal” in “Part VII Explanatory Statement” in the Scheme Document.

In addition, the Company has further undertaken, among other things, that it will not, and will procure that no member of the Group shall, directly or indirectly:

- (a) solicit, encourage, or otherwise seek to procure the submission of proposals, indications of interests or offers of any kind which are reasonably likely to lead to an alternative offer from any person other than the Offeror; and
- (b) enter into, or participate in, any discussions or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an alternative offer or provide any due diligence information on the Company and the Group to any third party in connection therewith, save to the extent that, based on the written advice of external legal counsel: (i) the Board reasonably considers that they are likely to be in breach of their directors’ duties or statutory duties not to do so; or (ii) they are required to do so under Rule 6 of the Takeovers Code or other Applicable Laws.

Nothing in the Implementation Agreement is intended to prevent or deprive: (a) the Shareholders from having the opportunity to consider; or (b) 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.

(ii) **Joint Offeror Cooperation Arrangement**

As part of the Proposal, the relevant members of the Founder Group, CVC Holdco and/or EquityCo entered into the following Joint Offeror Cooperation Arrangement:

- (a) Consortium Agreement;
- (b) Shareholders' Agreement; and
- (c) Transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents.

The Joint Offeror Cooperation Arrangement governs the cooperation between the Founder Group and CVC Holdco. Further details of the Joint Offeror Cooperation Arrangement are set out in the section headed "8. Joint Offeror Cooperation Arrangement" below.

(e) **Expected timetable of the Proposal**

The indicative timetable for the Proposal is set out in "Expected Timetable" in the Scheme Document. Further announcement will be made by the Offeror and the Company if there is any change to the timetable.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the consideration for cancellation of the Non-Founder Scheme Shares will be paid to the Non-Founder Scheme Shareholders as soon as possible, but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of 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 March 2005. The Group is principally engaged in the design, sourcing and sales of fashion wear and accessories. The Group positions itself as a fashion trendsetter. The Company has established joint ventures with French Connection, Zadig & Voltaire, Camper, Galeries Lafayette, Kenzo and Simone Rocha.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Group offers a wide range of fashion apparel and accessories with different fashion concepts at various retail price points that target at different customer groups. It carries apparel and accessories from over 300 established and up-and-coming international designer's brands and over 10 in-house brands and licensed brands. In-house brands include A Bathing Ape, AAPE, izzue, b+ab, 5cm, fingercroxx, :CHOCOOLATE, MUSIUM DIV., and Venilla suite. Licensed brands include Off-White, Acne Studios, Comme des Garçons, Fred Perry, as know as de Rue, MLB and X-Large. The in-house brand segment provided the Group with the largest revenue contribution, amounting to an average of approximately 60.2% of the retail sales for the three years ended 29 February 2020 whereas the international brand segment and the licensed brand segment contributed about an average of approximately 39.1% and approximately 0.7% of retail sales for the three years ended 29 February 2020, respectively.

PRC and Hong Kong are the major markets of the Group. PRC is the largest market of the Group, which accounted for approximately 46.6% and 48.6% of the Group's turnover for the years ended 28 February 2019 ("FY18/19") and 29 February 2020 ("FY19/20"), respectively. Hong Kong and Macau accounted for approximately 38.8% and 33.9% of the Group's turnover for FY18/19 and FY19/20, respectively. Japan and the US accounted for approximately 13.0% and 15.7% of the Group's turnover for FY18/19 and FY19/20, respectively. For the six months ended 31 August 2020 ("1H FY20/21"), PRC, Hong Kong and Macau, and Japan and the US accounted for approximately 58.5%, 26.7% and 13.0% of the Group's turnover, respectively.

As at 31 August 2020, the Group had 797 self-managed stores and 22 franchised stores. Set out below is the breakdown of the number of stores and sales footage of gross area (in square feet) by I.T store (multi brand store) and other store and by geographic region:

	Self-managed						Franchised					
	31 August 2020		29 February 2020		28 February 2019		31 August 2020		29 February 2020		28 February 2019	
	Number of stores	% (Note)	Number of stores	% (Note)	Number of stores	% (Note)	Number of stores	% (Note)	Number of stores	% (Note)	Number of stores	% (Note)
Greater China:												
Hong Kong												
I.T												
- Number of stores	172	21.6	189	22.1	215	24.9	-	-	-	-	-	-
- Sales footage	451,490	20.2	522,892	21.6	534,825	21.9	-	-	-	-	-	-
Others												
- Number of stores	5	0.6	5	0.6	6	0.7	-	-	-	-	-	-
- Sales footage	5,038	0.2	5,038	0.2	6,280	0.3	-	-	-	-	-	-
Hong Kong sub-total												
- Number of stores	177	22.2	194	22.7	221	25.6	-	-	-	-	-	-
- Sales footage	456,528	20.4	527,930	21.8	541,105	22.1	-	-	-	-	-	-
PRC												
I.T												
- Number of stores	510	64.0	537	62.8	532	61.6	5	22.7	9	29.0	23	46.9
- Sales footage	1,595,008	71.3	1,671,913	69.0	1,697,612	69.5	6,273	26.5	11,072	37.0	27,578	47.1
Others												
- Number of stores	46	5.8	59	6.9	50	5.8	-	-	-	-	-	-
- Sales footage	54,738	2.4	89,027	3.7	76,804	3.1	-	-	-	-	-	-
PRC sub-total												
- Number of stores	556	69.8	596	69.7	582	67.4	5	22.7	9	29.0	23	46.9
- Sales footage	1,649,746	73.7	1,760,940	72.7	1,774,416	72.6	6,273	26.5	11,072	37.0	27,578	47.1

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

	Self-managed						Franchised					
	31 August 2020	% (Note)	29 February 2020	% (Note)	28 February 2019	% (Note)	31 August 2020	% (Note)	29 February 2020	% (Note)	28 February 2019	% (Note)
Taiwan												
- Number of stores	22	2.8	24	2.8	22	2.5	-	-	-	-	-	-
- Sales footage	33,920	1.5	35,466	1.5	33,160	1.4	-	-	-	-	-	-
Macau												
I.T												
- Number of stores	11	1.4	11	1.3	13	1.5	-	-	-	-	-	-
- Sales footage	35,793	1.6	35,793	1.5	38,241	1.6	-	-	-	-	-	-
Others												
- Number of stores	1	0.1	1	0.1	1	0.1	-	-	-	-	-	-
- Sales footage	1,998	0.1	1,998	0.1	1,998	0.1	-	-	-	-	-	-
Macau sub-total												
- Number of stores	12	1.5	12	1.4	14	1.6	-	-	-	-	-	-
- Sales footage	37,791	1.7	37,791	1.6	40,239	1.6	-	-	-	-	-	-
Overseas:												
Japan												
- Number of stores	26	3.3	25	2.9	22	2.5	-	-	-	-	-	-
- Sales footage	47,663	2.1	47,446	2.0	44,728	1.8	-	-	-	-	-	-
US												
- Number of stores	4	0.5	4	0.5	3	0.3	-	-	-	-	-	-
- Sales footage	12,017	0.5	12,017	0.5	10,595	0.4	-	-	-	-	-	-
Japan and US sub-total												
- Number of stores	30	3.8	29	3.4	25	2.9	-	-	-	-	-	-
- Sales footage	59,680	2.7	59,463	2.5	55,323	2.3	-	-	-	-	-	-
Other countries sub-total												
- Number of stores	-	-	-	-	-	-	17	77.3	22	71.0	26	53.1
- Sales footage	-	-	-	-	-	-	17,440	73.5	18,859	63.0	30,943	52.9
Total												
- Number of stores	797	100.0	855	100.0	864	100.0	22	100.0	31	100.0	49	100.0
- Sales footage	2,237,665	100.0	2,421,590	100.0	2,444,243	100.0	23,713	100.0	29,931	100.0	58,521	100.0

Note: Represented the approximate percentage over the respective total number of stores or sales footage

Overall comments

As shown in the above table, PRC and Hong Kong are major markets of the Group in terms of sales footage. PRC and Hong Kong accounted for approximately 74.1% and 20.1% of total sales footage as at 31 August 2020. The majority of the Group's stores are I.T stores which are multi-brand stores.

The overall number of stores and sales footage remained at similar level as at 28 February 2019 (total store count: 913; total sales footage: 2,502,764 square feet) and 29 February 2020 (total store count: 886; total sales footage: 2,451,521 square feet).

The total number of all stores decreased from 886 as at 29 February 2020 to 819 as at 31 August 2020. The total sales footage of all stores also decreased from 2,451,521 square feet as at 29 February 2020 to 2,261,378 square feet as at 31 August 2020. The decreases were primarily attributable to the decreases in number of stores and sales footage in both PRC and Hong Kong. This was in line with the

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Group’s strategy to control costs in response to the difficult trading environment as disclosed in the interim report for the six months ended 31 August 2020 (the “**2020/2021 Interim Report**”). Such measures included a comprehensive review of the Group’s retail store portfolio and closures of certain loss-making retail locations.

2. Financial information of the Group

(a) Financial performance

- (i) The following table sets out selective information of the consolidated statements of profit or loss and other comprehensive income of the Group for FY18/19, FY19/20, the six months ended 31 August 2019 (“**1H FY19/20**”) and 1H FY20/21, as extracted from the annual report for the year ended 29 February 2020 of the Company (the “**2019/2020 Annual Report**”) and the 2020/2021 Interim Report:

	For the six months ended 31 August		For the year ended 29 February	For the year ended 28 February
	2020	2019	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Turnover	2,734,698	4,015,362	7,719,378	8,832,157
<i>Changes</i>	<i>(31.9%)</i>	<i>(1.2%)</i>	<i>(12.6%)</i>	<i>5.4%</i>
Cost of sales	(1,241,498)	(1,520,262)	(2,955,674)	(3,192,446)
Gross profit	1,493,200	2,495,100	4,733,704	5,639,711
<i>Gross profit margin</i>	<i>54.6%</i>	<i>62.1%</i>	<i>61.3%</i>	<i>63.9%</i>
Operating (loss)/profit	(223,534)	144,679	(380,056)	753,614
(Loss)/profit before taxation	(291,641)	67,282	(548,341)	707,792
Income tax expense	(45,434)	(138,453)	(197,429)	(263,647)
(Loss)/profit for the year/ period	(337,075)	(71,171)	(745,770)	444,145
(Loss)/profit attributable to the Shareholders	(337,265)	(71,958)	(747,254)	442,599
(Loss)/earnings per Share (HK\$)	(0.282)	(0.060)	(0.625)	0.370
Dividend per Share (HK\$)	–	–	–	0.180

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- (ii) The following table sets out further information in respect of the Group's financial performance for FY18/19, FY19/20, 1H FY19/20 and 1H FY20/21, as extracted from the 2019/2020 Annual Report and the 2020/2021 Interim Report:

	For the six months ended 31 August		2019		For the year ended 29		For the year ended 28	
	2020		2019		February		February	
	HK\$'000 (unaudited)	% over total turnover	HK\$'000 (unaudited)	% over total turnover	HK\$'000 (audited)	% over total turnover	HK\$'000 (audited)	% over total turnover
Turnover								
Hong Kong and Macau	728,995	26.7%	1,480,955	36.9%	2,620,158	33.9%	3,424,832	38.8%
Same-store sales growth	(48.9%)		(5.8%)		(23.2%)		2.4%	
Gross profit margin	47.8%		58.7%		57.7%		62.5%	
PRC	1,600,039	58.5%	1,870,218	46.6%	3,751,430	48.6%	4,122,541	46.7%
Same-store sales growth	(9.3%)		5.9%		(5.3%)		1.7%	
Gross profit margin	55.3%		61.3%		60.1%		62.1%	
Japan and the US	355,680	13.0%	607,256	15.1%	1,209,238	15.7%	1,152,738	13.0%
Same-store sales growth	– (note)		– (note)		– (note)		– (note)	
Gross profit margin	60.7%		70.8%		70.0%		71.2%	
Other	49,984	1.8%	56,933	1.4%	138,552	1.8%	132,046	1.5%
Total turnover	2,734,698	100.0%	4,015,362	100.0%	7,719,378	100.0%	8,832,157	100.0%
Segment (loss)/profit								
Hong Kong and Macau	(414,329)		(153,671)		(671,718)		12,609	
PRC	104,822		29,627		(236,443)		229,105	
Japan and the US	68,151		253,790		482,856		474,858	
Other	17,822		14,933		45,249		37,042	
Operating (loss)/profit	(223,534)		144,679		(380,056)		753,614	

Note: Not available.

Hong Kong and Macau

FY18/19 and FY19/20

In FY19/20, turnover in the Hong Kong and Macau segment decreased by approximately 23.5% to approximately HK\$2,620.2 million while it contributed approximately 33.9% towards the Group's total turnover (FY18/19: approximately 38.8%). The decline was primarily attributable to a reduction in the store distribution network in Hong Kong and negative comparable-store-sales-growth as a result of multiple factors including social instability and the outbreak of COVID-19.

It is noted that the Group has implemented multiple measures to control costs in response to the difficult business environment. These measures have included a comprehensive review of the Group's retail store portfolio, leading to renegotiation and exits of certain loss-making retail locations while selectively opening new ones. A net closure of 27 stores in Hong Kong and Macau segment was recorded for FY19/20. Savings were also achieved in other costs such as staff costs and marketing expenses.

Gross profit margin decreased to approximately 57.7% in FY19/20 (FY18/19: approximately 62.5%). This decline in gross profit margin was primarily due to an increase in discount related activities to boost sales volume and reduce inventory amidst the difficult business environment.

Impairment of property, furniture and equipment and right-of-use assets amounted to approximately HK\$44.3 million and HK\$199.3 million in FY19/20 respectively, while there was a reversal of impairment of property, furniture and equipment of approximately HK\$3.3 million for FY18/19.

As a result of the above, an operating loss of approximately HK\$671.7 million was recorded for the Hong Kong and Macau segment in FY19/20 (FY18/19: operating profit of approximately HK\$12.6 million).

1H FY19/20 and 1H FY20/21

Turnover in the Hong Kong and Macau segment decreased by approximately 50.8% to approximately HK\$729.0 million while the segment contributed approximately 26.7% towards the Group's total turnover (1H FY19/20: approximately 36.9%). Retail sales also decreased by approximately 50.9% to HK\$719.2 million. Comparable-store-sales-growth registered a decline of approximately 48.9% (1H FY19/20: a decrease of approximately 5.8%). The decrease in turnover was principally attributable to a reduction in the store distribution network in Hong Kong and negative comparable-store-sales-growth. Additionally, stores in this segment were either temporarily closed or operated with reduced opening hours in 1H FY20/21 due to COVID-19 pandemic. Irrespective of the gradual reopening of stores, demand remained significantly subdued in Hong Kong and Macau. As advised by the management of the Group, this was mainly due to the weak consumer sentiment in uncertain economic environment and the substantial decline in inbound tourism as a result of travel restrictions imposed by governments.

Other income increased by approximately 200.6% to approximately HK\$101.5 million in 1H FY20/21 from approximately HK\$33.8 million in 1H FY19/20 mainly due to the income from the subsidies granted under the Anti-Epidemic Fund by the Hong Kong Government, namely (i) the Employment Support Scheme, which amounted to approximately HK\$49.0 million, for the use of paying wages of employees from June to August 2020; and (ii) the Retail Sector Subsidy Scheme amounted to approximately HK\$4.7 million, for subsidising retail stores' operations.

Gross profit margin decreased to approximately 47.8% (1H FY19/20: approximately 58.7%). This decline in gross profit margin was primarily the result of an increase in discount related activities with the objective of boosting sales volume amidst the challenging operational environment.

Impairment of property, furniture and equipment and right-of-use assets amounted to approximately HK\$28.4 million and HK\$139.9 million for 1H FY20/21 respectively, while impairment of property, furniture and equipment and right-of-use assets for 1H FY19/20 amounted to approximately HK\$1.6 million and HK\$11.7 million respectively.

As a result of the above, an operating loss of approximately HK\$414.3 million was recorded for the Hong Kong and Macau segment for 1H FY20/21 (1H FY19/20: operating loss of approximately HK\$153.7 million).

PRC*FY18/19 and FY19/20*

Turnover of PRC operations decreased by approximately 9.0% to approximately HK\$3,751.4 million which contributed towards approximately 48.6% of the Group's total turnover (FY18/19: approximately 46.7%). The sales declined substantially in January and February 2020 in a market environment defined by temporary store closures and travel restrictions in several cities of the country due to the outbreak of COVID-19.

Gross profit margin decreased by approximately 2.0% to approximately 60.1%, principally due to the extra discount-related promotions that were offered in FY19/20 with the objective of boosting sales volume.

Impairment of property, furniture and equipment, right-of-use assets and goodwill amounted to approximately HK\$23.2 million, HK\$115.1 million and HK\$231.5 million in FY19/20 respectively, while there was a reversal of impairment of property, furniture and equipment of approximately HK\$0.7 million in FY18/19.

As a result of the above, an operating loss amounting to approximately HK\$236.4 million was recorded for the PRC segment in FY19/20 (FY18/19: operating profit of approximately HK\$229.1 million).

1H FY19/20 and 1H FY20/21

Turnover of PRC operations decreased by approximately 14.4% from approximately HK\$1,870.2 million to approximately HK\$1,600.0 million in 1H FY20/21, which contributed towards approximately 58.5% of the Group's total turnover in 1H FY20/21 (1H FY19/20: approximately 46.6%). Such increase in the contribution to the Group's total turnover in 1H FY20/21 was primarily due to the decrease in turnover of approximately 50.8% from approximately HK\$1,481.0 million to approximately HK\$729.0 million in the Group's Hong Kong and Macau operations that dragged down the Hong Kong and Macau segment's contribution in 1H FY20/21.

As disclosed in the 2020/2021 Interim Report, although e-commerce sales have seen significant growth for PRC operations, which, based on the information provided by the management of the Group, for 1H FY19/20 and 1H FY20/21, the breakdown for PRC's e-commerce sales grew by approximately 90.3% to approximately HK\$398.9 million in 1H FY20/21 compared to 1H FY19/20, this growth was not sufficient to compensate for the sales losses of approximately HK\$465.3 million in 1H FY20/21 compared to 1H FY19/20 incurred by retail stores in this segment as a result of temporary closure or reduced operating hours, which reflected the various health-related and travel restrictions under COVID-19. As discussed with the management of the Group, the Group will continue to deploy resources in development of digital channels which is in line with the Group's strategy in e-commerce development since 2019 as disclosed in the 2020/2021 Interim Report. Total retail sales decreased by approximately 14.9% to approximately HK\$1,580.3 million, with comparable-store-sales registering a negative growth rate of approximately 9.3% (1H FY19/20: positive growth rate of approximately 5.9%).

Gross profit margin decreased by approximately 6.0% to approximately 55.3%, principally due to the extra discount-related promotions that were offered during the period. In response to the unprecedented situation, the Group has aggressively implemented cost reduction initiatives across different levels of the business, including cuts in marketing and other discretionary expense items, to mitigate the impact of the pandemic.

Impairment of property, furniture and equipment and right-of-use assets amounted to approximately HK\$14.0 million and HK\$18.3 million in 1H FY20/21 respectively, while impairment of property, furniture and equipment, right-of-use assets and goodwill amounted to approximately HK\$19.4 million, HK\$53.8 million and HK\$46.8 million for 1H FY19/20 respectively.

As a result of the above, an operating profit amounting to approximately HK\$104.8 million was recorded for the PRC segment in 1H FY20/21 (1H FY19/20: operating profit of approximately HK\$29.6 million).

Japan and US

For FY18/19 and FY19/20

Turnover for the Japan and US segment increased by approximately 4.9% to approximately HK\$1,209.2 million amidst a challenging operational environment. Sales in this segment contributed approximately 15.7% of the Group's total turnover (FY18/19: approximately 13.0%). The unique brand collections in these regions, namely A Bathing Ape and its subsidiary lines, have proven to be resilient in an economic environment disrupted by several negative macroeconomic factors. In particular, the Group added a total of four "A Bathing Ape" and "AAPE" stores in Tokyo and Osaka, Japan and Miami, the US in FY19/20.

Gross profit margin slightly decreased to approximately 70.0% (FY18/19: approximately 71.2%) while operating profit increased by approximately 1.7% to approximately HK\$482.9 million.

1H FY19/20 and 1H FY20/21

The Japan and US segment, which accounted for approximately 13.0% of the Group's total turnover in 1H FY20/21 (1H FY19/20: approximately 15.1%), has had to navigate the same difficult pandemic-implicated business environment. Turnover of the Japan and US segment decreased by approximately 41.4% to approximately HK\$355.7 million while gross profit margin decreased by approximately 10.1% to approximately 60.7% for 1H FY20/21 (1H FY19/20: approximately 70.8%). It is noted that the Group was extending the presence of "A Bathing Ape" and "AAPE" brands globally, both online and offline. The segment profit declined by approximately 73.1% from approximately HK\$ 253.8 million in 1H FY19/20 to approximately HK\$ 68.2 million in 1H FY20/21.

The Group

For FY18/19 and FY19/20

Turnover of the Group declined by approximately 12.6% to approximately HK\$7,719.4 million in FY19/20 (FY18/19: approximately HK\$8,832.2 million).

Gross profit decreased by approximately 16.1% and gross profit margin decreased by approximately 2.6% mainly due to the extra discount activities that were offered in FY19/20. These were caused by multiple macro factors, such as the Sino-US trade dispute, regional social events and the outbreak of COVID-19 at the beginning of 2020, placed significant downward pressure on the retail environment and consumer sentiment in many of the Group's operating regions. Although the Group's initial strategy was to focus on full-price sales and reduce discount-driven promotions in order to secure gross profit margin, inevitably the Group had to increase mark-downs to boost sales volume amidst an incredibly difficult operating environment.

Total operating costs as a percentage of sales increased to approximately 63.5% (FY18/19: approximately 55.8%). This was predominately due to the impact of the sales decline and the non-cash impairment provision.

The Group recorded operating loss amounted to approximately HK\$380.1 million in FY19/20, with the decrease being principally due to the pressure from gross profit decline and the non-cash impairment provision.

In FY19/20, non-cash impairment provision on property, furniture and equipment, right-of-use assets and goodwill amounted to approximately HK\$67.5 million, HK\$314.4 million and HK\$231.5 million respectively while a reversal of impairment provision on property, plant and equipment of approximately HK\$4.0 million was recorded for FY18/19. The aforesaid impairment provision was recognised to reflect the decrease in value of the assets as of the year-end date in particular for the PRC segment and the Hong Kong and Macau segment.

Finance costs increased from approximately HK\$42.9 million in FY18/19 to approximately HK\$154.8 million in FY19/20 mainly arising from interest expenses on lease liabilities following the Group's first adoption of "Hong Kong Financial Reporting Standard ("HKFRS") 16 Leases" in FY19/20.

As a result of the above, net loss of the Group amounting to approximately HK\$745.8 million was recorded in FY19/20 (FY18/19: net profit of approximately HK\$444.1 million).

1H FY19/20 and 1H FY20/21

Turnover of the Group declined by approximately 31.9% to approximately HK\$2,734.7 million in 1H FY19/20 (1H FY18/19: approximately HK\$4,015.4 million). The sales contribution from e-commerce has increased to approximately 25% in 1H FY20/21 compared to approximately 9% in 1H FY19/20 resulting from the Group's effort to redirect the customer flow to digital channels including its own e-commerce channel and via third-party online marketplaces through online promotional campaigns, as some of the Group's stores were temporarily closed and with travel restrictions in place during 1H FY20/21, as disclosed in the 2020/2021 Interim Report.

Gross profit margin decreased by approximately 7.5% to approximately 54.6%, which was principally due to the extra discount activities that were offered in 1H FY20/21.

The pandemic had a significant negative impact on the assessment of the Group's non-financial assets and impact on the results of 1H FY20/21. Consequently, the Group recognised non-cash impairment on non-financial assets, being provision for impairment of property, furniture and equipment and right-of-use assets of approximately HK\$200.7 million in 1H FY20/21. The Group has aggressively implemented cost control measures across all regions and all levels to mitigate the negative impact of COVID-19 situation, total operating costs as a percentage of sales increased to approximately 66.3% in 1H FY20/21 (1H FY19/20: approximately 57.6%) as a result of the considerable decline in sales.

As a result of the above, the Group's operating loss in 1H FY20/21 amounted to approximately HK\$223.5 million, which was principally due to the pressure from turnover and gross profit decline.

Net loss of the Group amounted to approximately HK\$337.1 million in 1H FY20/21 (1H FY19/20: net loss of approximately HK\$71.2 million), which was mainly attributable to the segment loss of approximately HK\$414.3 million for the Hong Kong and Macau segment.

(b) Financial position

The following table sets out the consolidated statement of financial position of the Group as at 28 February 2019, 29 February 2020 and 31 August 2020, as extracted from the 2019/2020 Annual Report and the 2020/2021 Interim Report:

		As at 31 August 2020	As at 29 February 2020	As at 28 February 2019
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Non-current assets				
Land use rights		–	–	38,631
Property, furniture and equipment	(i)	1,109,629	1,161,391	954,964
Right-of-use assets	(ii)	1,622,228	1,900,465	–
Intangible assets		92,054	91,169	321,948
Investments in and loans to joint ventures		114,336	121,303	167,879
Investment in associate		439,977	441,879	–
Rental deposits		222,966	271,172	346,422
Prepayments for non-current assets		41,149	21,236	52,672
Deferred income tax assets		153,693	137,517	110,037
Total non-current assets		3,796,031	4,146,132	1,992,843
Current assets				
Inventories	(iii)	1,522,266	1,722,110	1,538,037
Trade and other receivables		213,552	218,006	300,171
Amounts due from joint ventures		71,563	33,765	132,311
Amount due from an associate		–	272	–
Rental deposits, prepayments, and other deposits		267,548	284,573	379,256
Current income tax recoverable		2,728	2,474	1,989
Cash and cash equivalents	(iv)	1,566,870	1,456,807	1,771,957
Total current assets		3,644,527	3,718,007	4,123,721
Current liabilities				
Borrowings	(v)	576,037	463,290	505,995
Trade payables		416,432	491,317	414,120
Accruals and other payables		438,681	469,974	680,339
Contract liabilities		44,212	37,844	21,922
Lease liabilities	(vi)	856,276	958,142	–
Derivative financial instruments		–	–	11,003
Amounts due to joint ventures		8,255	26,840	24,165
Amount due to an associate		1,071	–	–
Current income tax liabilities		113,097	81,593	78,327
Total current liabilities		2,454,061	2,529,000	1,735,871

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

		As at 31 August 2020	As at 29 February 2020	As at 28 February 2019
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Non-current liabilities				
Borrowings	(v)	1,432,546	1,463,928	653,981
Lease liabilities	(vi)	1,407,502	1,440,713	–
Accruals		6,367	6,163	6,125
Derivative financial instruments		13,146	4,145	1,773
Deferred income tax liabilities		50,705	52,621	67,294
Total non-current liabilities		2,910,266	2,967,570	729,173
Equity				
Share capital		119,580	119,580	119,580
Reserves		1,953,069	2,244,153	3,528,701
Non-controlling interests		3,582	3,836	3,239
Total equity		2,076,231	2,367,569	3,651,520
Net asset value per Share (HK\$)		1.74	1.98	3.05

Notes:

Major assets

As at 31 August 2020, the major assets of the Group comprised property, furniture and equipment of approximately HK\$1,109.6 million, right-of-use assets of approximately HK\$1,622.2 million, inventories of approximately HK\$1,522.3 million and cash and cash equivalents of approximately HK\$1,566.9 million.

(i) Property, furniture and equipment

As at 29 February 2020, property, furniture and equipment amounted to approximately HK\$1,161.4 million and were mainly consisted of leasehold improvements of approximately HK\$480.0 million, construction in progress of approximately HK\$361.1 million and land and buildings of approximately HK\$208.1 million while property, furniture and equipment amounted to approximately HK\$1,109.6 million as at 31 August 2020. As a result of the impairment tests, the Group recognised an impairment of the property, furniture and equipment of approximately HK\$42.4 million and HK\$67.5 million during 1H FY20/21 and FY19/20 respectively.

(ii) Right-of-use assets

Right-of-use assets represent a lessee's right to use the underlying leased assets. The Company adopted the "HKFRS 16 Leases" for annual periods beginning on or after 1 March 2019.

Upon adoption of "HKFRS 16 Leases", operating lease rental of premises under "Hong Kong Accounting Standard ("HKAS") 17 Leases" is no longer incurred. Instead, depreciation of right-of-use assets and finance costs associated with lease liabilities are recognised in the statement of profit or loss. Right-of-use assets are subject to impairment tests.

31 August 2020 and 29 February 2020

As at 31 August 2020, right-of-use assets represented properties leases of approximately HK\$1,586.2 million (29 February 2020: approximately HK\$1,864.6 million) and the land use rights located in the PRC of approximately HK\$36.0 million (29 February 2020: approximately HK\$35.9 million).

28 February 2019

Prior to the adoption of "HKFRS 16 Leases" by the Company, operating leases are not required to be recognised as assets.

(iii) Inventories

Inventories are merchandise stock of fashion wear and accessories for resale. As at 28 February 2019, 29 February 2020 and 31 August 2020, inventories amounted to approximately HK\$1,538.0 million, HK\$1,722.1 million and HK\$1,522.3 million respectively.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

In FY18/19, FY19/20 and 1H FY20/21, the cost of inventories was recognised as an expense and included in cost of sales amounting to approximately HK\$3,127.2 million, HK\$2,882.6 million and HK\$1,186.7 million respectively. Provision for write-downs of inventories to net realisable value amounted to approximately HK\$14.5 million, HK\$56.9 million and HK\$18.1 million in FY18/19, FY19/20 and 1H FY20/21, respectively.

Set out below are the inventory turnover for the six months ended 31 August 2019 and 31 August 2020 respectively, as well as for the two years ended 29 February 2020:

	31 August 2020	31 August 2019	29 February 2020	28 February 2019
Inventory turnover (days) (<i>Note</i>)	240	191	199	168

Note:

Inventory turnover is calculated based on the average of the inventories at the beginning and at the end of the year/period divided by cost of sales times number of days during the year/period.

29 February 2020 and 28 February 2019

The average inventory turnover cycle of the Group increased by 31 days for FY18/19 to 199 days for FY19/20. According to the 2019/2020 Annual Report, the decline in inventory turnover efficiency was resulted from temporary store closures and weaker sales performance in several of the Group's operating regions as a result of negative macroeconomic conditions and the outbreak of COVID-19.

31 August 2020 and 31 August 2019

The average inventory turnover days further increased by 41 days from 191 days for 1H FY19/20 to 240 days for 1H FY20/21. According to the 2020/2021 Interim Report, there were rapid adjustments to stock ordering and the Group was able to reduce the stock-in-trade. However, there was still an oversupply of spring/summer merchandise as a result of the substantial drop in consumer demand during the pandemic. The Group has taken forceful actions to manage the rapid changes in customer behaviour and the decrease in demand caused by COVID-19. This was reflected in many parts of the business, including areas such as inventory purchasing, rents, advertising and promotions.

(iv) **Cash and cash equivalents**

Cash and cash equivalents amounted to approximately HK\$1,772.0 million as at 28 February 2019 and decreased by approximately 17.8% to HK\$1,456.8 million as at 29 February 2020, while increased by approximately 7.6% to HK\$1,566.9 million as at 31 August 2020.

Major liabilities

As at 31 August 2020, the major liabilities of the Group were total borrowings of approximately HK\$2,008.6 million and total lease liabilities of approximately HK\$2,263.8 million.

(v) Borrowings

Borrowings are bank borrowings which bear interest at floating rates. The bank borrowings are principally denominated in Hong Kong dollar. As at 28 February 2019, 29 February 2020 and 31 August 2020, total borrowings of the Group amounted to approximately HK\$1,160.0 million, HK\$1,927.2 million and HK\$2,008.6 million, respectively.

As at 31 August 2020, the Group had aggregate banking facilities of approximately HK\$3,347.3 million at floating rate for overdrafts, term loans, revolving loans and trade financing, of which approximately HK\$1,247.2 million was unutilised on the same date. These facilities were mainly secured by corporate guarantees provided by the Company and certain subsidiaries as well as pledges of land and buildings.

Set out below is the net debt/net cash position and net debt to equity ratio as at 28 February 2019, 29 February 2020 and 31 August 2020:

	31 August 2020	29 February 2020	28 February 2019
(Net debt)/net cash (HK\$ million) (Note 1)	(441.7)	(470.4)	612.0
Debt to equity ratio (%) (Note 2)	205.8	182.7	31.8

Notes:

1. Represented cash and cash equivalents less total borrowings.
2. Represented total debt divided by total equity.

Net debt is defined as total debts less cash and cash equivalents. The Group turned from a net cash position of approximately HK\$612.0 million as at 28 February 2019 to a net debt position as at 29 February 2020 and 31 August 2020 of approximately HK\$470.4 million and HK\$441.7 million respectively, which were primarily due to the increase in total borrowings of the Group, amounted to approximately HK\$1,927.2 million and HK\$2,008.6 million while cash and cash equivalents amounted to approximately HK\$1,456.8 million and HK\$1,566.9 million, respectively. Total debt to equity ratio increased from approximately 31.8% for FY18/19 to approximately 182.7% and 205.8% for FY19/20 and 1H FY20/21 respectively mainly due to the impact of the adoption of “HKFRS 16 Leases” on 1 March 2019 and increase in bank borrowings.

As set out in Appendix I to the Scheme Document, as at 31 December 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group had prior to the date of the Scheme Document, the Group current bank borrowings of approximately HK\$429.2 million and non-current bank borrowings of approximately HK\$1,418.6 million.

(vi) Lease liabilities

The Group has adopted “HKFRS 16 Leases” since 1 March 2019. As at 1 March 2019, 29 February 2020 and 31 August 2020, total lease liabilities amounted to approximately HK\$2,444.3 million, HK\$2,398.9 million and HK\$2,263.8 million, representing the leases which had previously been classified as ‘operating leases’ under the principles of “HKAS 17 Leases”. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate.

(c) The latest trading update

On 26 February 2021, the Company issued an announcement in respect of the trading update for the three months and nine months ended 30 November 2020 (the “**Trading Update**”). Pursuant to Rule 10 of the Takeovers Code, the unaudited gross profit margins for the three months and nine months ended 30 November 2020 as disclosed in the Trading Update constitute a profit estimate which have been reported on by PricewaterhouseCoopers, the auditor of the Company, and us, details of which are set out in Appendix VI “Trading Update Announcement” to the Scheme Document.

The following unaudited financial information of the Group is extracted from the Trading Update:

Same-store-sales-growth (in their respective local currencies) – key operating markets:

	Three months ended 30 November 2020	Nine months ended 30 November 2020
	Year-on-year (“YoY”) change	YoY change
Hong Kong and Macau	(23.5%)	(42.0%)
PRC	5.1%	(3.9%)
Japan and the US	(36.8%)	(48.0%)

Gross profit margin (Note) – key operating markets:

	Three months ended 30 November 2020	YoY change (points)	Nine months ended 30 November 2020	YoY change (points)
Hong Kong and Macau	56.4%	(2.2%)	50.8%	(7.9%)
PRC	61.7%	0.2%	57.8%	(3.6%)
Japan and the US	62.8%	(6.7%)	61.5%	(8.9%)
Group	61.1%	(1.2%)	57.1%	(5.1%)

Note: Gross profit margin represents the gross profit divided by the revenue for the respective periods.

As shown above, other than the slight YoY growth for PRC operations of approximately 5.1% for the three months ended 30 November 2020, all operating segments recorded negative YoY same-store-sales-growth for the three months and nine months ended 30 November 2020. As stated in the Trading Update, the Group’s sales performance was severely impacted by the COVID-19 situation over the period. The decline in same-store-sales-growth in most markets was primarily a result of COVID-19 related restrictions and the decline in inbound tourism. The PRC segment has seen positive same-store-sales growth in the third quarter of the financial year ending 28 February 2021 after a gradual recovery from the public health crisis during the period.

In terms of gross profit margins, all operating segments recorded YoY decreases for the three months and nine months ended 30 November 2020 (except for the slight year-on-year increase of approximately 0.2% in gross profit margin for PRC operations for the three months ended 30 November 2020), which was principally due to the extra discount-related promotions that were offered during the period to boost sales.

As stated in the Trading Update, that the Group recognised non-cash impairment of non-financial assets of approximately HK\$119.8 million for the Hong Kong and Macau segment in its unaudited consolidated management accounts for the three months ended 30 November 2020 as a result of the overall market conditions caused by the COVID-19 pandemic and its continuous adverse impact on the short-term to long-term economy. Together with the non-cash impairment of non-financial assets of approximately HK\$200.7 million recognised in 1H FY20/21, the Group recognised non-cash impairment of non-financial assets of approximately HK\$320.5 million in total for the nine months ended 30 November 2020. No such impairments were recognised for the three months ended 30 November 2019.

Overall comments

The Group's recent operating and financial performance was adversely affected primarily by the COVID-19 pandemic. The Group's turnover decreased by approximately 12.6% to approximately HK\$7,719.4 million from FY18/19 to FY19/20 and decreased by approximately 31.9% to approximately HK\$2,734.7 million from 1H FY19/20 to 1H FY20/21. Besides, there was a reduction in the number of self-managed stores by approximately 8.4% from 864 as at 28 February 2019 to 797 as at 31 August 2020, and franchised stores from 49 as at 28 February 2019 to 22 as at 31 August 2020. The aforesaid factors have ultimately led to the substantial decline in the Group's turnover.

PRC and Hong Kong operations are major revenue contributors of the Group. In FY19/20, both of the PRC segment and the Hong Kong and Macau segment incurred losses. In 1H FY20/21, the PRC operations recorded segment profit which partially offset the loss incurred from the Hong Kong and Macau segment. Japan and US operations recorded segment profit in FY19/20. However, the Japan and US segment's profit plunged by approximately 73.1% in 1H FY20/21 as compared to that of 1H FY19/20. The deterioration of the financial performance of the Group in FY19/20 and 1H FY20/21 was primarily attributable to the substantial losses incurred from Hong Kong and Macau operations in FY19/20 and 1H FY20/21. The Hong Kong and Macau segment registered negative same-store-sales growth rate of approximately 23.5% for the three months ended 30 November 2020 on YoY basis.

The Group has implemented measures to control costs. However, the savings in operating costs were not sufficient to offset the decline in sales and gross profit margin. In addition, the Group has recognised a significant amount of impairment provision on property, furniture and equipment, and right-of-use assets.

As a result, the Group recorded loss attributable to the Shareholders of approximately HK\$747.3 million and approximately HK\$337.3 million in FY19/20 and 1H FY20/21 respectively in contrast to profit attributable to the Shareholders of approximately HK\$442.6 million in FY18/19. The Group has issued six announcements of profit warning since 21 August 2019. The Group did not declare any dividend for FY19/20.

The financial position of the Group was also affected by the deterioration of the financial performance. The Group turned from a net cash position of approximately HK\$612.0 million as at 28 February 2019 to a net debt position as at 29 February 2020 and 31 August 2020 of approximately HK\$470.4 million and HK\$442.6 million respectively, primarily due to the increase in total borrowings, from approximately HK\$1,160.0 million as at 28 February 2019 to approximately HK\$1,927.2 million as at 29 February 2020 and approximately HK\$2,008.6 million as at 31 August 2020.

3. Reasons for and benefits of the Proposal and intention regarding the Group

Based on the Explanatory Statement, it is expected that the Proposal can achieve a number of objectives and benefits as set out below:

- (a) *For the Company: a proposal to facilitate a necessary transformation of the business amid challenging market conditions alongside a highly accomplished partner. In light of change of consumer preference to online shopping in the retail industry, the Company has undertaken restructuring efforts to reposition its businesses and improve its competitive advantage*

Structural shifts in the retail industry: The past few years have been unprecedentedly challenging for the Company and the fashion retail industry as a whole. The development of e-commerce platforms, the adoption of offline to online sales channels, and new online direct-to-consumer brands have caused customers to gradually shift their preferences from shopping in physical outlets to shopping online. As a result, customers are more regularly bypassing physical retailers and purchasing directly online.

These developments have impacted the competitive position and financial performance of the Company, which predominantly derives its sales from physical retail store channels. In 1H FY20/21, physical retail sales still contributed approximately 75% of the Company's total sales. While the Company has adopted online strategies and intends to continue to develop these online strategies in the next several years, the implementation of these strategies to date, including the development of e-commerce channels on its websites and other third-party platforms (such as Alibaba's Tmall and participating in Double 11 Festival campaigns), has been unable to offset a decline in sales from its physical retail outlets of the Group (comprising the Brand Operations and the Other Operations with both operating physical retail outlets). In 1H FY20/21, despite a growth of approximately 97.9% in online sales from the corresponding period in 2019, online sales growth was unable to offset the decline in sales from retail stores, and the total turnover of the Group, decreased by approximately 31.9% from the corresponding period in 2019. This followed the Group's annual net loss in FY19/20 of approximately HK\$745.8 million.

Deteriorating operating environment: Aside from structural changes to the industry, consumer spending has sharply declined in several key markets. The outbreak of COVID-19 has significantly impacted the Company's business performance across multiple regions. The Group operates in three key markets, namely Hong Kong and Macau (approximately 26.7% of total sales for 1H FY20/21), PRC (approximately 58.5% of total sales for 1H FY20/21), Japan and US (approximately 13.0% of total sales for 1H FY20/21). A large part of the Group's sales in Hong Kong and Japan are derived from inbound tourism, which has seen a sharp decline due to the pandemic and stringent travel restrictions. In particular, inbound tourism to Hong Kong has plunged during 2020, with arrivals during the year declining by approximately 93.6% to an extremely low level. Hong Kong's Gross Domestic Product ("GDP") for 2020 contracted by approximately 6.1% in real terms compared to 2019.

In Japan, inbound visitor arrivals declined by approximately 87.1% during 2020 from a year earlier, which also affected the Group's sales performance in Japan. Against the backdrop of global travel recovery being highly uncertain which was evidenced by the recent capacity reduction in some of the major airlines, the Company foresees a long and challenging journey ahead until a full restoration of consumer confidence and normal inbound tourism arrivals across most regions where the Company operates.

As disclosed in the Trading Update, in the three months ended 30 November 2020, the Group recorded a same-store-sales decline of approximately 23.5% in the Hong Kong and Macau segment and a decline of approximately 36.8% in the Japan and US segment compared to the corresponding period in 2019.

The PRC retail apparel market is mainly driven by domestic consumption and the Group recorded a modest recovery in the three months ended 30 November 2020, where its same-store-sales increased by approximately 5.1% compared to the corresponding period in 2019 as disclosed in the Trading Update. However, growth in PRC was unable to offset the Group's sluggish recovery in the other key markets where the Group operates.

Ongoing ability to finance: Although the Company has implemented several short-term measures to temporarily counter the impact of economic headwinds, the Company also recognises that the shift of consumer preferences and an elaborate reduction of global tourism will have a lasting impact. Consequently, the Company's business performance and overall market sentiment towards traditional brick-and-mortar retail business model have affected the Company's ability to procure steady and long-term financing. In view of bankruptcy or bankruptcy protection filings of retail brands such as J.C. Penney Co. and Brooks Brothers Group Inc. and Topshop-owner Arcadia Group in 2020, commercial banks have generally taken a more prudent approach towards refinancing retail businesses. As of 31 August 2020, the Company had approximately HK\$2.0 billion of credit facilities and approximately HK\$1.6 billion of cash and equivalents. Approximately HK\$1.7 billion of these credit facilities will become due by the end of 2022, of which a total of approximately HK\$455 million will become due by the end of April 2021. Various anti-epidemic government assistance programmes in Hong Kong, including the Employee Support Scheme for subsidising the payment of wages to employees (which ended in November 2020) and the Retail Sector Subsidy Scheme (which provided the Group with a one-off subsidy for its retail stores), served as a temporary buffer to cushion the recent adverse impacts from macro challenges. However, in the near term as these loans mature, it is uncertain whether the Company would be able to roll over or secure new long-term financing with similar terms and conditions. The limited trading liquidity and depressed share price have also impacted the Company's ability to seek equity financing in the public market without causing a significant dilution to the incumbent shareholders of the Company.

The Company believes that the Restructuring would allow the Brand Operations, with better cash generative capabilities, to surface as a more feasible borrower to secure long-term financing; while preserving sufficient cash for the Other Operations to weather through the retail headwind, before a potentially successful turn-around in the future. The Brand Operations was more feasible to secure long-term bank financing than the Group, primarily because that after Restructuring, the loans extended by the banks to the Brand Operations will be ring-fenced from Other Operations, which have significant Hong Kong retail exposure, and are currently running at an operating loss and negative cash flow. In the section headed "Information relating to the Brand Operations" in the letter from the Board in Part IV of the Scheme Document, on 6 December 2020, the Offeror secured a debt commitment from BNP Paribas and Standard Chartered Bank (Hong Kong) Limited relating to a five-year term loan facility for up to approximately HK\$1,800,000,000 and a revolving credit facility for up to approximately HK\$200,000,000. The facilities are available to the Company subject to the Scheme becoming effective and the completion of the Restructuring, and would allow the Company to repay all of its existing borrowings that are coming due in the next 20 months. This would reduce short-term pressure to repay debt so that the Brand Operations and the Other Operations can focus on business transformation over the medium term. Such refinancing would not have been otherwise available to the Company if it does not implement the Scheme and complete the Restructuring. The magnitude of the Restructuring would also have been difficult to orchestrate under a publicly listed setting as the Company would be subject to various regulatory and financial reporting obligations and pressure from share price reactions.

CVC Network's credibility and track record in business turnaround as well as its long-term relationship with commercial banks were instrumental in securing the recent five-year debt commitment from commercial banks relating to a term loan facility for up to approximately HK\$1,800,000,000 and a revolving credit facility for up to approximately HK\$200,000,000 for refinancing the existing external bank debt of the Group and for the Brand Operations. The drawdown of credit facilities under the Refinancing Document will be conditional upon, amongst others, (a) the Scheme becoming effective, and (b) completion of most of the Restructuring steps (subject to ongoing transitional arrangements). The Company believes that it would be highly unlikely for the Company to refinance its sizeable debt on its own without having CVC Network as a partner for the Restructuring.

Evaluation of viable options: The Founder Group had been evaluating strategic options with respect to its large exposure to the Company on an ongoing basis and remains committed to the long-term prospects of the Company. The Founder Group, as the controlling shareholder of the Company, had considered a number of alternatives, including but not limited to spin-off and listing of the Brand Operations, or a minority stake sale of the Brand Operations. These alternatives faced various practical limitations from regulatory and commercial standpoints such as competition between Brand Operations and Other Operations and the listing viability of the Other Operations after spin-off and these alternatives do not resolve the immediate concern to secure a long-term refinancing. Consequently, the Founder Group considers privatisation with a partner followed by the Restructuring as the most viable option to return value to the Shareholders at a significant premium over historical trading prices and the consolidated net asset value attributable to Shareholders per Share as at 31 August 2020, while resolving the Company's most imminent financing needs.

Financial and operational resources from CVC Network: The Founder Group considers the partnership with CVC Holdco, ultimately owned by CVC Funds being a leading global long-term strategic financial investor with efficiency optimisation capabilities and a synergetic brand portfolio, to be advantageous. CVC Network contributed to the Company's financial resources by assisting the Company to secure long-term financing. In addition to financial resources, CVC Network will also bring in valuable operational resources with CVC Funds as a significant minority shareholder. In particular, CVC Network's strong track record in managing brand and retail companies such as Samsonite, Formula 1, Breitling and MAP Active, a seasoned global advisory board with comprehensive experience in the retail industry, and its extensive global network will all be operational resources that will be instrumental to the growth and value creation of the Brand Operations.

The Joint Offerors plan to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. Together with a shared ambition to uncover potential for the Brand Operations, a partnership between the Company and CVC Network will provide the optimal structure and platform for both sides to unleash their respective strengths in realising the common objective to create long-term values for the Brand Operations while allowing the Founder Holdco to take the necessary steps to revive the Other Operations.

The Company's transformation will involve execution, market and financial risks and the associated benefits (if any) will require a long time to materialise. The Offeror believes that such changes, if successful, may bolster the long-term competitiveness of the Company, but they can be more effectively implemented if the Company is privatised and operated away from the public market without ongoing pressures of short-term business performance or the pressure arising from the near-term refinancing needs.

(b) *For Scheme Shareholders: an attractive opportunity to realise their investment at a premium*

In light of the challenging market environment and the execution, market and financial risks in implementing a strategic transformation, the Proposal provides an attractive opportunity for the Non-Founder Scheme Shareholders to monetise their Shares at a premium to historical trading prices. The Cancellation Price of HK\$3 for each Non-Founder Scheme Share represents a premium of approximately 54.6% over the closing price of HK\$1.940 per Share as quoted on the Stock Exchange on the Last Trading Date, and a premium of approximately 135.5% and 173.0% over the average closing price of approximately HK\$1.274 and HK\$1.099 per Share for 30 and 90 trading days up to and including the Last Trading Date, a premium of approximately 7.5% over the closing price of HK\$2.79 per Share as quoted on the Latest Practicable Date, a premium of approximately 51.8% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.977 as at 29 February 2020 and a premium of approximately 73.1% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.733 as at 31 August 2020, respectively.

The average daily trading volume of the Shares for the twelve months up to and including the Last Trading Date was approximately 961,361 Shares per day, representing only approximately 0.08% of the issued Shares as at the Last Trading Date. This low level of trading liquidity of the Shares makes it difficult for the Shareholders to sell their shareholdings in large volume on the secondary market without adversely affecting Share price.

The Proposal provides the Non-Founder Scheme Shareholders with an opportunity to immediately realise their investment in the Company for cash amid the tremendous market uncertainty without taking on the risks facing the retail industry in key markets including Hong Kong and Macau as well as Japan and the US, and the uncertainty over the Group's restructuring of its retail operations and its imminent refinancing needs as described above.

Overall comments

As disclosed in the section headed "2. Financial information of the Group" above, we note that the Group's financial performance has been deteriorating since 1H FY19/20 and severely affected by, among other things, the social instability in Hong Kong in the second half of 2019 and subsequently followed by the outbreak of COVID-19. In particular, turnover decreased by approximately 12.6% to approximately HK\$7,719.4 million from 28 February 2019 to 29 February 2020 and decreased by approximately 31.9% to approximately HK\$2,734.7 million from 1H FY19/20 to 1H FY20/21. The business environment in which the Group operated has been adversely affected by the outbreak of COVID-19 which has further aggravated a difficult operational environment.

In the midst of the COVID-19 pandemic, consumers' spending enthusiasm was affected and inbound tourism in several of the Group's principal operating markets such as Hong Kong, Macau and Japan experienced a sharp decline due to the travel restrictions and quarantine measures imposed by governments. As a result, these have adversely impacted the Group's sales performance.

It is difficult to predict the full impact of COVID-19 pandemic on the economic activities around the globe and the challenges to the retail industry brought by the gradual shift of consumer preference to shop online. COVID-19 pandemic and the change in consumer behaviour will continue to weigh on the retail sector.

As disclosed in the 2020/2021 Interim Report, the Group has accelerated the pace of the digital development from 2019 through their own e-commerce channel and via third-party online marketplaces, focusing on redirecting the customer flow to digital channels through online promotional campaigns. It is noted that e-commerce sales registered a growth rate of approximately 97.9% and sales contribution from e-commerce sales increased to approximately 25% of the total turnover in 1H FY20/21 as compared to 1H FY19/20, however the growth was not sufficient to compensate for the sales losses of approximately HK\$465.3 million in 1H FY20/21 compared to 1H FY19/20 incurred by the Group's retail stores. The overall turnover of the Group decreased by approximately 31.9% from approximately HK\$4,015.4 million in 1H FY19/20 to approximately HK\$2,734.7 million in 1H FY20/21.

As a result, the Group has also taken forceful actions to manage the rapid changes in consumer behaviour and the decrease in demand caused by COVID-19. This was reflected in many parts of the business, including areas such as inventory purchasing, rents, advertising and promotions. The Group has also undertaken a comprehensive review of the shop portfolio, further optimising and integrating the sales channels. However, the savings in operating costs were not sufficient to offset the decline in sales and gross profit margin and hence the Group incurred losses.

The Joint Offerors plan to contribute financial and operational resources to the Company in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. The transformation will involve execution, market and financial risks. Given the uncertain economic and business outlook, it will require time to materialise the associated benefits, if successful. Such proposed transformation may involve equity fundraising and/or disposal of assets. As a listed company, this would be subject to disclosure and shareholders' approval requirements under the Listing Rules, leading to increased timing and uncertainty in the execution of the plans.

The Group has accelerated the pace of digital development. A significant growth in online sales was recorded in 1H FY20/21 as compared to 1H FY19/20. While the Company has adopted online strategies and intends to continue to develop these online strategies in the next several years, the online sales growth as a result of the implementation of these strategies to date, including the development of e-commerce channels on its websites and other third-party platforms, was not sufficient to offset the drop in sales of retail stores and the Group's total turnover decreased by approximately 31.9% in 1H FY20/21 as compared to 1H FY19/20. The adoption of online strategies were to be implemented alongside with the Group's existing strategy in the operations of retail stores, and would require time for business transformation to resume long-term sustainable growth of the Group. As at 31 August 2020, the Group had a total number of 819 retail stores (please refer to the section headed "1. Background information of the Group" for details). Besides, the Group's transformation to cope with the changes in consumer behaviour and pattern from time to time will involve risks, uncertainties and require adjustments from time to time.

In light of the above and in particular (i) the challenges to the retail industry brought by the gradual shift of consumer preference to shop online would continue to weigh on the Group's sales performance, the Group intends to continue to develop its online strategies to cope with the on-going changes in consumer behaviour and pattern that require prompt action. It is noted that the online sales grew significantly for 1H FY20/21 as compared to 1H FY19/20. However the online sales growth could not offset the drop in sales of retail stores in 1H FY20/21. The online sales may or may not be sufficient to cover the drop in sales of retail stores in the long term; (ii) despite the global economy is gradually recovering, COVID-19 pandemic is expected to continue to bring volatility and uncertainties to the economy in the near future as elaborated in the section headed "4. Industry overview and outlook" below; and (iii) the Group's transformation to cope with the change in consumer behaviour will involve significant risks and uncertainties and require adjustments from time to time, we believe that the on-going changes in consumer behaviour will continue to weigh on the Group's operational and financial

performance in the near future given that the Group had a total number of 819 physical retail stores as at 31 August 2020 and the transformation may or may not be successful. We are of the view that the Proposal and the Scheme are in the interest of the Disinterested Shareholders.

4. Industry overview and outlook

The Group's business and financial performance is affected by the local economic activities of its operating markets.

(a) PRC

(i) Economy

The table below sets out PRC's real GDP (Real GDP is defined as the nominal GDP after adjusting for any price changes attributable to either inflation or deflation) growth for the years/ periods indicated:

YoY growth	2017	2018	2019	2020				Full year
				Q1	Q2	Q3	Q4	
Real GDP	6.8%	6.6%	6.1%	(6.8%)	3.2%	4.9%	6.5%	2.3%

Source: National Bureau of Statistic of China

PRC's real GDP grew at approximately 6.8%, 6.6% and 6.1% YoY in 2017, 2018 and 2019 respectively, showing a slowdown in growth. During the first quarter of 2020, real GDP has contracted by approximately 6.8% for the first time in history in four decades due to the ongoing COVID-19 pandemic, whereby PRC has implemented shutdowns and quarantines to limit human contact as it sought to contain disruptions caused by COVID-19 to economic activities.

PRC registered a YoY growth of real GDP of approximately 2.3% in 2020 as COVID-19 eased in the remaining quarters of 2020.

(ii) Retail industry

YoY growth	2017	2018	2019	2020				Full year
				Q1	Q2	Q3	Q4	
Garments, footwear, hats and knitwear sales	7.8%	8.0%	2.9%	(32.2%)	(19.6%)	(12.4%)	7.0%	(6.6%)

Source: National Bureau of Statistic of China

With reference to the data above, retail sales for garments, footwear, hats and knitwear increased by approximately 7.8% and 8.0% in 2017 and 2018 respectively, while in 2019 the growth slowed down and recorded an increase of approximately 2.9%.

It is noted that COVID-19 outbreak significantly shifted and halted some consumption. Retailers were affected to various degrees and traditional sales and distribution channels, such as offline retail stores were temporarily closed. In particular, retail sales for garments, footwear, hats and knitwear recorded a YoY drop by approximately 32.2%. The decreases were mainly due to the outbreak of COVID-19.

The decreasing trend in the total retail sales of garments, footwear, hats and knitwear continued to the second and third quarters of 2020, although have narrowed. Retail sales of garments, footwear, hats and knitwear of PRC registered a YoY growth in the fourth quarter of 2020. Overall, for 2020, retail sales of garments, footwear, hats and knitwear have recorded a YoY decline of approximately 6.6%.

(b) Hong Kong

(i) Economy

The following table sets out Hong Kong’s real GDP growth and growth in private consumption expenditure in real terms, for the years/quarters indicated:

YoY growth	2017	2018	2019	2020				Full year
				Q1	Q2	Q3	Q4	
Real GDP	3.8%	2.8%	(1.2%)	(9.1%)	(9.0%)	(3.6%)	(3.0%)	(6.1%)

Source: Census and Statistics Department of Hong Kong

As shown in the table above, Hong Kong economy as measured by the real GDP recorded a YoY negative growth rate of approximately 1.2% in 2019, whereas positive growth rate of approximately 3.8% and 2.8% were recorded in 2017 and 2018, respectively. The YoY negative growth rate in 2019 was primarily caused by softening global economic growth, elevated US-China trade tensions, the local social instability dealt a heavy blow to economic sentiment and consumption- and tourism-related activities, according to the “2019 Economic Background and 2020 Prospects” published in February 2020 prepared by the Hong Kong government. The YoY real GDP negative growth in the first quarter of 2020 further decreased to approximately 9.1%. The YoY real GDP negative growth rates were approximately 9.0% and 3.6% in the second and third quarters of 2020, respectively. For 2020 full year, the YoY real GDP negative growth registered a negative 6.1%.

(ii) Tourism

Inbound tourism is one of the main drivers of the Group’s business in Hong Kong.

Set out below is the total number of visitor arrivals and relevant selective information as extracted from the website of Hong Kong Tourism Board.

	2017	2018	2019	2020
Total visitor arrivals (million)	58.5	65.1	55.9	3.6
By country				
– PRC	44.4	51.0	43.8	2.7
– Other	14.0	14.1	12.1	0.9
Per capita spending of overnight visitors	HK\$6,443	HK\$6,614	HK\$5,818	— <i>Note</i>
Total tourism expenditure associated to inbound tourism	HK\$296.7 billion	HK\$328.2 billion	HK\$256.2 billion	— <i>Note</i>

Source: Hong Kong Tourism Board

Note: Not available

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

With reference to the data for visitors' arrivals in Hong Kong above, the total visitor arrivals in 2018 increased by approximately 11.4% to approximately 65.1 million. Such growth in 2018 was reversed as the local social incidents in 2019 have taken a heavy toll on Hong Kong's tourism industry and the overall visitor arrivals dropped by approximately 14.2% to approximately 55.9 million in 2019. Total tourism expenditure associated to inbound tourism and per capita spending of overnight visitors also decreased by approximately 22.7% and 12.0% respectively in 2019, as opposed to the increases of approximately 2.7% for inbound tourism and approximately 10.6% for per capita spending of overnight visitors in 2018.

While the number of PRC arrivals decreased by approximately 14.2% in 2019 as opposed to an increase of approximately 14.8% in 2018, the PRC continued to be the largest visitor source market of Hong Kong, accounting for approximately 76.0% in 2017, 78.3% in 2018 and 78.3% in 2019 of the total arrivals. On the other hand, visitor arrivals from non-PRC markets also declined by approximately 14.0% in 2019, as opposed to a slight increase of approximately 0.6% in 2018.

With reference to the latest public information of tourists' arrivals for 2020, the decreasing trend continued whereby the number of visitors' arrivals dropped by approximately 93.2% to approximately 3.6 million, of which visitors from PRC dropped by approximately 93.5% to approximately 2.7 million (accounted for 75% of total visitors), on a YoY basis, due to travel restrictions.

(iii) Retail industry

Value of retail sales (HK\$ million)	2020							Full year note
	2017	2018	2019	Q1	Q2	Q3	Q4	
Clothing, footwear and allied products	58,401	62,303	53,508	8,043	7,740	6,866	8,882	31,548
YoY growth	0.18%	6.7%	(14.1%)	(54.1%)	(46.7%)	(33.7%)	(19.8%)	(41.0%)

Source: Census and Statistics Department of Hong Kong

Note: Provisional figure

According to the Census and Statistics Department of Hong Kong, the value of retail sales of clothing, footwear and allied products increased by approximately 6.7% from approximately HK\$58.4 billion in 2017 to approximately HK\$62.3 billion in 2018. However, the decreasing trend started since 2019 whereby the value of retail sales of clothing, footwear and allied products decreased by approximately 14.1% from approximately HK\$62.3 billion in 2018 to approximately HK\$53.5 billion in 2019. For 2020, the value of retail sales of all retail sales of clothing, footwear and allied products decreased by approximately 41.0% to approximately HK\$31.5 billion compared to previous year.

(c) Macau

YoY growth	2020							Full year
	2017	2018	2019	Q1	Q2	Q3	Q4	
Real GDP	9.1%	4.7%	(4.7%)	(48.7%)	(67.8%)	(63.8%)	— <i>Note 1</i>	— <i>Note 1</i>
Retail sales of adult's clothing ^{note 2}	12.6%	16.7%	(12.5%)	(52.9%)	(71.2%)	(65.4%)	(29.7%)	(53.3%)

Source: Statistics and Census Service, Government of Macau Special Administrative Region

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Notes:

1. Not available.
2. The most relevant category to the business of the Group in our view.

As shown in the table above, economy of Macau as measured by the real GDP recorded a YoY growth rate from approximately 9.1% in 2017 to approximately 4.7% in 2018, while a decline of approximately 4.7% was recorded in 2019. Macau's economy was mainly driven by services industry and was severely hit amid the epidemic with a substantial decline in total demand. In the first quarter of 2020, Macau's economy shrank by approximately 48.7% YoY owing to the epidemic of COVID-19 which significantly dampened global economic activity and recorded a further decline of approximately 67.8% and 63.8% in the second and third quarters of 2020 respectively. Likewise, in terms of retail sales of adult's clothing, a YoY growth of approximately 12.6% and 16.7% was recorded in 2017 and 2018 respectively, while from 2019 onwards to the first, second, third and fourth quarter of 2020, declines of approximately 12.5%, 52.9%, 71.2%, 65.4% and 29.7% were recorded, respectively, owing to the COVID-19 outbreak where travel restrictions have been imposed. The retail sales of adult's clothing for 2020 registered a YoY decline of approximately 53.3%.

(d) Japan

YoY growth	2017	2018	2019	2020			
				Q1	Q2	Q3	Q4
Real GDP	1.5%	0.6%	0.3%	(1.8%)	(10.2%)	(5.8%)	<i>—</i> Note

Source: Economic and Social Research Institute Cabinet Office, Government of Japan

Note: Not available.

As shown in the table above, the economy of Japan as measured by the real GDP recorded a decline in YoY growth rate from approximately 1.5% in 2017 to approximately 0.6% and 0.3% in 2018 and 2019 respectively. A YoY negative growth rate in real GDP was recorded in each of the first three quarters of 2020.

(e) US

(i) Economy

YoY growth	2017	2018	2019	2020				Full year
				Q1	Q2	Q3	Q4	
Real GDP	2.3%	3.0%	2.3%	0.3%	(9.0%)	(2.8%)	(2.5%)	(3.5%)
Private consumption expenditure	2.6%	2.7%	2.5%	0.2%	(10.2%)	(2.8%)	(2.6%)	(3.9%)

Source: Bureau of Economic Analysis, US Department of Commerce

As shown in the table above, economy of the US as measured by the real GDP recorded a decline in YoY growth rate from approximately 3.0% in 2018 to approximately 2.3% in 2019. A YoY growth rate of approximately 0.3% was recorded in the first quarter of 2020 followed by a negative YoY growth rate of approximately 9.0%, 2.8% and 2.5% for the second, third and fourth quarter of 2020 which was in part due to the response to the spread of COVID-19. US registered a negative YoY growth rate in GDP of approximately 3.5% in 2020.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As opposed to the YoY growth rate of approximately 2.7% and 2.5% in 2018 and 2019 respectively, private consumption recorded a slight YoY growth rate of approximately 0.2% in the first quarter of 2020 followed by a YoY negative growth rate of approximately 10.2%, 2.8% and 2.6% in the second, third and fourth quarter of 2020 respectively. US registered a negative YoY growth rate in private consumption expenditure of approximately 3.9% in 2020.

(f) Global economic outlook

YoY growth	2020e	2021p	2022p
Real GDP	(4.3%)	4.0%	3.8%

Source: World Bank

COVID-19 pandemic has caused major disruptions in the global economy. Economic activity has been hit by reduced personal interaction and uncertainties about the post-pandemic economic landscape and policies has discouraged investment and hence the economy. As with previous economic crises, the pandemic is expected to leave adverse effects on global economic activities and per capita incomes.

According to the “Global Economic Prospects Report” published by the World Bank in January 2021, COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is expected to contract sharply by approximately 4.3% in 2020, much worse than the 2008–09 financial crisis. Beyond the uncertainties associated with potential future waves of COVID-19 infections, as descended on Europe and the US in late 2020, COVID-19 pandemic has put many developing countries and emerging markets in a precarious financial position and the full recovery of the world’s economy remained uncertain in the near term. Although the global economy is emerging from the collapse triggered by the pandemic, the recovery is projected to be subdued. Global economic output is expected to expand approximately 4% in 2021 but still remain more than 5% below its pre-pandemic trend. Though vaccines are being rolled out, it is widely acknowledged that it may take a while for herd immunity.

Overall comments

Since 2019, the economic environment of the operating markets of the Group has been severely affected by, among other things, the US-China trade tensions and COVID-19 pandemic, causing major and continuous disruptions to economic activities and heavily affected global tourism and consumption-related sectors.

Based on the available historical data of the retail industry as presented above, PRC registered a YoY growth in the relevant sub-category of retail sales in the fourth quarter of 2020 amid the easing of the COVID-19 pandemic, while Hong Kong and Macau continued to register YoY decline of retail sales in the fourth quarter of 2020. Although the global economy is gradually recovering from the adverse impacts emerging from the collapse triggered by the pandemic, the recovery is projected to be subdued. The full recovery of the world’s economy remains uncertain in the near term.

On 27 February 2021, the Centers for Disease Control and Prevention, a national public health institute in the US, stated that the recent spread of mutations of the coronavirus are more easily transmitted and potentially more deadly, which have raised concerns.

According to the National Institute of Allergy and Infectious Diseases of US, coronavirus herd immunity is considered to occur when at least two-thirds of a population are immune to the virus. As such, the timeline for having the pandemic under control would depend on how quickly people around the world are vaccinated.

The roll-out of vaccines around the world bring hope to an end to the threat of the pandemic. However, in view of the mutations of the coronavirus and the time required to inoculate the population to achieve herd immunity, measures to combat any new outbreak would affect the pace of the economic recovery. As such, the COVID-19 pandemic is expected to continue to bring volatility and uncertainties to the economy and to the Group (including the Branded Operations and Other Operations) in the near term.

5. Information on the Offeror Group, the Founder Group and the CVC Network

(a) Information on the Offeror Group

Each of EquityCo and the Offeror is an exempted company incorporated in the Cayman Islands with limited liability and set up for the implementation of the Proposal. The Offeror is wholly-owned by EquityCo.

EquityCo has three classes of shares: ordinary shares, class A preference shares and class B preference shares. Upon completion of the Restructuring, EquityCo will be owned as to 50.65% and 49.35% by Founder Holdco and CVC Holdco respectively. Founder Holdco will own all class A preference shares whereas CVC Holdco will own all class B preference shares of EquityCo.

Charts illustrate the shareholding structure of the Company (including the shareholding structure of the Founder Group and CVC Holdco) are set out in the section headed “10. Information on the Offeror Group” in “Part VII. — Explanatory Statement” in the Scheme Document.

(b) Information on the Founder Group

The Founder Group comprises Mr. Sham Kar Wai, Mr. Sham Kin Wai, Ms. Sham Sau Han, Ms. Sham Sau Wai, Mr. Fung Yuk Hung, Founder Holdco and the ABS 2000 Trust Holding Companies.

Mr. Sham Kar Wai and Mr. Sham Kin Wai founded the Group in 1988. Mr. Sham Kar Wai is an executive Director, Chairman of the Board and the chief executive officer of the Company. Mr. Sham Kin Wai is an executive Director and chief creative officer of the Company.

Details of the other members of the Founder Group are set out in the section headed “11. Information on the Founder Group” in “Part VII. — Explanatory Statement” of the Scheme Document.

(c) Information on the CVC Network

The CVC Network comprises CVC Holdco, CVC and CVC Funds.

- i. CVC Holdco is set up for the implementation of the Proposal. CVC Holdco is ultimately wholly-owned by the CVC Funds. CVC Holdco is an independent third party and is not connected with and is not a person acting in concert with the Company or its subsidiaries or any connected persons of the Company (other than members of the Founder Group);
- ii. CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and approximately 550 employees throughout Europe, Asia and the US. To date, CVC has secured commitments of more than US\$120 billion from some of the world’s leading institutional investors across its private equity strategies. In total, CVC currently manages over US\$82 billion of assets. Today, funds managed or advised by CVC are invested in over 80 companies worldwide, employing approximately 400,000 people in numerous countries. Together, these companies have combined annual sales of over US\$92 billion.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- iii. CVC Funds are widely held among a large number of investors, including pension funds, sovereign wealth funds, financial institutions and various other partners.

6. Trading volume of the Shares

The table below sets out the average daily trading volume of the Shares for each month or period and the percentages of the daily traded volume and the public float of the Shares to each of the total issued Shares and the public float from 1 January 2019 to the Latest Practicable Date.

	Average Daily Trading Volume (Shares)	Approximate % of average daily trading volume to total issued Shares (Note 1)	Approximately % of average daily trading volume to the public float (Note 2)
2019			
January	5,883,334	0.49%	1.40%
February	4,705,100	0.39%	1.12%
March	6,812,516	0.57%	1.62%
April	3,788,621	0.32%	0.90%
May	5,618,425	0.47%	1.34%
June	6,117,856	0.51%	1.46%
July	8,715,671	0.73%	2.08%
August	8,664,058	0.72%	2.07%
September	5,764,769	0.48%	1.38%
October	4,820,078	0.40%	1.15%
November	11,353,367	0.95%	2.71%
December	14,990,429	1.25%	3.58%
2020			
January	6,454,613	0.54%	1.54%
February	3,759,935	0.31%	0.90%
March	8,952,774	0.75%	2.14%
April	7,064,213	0.59%	1.69%
May	25,681,803	2.15%	6.13%
June	65,959,056	5.52%	15.75%
July	15,318,028	1.28%	3.66%
August	11,024,327	0.92%	2.63%
September	7,436,297	0.62%	1.78%
October	5,596,000	0.47%	1.34%
November	3,081,905	0.26%	0.74%
December	7,369,216	0.62%	1.76%
2021			
January	2,000,880	0.17%	0.48%
February	1,360,660	0.11%	0.32%
From 1 March to the Latest Practicable Date	868,269	0.07%	0.20%
Average: 2 January 2019 to the Latest Practicable Date	949,508	0.08%	0.22%

Source: Bloomberg

Notes:

1. Based on the number of total issued Shares as at each month end or the Latest Practicable Date.
2. Based on the number of Shares held by the public as at each month end or the Latest Practicable Date as extracted from Bloomberg

As illustrated above, the average daily trading volume of the Shares during 2019 and 2020 represented (i) approximately 0.61% and 1.17% of the total issued Shares and (ii) approximately 1.73% and 3.34% of the issued Shares held by the public, respectively.

The average daily trading volume of the Shares from 2 January 2019 to the Latest Practicable Date represented approximately 0.08% and 0.22% of the total issued Shares and the Shares held by the public, respectively.

Overall comments

Given the low liquidity of the Shares, it is difficult for the Disinterested Shareholders to sell their shareholdings in large volume without adversely affecting the Share price. The Scheme represents an opportunity for the Non-Founder Scheme Shareholders to exit at the fixed Cancellation Price which is substantially above the market prices prior to the issue of the Joint Announcement.

7. Evaluation of the Cancellation Price

(a) Comparison of the Cancellation Price to closing prices and net asset value

The Cancellation Price of HK\$3 per Non-Founder Scheme Share represents:

- a premium of approximately 54.6% over the closing price of HK\$1.940 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 84.7% over the average closing price of approximately HK\$1.624 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date;
- a premium of approximately 135.5% over the average closing price of approximately HK\$1.274 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 162.4% over the average closing price of approximately HK\$1.143 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 173.0% over the average closing price of approximately HK\$1.099 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 170.4% over the average closing price of approximately HK\$1.109 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 156.7% over the average closing price of approximately HK\$1.169 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 7.5% over the closing price of approximately HK\$2.79 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- a premium of approximately 51.8% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.977 as at 29 February 2020; and
- a premium of approximately 73.1% to the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.733 as at 31 August 2020, which is calculated by the sum of the Company’s total issued share capital of HK\$119.58 million and total reserves of HK\$1,953.07 million (which are based on the financial information disclosed in the Interim Results Announcement), divided by the total number of outstanding Shares of 1,195,797,307 as at 31 August 2020.

(b) Analysis of historical Share price performance

The charts below illustrates (i) the daily closing price of the Shares and (ii) the relative daily closing Share price performance, as quoted on the Stock Exchange and against the Hang Seng Index respectively from 1 January 2019 and up to the Latest Practicable Date.

Historical Share price performance



Source: Website of the Stock Exchange

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Notes:

Extracts of profit warning announcements issued by the Company are set out below:

Date of announcement	Indicated financial performance
1. 21 August 2019	The Group may record a net loss for the six months ending 31 August 2019 as compared to a net profit for the six months ended 31 August 2018.
2. 9 April 2020	It is expected that the Group will incur net loss attributable to the Shareholders of not less than HK\$300 million for the year ended 29 February 2020.
3. 25 May 2020	Supplemental announcement for the negative impacts and the impairment provision of goodwill, property, furniture and equipment and right-of-use assets made in the fourth quarter of the year ended 29 February 2020, the Group's net loss attributable to the Shareholders is expected to be not less than HK\$700 million.
4. 30 July 2020	The Group incurred a net loss in the first quarter of the year ending 28 February 2021 as compared to a net profit in the first quarter of the year ended 29 February 2020.
5. 4 August 2020	It is expected that the Group will incur a net loss of not less than HK\$100 million in the three months ended 31 May 2020 as compared to a net profit of HK\$34 million in the three months ended 31 May 2019.
6. 27 October 2020	It is expected that the Group will record a net loss of not less than HK\$300 million for the six months ended 31 August 2020 as compared to a net loss of HK\$71 million in the six months ended 31 August 2019.

Relative Share price performance against the Hang Seng Index



Source: Website of the Stock Exchange

Note: The closing Share price and Hang Seng Index as at 2 January 2019 have been rebased to 100 for ease of comparison

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

With reference to the chart for the relative Share price performance against the Hang Seng Index above, since 2 January 2019 and up to the Last Trading Date, the Share price displayed a downward trend and underperformed the Hang Seng Index.

With reference to the chart for the historical Share price performance and the Hang Seng Index above, from 2 January 2019 to 26 April 2019, Hang Seng Index was on an upward trend and reached the day closing at 30,082 points while the closing price of the Shares dropped from HK\$4.09 on 2 January 2019 to HK\$3.77 on 26 April 2019.

The Share performance at the beginning of our review period was traded by investors with reference to, among other things, the interim results of the Group for the six months ended 31 August 2018, the then latest financial performance reference of the Group, being a profit for the period of approximately HK\$113.4 million.

From 29 April 2019 to 18 December 2019, Hang Seng Index had day closing fluctuated between 25,281 points and 29,363 points, while the closing Share price continued to drop from HK\$3.95 to HK\$1.74. During the period, the Company issued a profit warning announcement on 21 August 2019 relating to the anticipated loss incurred in 1H FY 19/20 caused by various geopolitical and macroeconomic challenges such as the Sino-US trade tensions and the social instability in Hong Kong, which the Group offered extra discounts to increase sales and reduce inventory leading to a decline in gross profit margin and earnings in several operating regions such as Hong Kong and PRC.

Since 17 January 2020 and up to the Last Trading Date, the Hang Seng Index had day closing fluctuated between 21,696 points and 27,960 points. The Hang Seng Index reached the lowest closing point of the year on 17 March 2020 and day closing constantly below 27,701 points, being the one-year average prior to the outbreak of COVID-19 with the first Hong Kong confirmed case on 23 January 2020. Notwithstanding the increasing trend of the Hang Seng Index starting from the second quarter of 2020, the Share price continued to drop and reached a closing price of HK\$0.96 on 8 September 2020 and remained sluggish compared to the Hang Seng Index for the rest of 2020 until the Last Trading Date.

We note that the Share price was on an upward trend prior to the Last Trading Date and with closing price fluctuated between HK\$1.12 on 28 October 2020 (being the first trading day after the issue of the profit warning announcement on 27 October 2020) and HK\$1.94 on 30 November 2020 (being the Last Trading Date), represented an increase of approximately 73.2%. The Share price outperformed the market trend whereby the Hang Seng Index with day closing fluctuated between 24,107 points and 26,895 points during the same period, represented an increase of approximately 11.6%. During the period, the Company did not issue any announcement. As advised by the management of the Group, the Company cannot ascertain the reason for such increase in Share prices that outperformed the Hang Seng Index against the backdrop of deterioration of financial performance.

The Share price closed at HK\$1.94 on the Last Trading Date and further surged by approximately 44.8% to HK\$2.81 on 7 December 2020, being the first trading day following the Joint Announcement.

We note that the Shares were traded below the Cancellation Price of HK\$3 for over 16 months from 25 July 2019 to the Last Trading Date. During the period, the Shares were traded between closing prices of HK\$0.96 and HK\$2.93, with an average closing price of approximately HK\$1.60, representing a discount of approximately 87.5% to the Cancellation Price. We note that the Group issued six profit warning announcements during the period. As such, we believe that the Share price performance was largely affected by the adverse changes in financial performance of the Group, details of which are set out above in the section headed “2. Financial information of the Group”.

From 7 December 2020 to the Latest Practicable Date, the Shares were traded between closing prices of HK\$2.73 and HK\$2.89, with an average of closing price of approximately HK\$2.80, representing a discount of approximately 6.7% to the Cancellation Price. The Shares closed at HK\$2.79 as at the Latest Practicable Date.

Overall comments

The Share performance at the beginning of our review period was traded by investors with reference to, among other things, the interim results of the Group for the six months ended 31 August 2018, the then latest financial performance reference of the Group, being a profit for the period of approximately HK\$113.4 million.

Overall there was a downward trend of the Share price from 18 January 2019 until late October 2020 whereby the Share price dropped significantly during the said period with closing price from approximately HK\$4.28 on 18 January 2019 as the highest to HK\$0.96 as the lowest on 10 August 2020 during the said period.

We note that the Group issued six profit warning announcements during the period under review. As such, we believe that the Share price performance was largely affected by the adverse changes in financial performance of the Group. Despite the issue of the profit warning announcement on 27 October 2020, the Share price was on an upward trend and surged by approximately 73.2% from 28 October 2020 to the Last Trading Date, being 30 November 2020. As advised by the management of the Group, the Company cannot ascertain the reason for such increase in Share prices.

We consider the further surge in Share prices after the issue of the Joint Announcement was primarily driven by the announcement of the Proposal, in particular, the Cancellation Price of HK\$3 per Scheme Share. The Scheme Shareholders should note that the prevailing Share prices may not be sustained if the Scheme is not approved or the Proposal otherwise lapses.

(c) Comparable companies analysis

In assessing the fairness and reasonableness of the Cancellation Price, we have identified companies listed on the main board of the Stock Exchange which (i) derived over 50% of their revenue from sales of apparel; (ii) derived over 50% of their revenue from PRC and/or Hong Kong in their respective latest financial years; (iii) had a market capitalisation of up to HK\$5 billion on the Last Trading Date; and (iv) no change in controlling shareholder in the most recent financial year as the share prices may be distorted due to market perception as a result of change in controlling shareholder. We have identified 10 companies which are considered to be comparable companies (the “**Comparable Companies**”). These Comparable Companies represent an exhaustive list of comparable companies satisfying the above selection criteria.

We have considered commonly-used benchmarks in valuing a business. As the Group was loss-making based on the latest published results, price to earnings ratio is not applicable. We consider that enterprise value to earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) multiple (“**EV/EBITDA**”) is an appropriate benchmark for valuing the Company. As the value of the Group depends on its earnings and operating performance but not its asset base, a price to book value ratio is not considered to be an appropriate valuation benchmark.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The table below illustrates the EV/EBITDA Ratio of the Comparable Companies based on their respective financial information as derived from their respective latest published financial statements and the closing share prices of the Comparable Companies on the Last Trading Date.

Company	Stock code	Market capitalisation as at the Last Trading Date (HK\$ million)	EV/EBITDA (Note 1) (times)
JNBY Design Limited	3306	4,596	4.5
Mulsanne Group Holding Limited	1817	3,886	14.8
Giordano International Limited	709	1,862	2.1
Cabbeen Fashion Limited	2030	1,852	5.6
Goldlion Holdings Limited	533	1,532	3.2
ENM Holdings Limited	128	1,073	(Note 2)
Forward Fashion (International) Holdings Company Limited	2528	496	3.1
Trinity Limited	891	360	0.2
Bauhaus International (Holdings) Limited	483	215	1.8
Moiselle International Holdings Limited	130	81	0.8
		Maximum	14.8
		Minimum	0.2
		Average	4.0
		Median	3.1
The Company		3,587 (Note 3)	5.1 (Note 3)

Source: Bloomberg

Notes:

1. EV represents the market capitalisation as at the Last Trading Date plus total interest-bearing liabilities and total lease liabilities less cash and cash equivalents of the respective Comparable Companies based on their respective latest published financial statement; EBITDA represents trailing 12 months EBITDA and adjusted by the impairment of goodwill, right-of-use assets and property, plant and equipment.
2. Not applicable as loss before interests, taxes, depreciation and amortisation
3. Based on the Cancellation price of HK\$3.

Despite the scale of operations, geographical mix of markets or prospects may not be the same or even different from the Group, we consider that the Comparable Companies are representative and appropriate for comparison purpose as they are all fashion retailers and their major markets are in PRC and/or Hong Kong.

The EV/EBITDA ratio for the Company as implied by the Cancellation Price was 5.1 times, which was higher than the average and median of the EV/EBITDA of the Comparable Companies of 4.0 times and 3.1 times respectively.

(d) Privatisation precedents

The table below shows a comparison of the Proposal to successful privatisation proposals of companies engaging in the retail sector listed on the main board of the Stock Exchange announced since 1 January 2018 up to the Last Trading Date (the “**Successful Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals based on the aforesaid criteria. The table sets out the premiums of cancellation price over the relevant last trading date, 5 day, 30 day, 60 day, 90 day and 180 day periods’ average share prices (up to and including the last trading days), which illustrate the ranges of premium over the prevailing share prices of the Successful Privatisation Precedents that were considered acceptable by their shareholders. We consider that the Successful Privatisation Precedents are the relevant companies to the Proposal given that they operate in the same sector.

Date of announcement	Company	Stock code	Market capitalisation as at the Last Trading Date (HK\$ million)	Principal business	Premium of cancellation price over closing price/average closing price prior to the privatisation proposal					
					Last trading day	Last 5 trading days	Last 30 trading days	Last 60 trading days	Last 90 trading days	Last 180 trading days
Apparel retailers										
12-Dec-19	Joyce Boutique Group Limited	647	237	Fashion retail, brand management and distribution	91.8%	91.3%	82.2%	62.7%	50.1%	32.2%
07-Jun-18	Portico International Holdings Limited	589	1,513	Design, manufacturing and retail of ladies’ and men’s fashion garments	50.2%	51.6%	49.2%	45.2%	45.8%	49.9%
Other retailers										
01-Nov-19	Springland International Holdings Limited	1700	2,778	Operation of a chain of hypermarkets	63.1%	67.9%	56.8%	55.4%	53.2%	48.6%
18-Jun-19	C.P. Lotus Corporation	121	2,232	Operation of department stores and supermarkets	10.0%	12.0%	29.4%	30.3%	26.5%	21.9%
The Successful Privatisation Precedents										
				Maximum	91.8%	91.3%	82.2%	62.7%	53.2%	49.9%
				Minimum	10.0%	12.0%	29.4%	30.3%	26.5%	21.9%
				Average	53.8%	55.7%	54.4%	48.4%	43.9%	38.2%
				Median	56.7%	59.8%	53.0%	50.3%	47.9%	40.4%
The Proposal					54.6%	84.7%	135.5%	162.4%	173.0%	156.7%

Source: Bloomberg and website of the Stock Exchange

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As the Group is a fashion retailer and the Group's value is not based on its asset base, the comparison of the premium of the Cancellation Price over the Group's unaudited consolidated net asset value attributable to Shareholders per Share as at 31 August 2020 of approximately 73.1% with the premium/discount of cancellation price over/to the net asset value of the respective Successful Privatisation Precedents is not considered to be appropriate.

The premium as represented by the Cancellation Price was approximately 84.7% over the average closing price of the Shares for the period of five trading days up to and including the Last Trading Date, which was within the range and higher than the median of approximately 59.8% of those of the Successful Privatisation Precedents. It is noted that the Share price was on an upward trend and there was a surge in mid-November 2021 prior to the Last Trading Date. As advised by the management of the Group, the Company cannot ascertain the reason for such increase in Share prices that outperformed the Hang Seng Index against the backdrop of the deterioration of the Group's financial performance. Please refer to the sub-section headed "7. Evaluation of the Cancellation Price (b) Analysis of historical Share price performance" for more details.

The premiums as represented by the Cancellation Price were approximately 135.5%, 162.4%, 173.0% and 156.7%, over the average closing prices of the Shares for the periods of 30, 60, 90 and 180 trading days up to and including the Last Trading Date, respectively, which were higher than the respective maximum premium of those of the Successful Privatisation Precedents.

Overall comments

After considering the following factors:

- (a) the closing prices of the Shares were below the Cancellation Price for over 16 consecutive months from 25 July 2019 to the Last Trading Date;
- (b) the EV/EBITDA ratio of the Company as implied by the Cancellation Price was approximately 5.1 times, which was higher than the average and median of the EV/EBITDA ratio of the Comparable Companies on the Last Trading Date of approximately 4.0 times and 3.1 times respectively; and
- (c) The premium as represented by the Cancellation Price was approximately 84.7% over the average closing price of the Shares for the five trading days up to and including the Last Trading Date, which was within the range and higher than the average of approximately 55.7% and median of approximately 59.8% of those of the Successful Privatisation Precedents. The premiums as represented by the Cancellation Price were approximately 135.5%, 162.4%, 173.0% and 156.7% over the average closing prices of the Shares for the periods of 30, 60, 90 and 180 trading days up to and including the Last Trading Date, respectively, which were more than the respective maximum premium of those of the Successful Privatisation Precedents,

we consider that the Cancellation Price is fair and reasonable.

8. The Offeror's intention regarding the Group

As explained in the Explanatory Statement in Part VII of the Scheme Document, the Joint Offerors and the Offeror plan to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. Together with a shared ambition to uncover potential for the Brand Operations, a partnership between the Company and the CVC Network will provide the optimal structure and platform for both sides to unleash their respective strengths in realising the common objective to create long-term values for the Brand Operations while providing Founder Holdco leeway to take the necessary steps to revive the Other Operations.

As part of the Restructuring:

- (a) the Offeror intends to separate (or procure that the alternative contractual arrangements are entered into to separate the economic benefits relating to) the employees, inventory, other tangible or fixed assets, lease agreements, other third party contracts, intellectual properties, information technology infrastructure, data, cash or receivables, debt or payables, and other assets and liabilities of the Group into two parts, being the Brand Operations and the Other Operations; and
- (b) upon completion of the separation described in paragraph (a) above, the Offeror intends to continue to operate the existing business of the Brand Operations of the Group, while transferring the existing business of the Other Operations of the Group to the Founder Holdco as part of the Restructuring. The Brand Operations and the Other Operations may also enter into (i) transitional services agreements relating to logistics, e-commerce, office premises and IT systems or other areas where transitional services are required, and (ii) long-term agreements relating to trading between the Brand Operations and the Other Operations, including, consignment or similar agreements for the sale of the Brand Operations' products in the Other Operations' channels (or vice versa), facility services agreement for conference rooms, pantries and utilities in the PRC, and/or property and facility services for office premises in Taiwan, each conditional on and taking effect after the Effective Date. Transitional services agreements will be entered into for a period of six to twelve months with an early termination right by the relevant service recipient. Transitional services and long-term facility and property services will be charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-ups. The pricing for other long-term services will be determined based on market price and arm's length commercial negotiation and on terms no more favorable than the terms available to and/or from any independent third-party service provider providing similar services in the relevant local market.

The Offeror does not have any plan to make significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal, except for staff movements which are part of the normal conduct of business and separation and redeployment of the Group's employees by the Brand Operations and the Other Operations upon which the Group's employees dedicated to the Brand Operations will continue to be employed by entities dedicated to the Brand Operations and the Group's employees dedicated to the Other Operations will continue to be employed by the Group's entities dedicated to the Other Operations.

As disclosed in the section headed “9. Joint Offeror Cooperation Agreement” below, shareholders of EquityCo (being the Joint Offerors) endeavour to procure that EquityCo consummates a qualified initial public offering (being a fully marketed public offering of EquityCo shares on the stock exchanges in Hong Kong, Tokyo, New York or other internationally reputable stock exchanges as the EquityCo shareholders may agree) or a trade sale (being the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco) within approximately three to five years after the Effective Date, through which EquityCo shareholders (being the Joint Offerors) may exit from EquityCo. CVC Holdco has the right to decide (in any event no later than 12 years from the Effective Date), in its absolute discretion, as to whether and when to pursue a qualified initial public offering or a trade sale if CVC Holdco has not exited from EquityCo five years from the Effective Date. CVC Holdco has the right (but not the obligation) to exit ahead of other shareholders. In relation to the potential qualified initial public offering, as at the Latest Practicable Date, the shareholders of EquityCo had not agreed on any expected offer price or post-market valuation, or the method of listing.

As disclosed in the section headed “2. Financial Information of the Group” above, the recent operating and financial performance of the Group was adversely affected primarily by the COVID-19 pandemic with substantial decline in turnover and the Group turned from a net cash position as at 28 February 2019 to a net debt position as at 29 February 2020 and 31 August 2020, primarily due to the increase in total borrowings. As stated in the Trading Update, other than the slight YoY growth for PRC operations for the three months ended 30 November 2020, all operating segments recorded negative YoY same-store-sales-growth for the three months and nine months ended 30 November 2020, which was due to the severe impacts on the Group’s sales performance brought by the COVID-19 situation with related restrictions in place and the decline in inbound tourism over the period. As disclosed in the section headed “4. Industry Overview and Outlook” above, the full recovery of the world’s economy remains uncertain in the near term as the mutations of the coronavirus and the time required to inoculate the population to achieve herd immunity is uncertain. The COVID-19 pandemic is expected to continue to bring volatility and uncertainties to the economy and to the Group (including the Brand Operations and the Other Operations).

The Joint Offerors and the Offeror intend to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. It is noted that the Restructuring would allow the Brand Operations, which have significant Hong Kong retail exposure and are currently running at an operating loss and negative cash with better cash generative capabilities, to surface as a more feasible borrower to secure long-term financing subject to the Scheme becoming effective and the completion of the Restructuring owing to CVC Network’s credibility, track record in business turnaround and long-term relationship with commercial banks, while preserving sufficient cash for the Other Operations to weather through the retail headwind for the purpose of seeking a potential turnaround in the future. The Founder Group’s partnership with CVC Holdco, which is ultimately owned by CVC Funds, a leading global long-term strategic financial investor with strong track record in managing brand and retail companies and its extensive global network, will be valuable resources that is expected to be an important factor to the growth and value creation of the Brand Operations in facilitating the ultimate intention of the Offeror, if successful.

Having considered the aforesaid, we consider that the Group (including the Brand Operations and the Other Operations) with the support of CVC will be in a better position to cope with the challenging operating environment than on a standalone basis.

9. Joint Offeror Cooperation Arrangement**(a) Key terms of the Joint Offeror Cooperation Arrangement**

As part of the Proposal, the relevant members of the Founder Group, CVC Holdco, EquityCo and/or the Offeror entered into the following Joint Offeror Cooperation Arrangement:

- (i) Consortium Agreement;
- (ii) Shareholders' Agreement; and
- (iii) transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents).

(i) Consortium Agreement

On 4 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), and the Joint Offerors 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 EquityCo to have the shareholding structure as further described in the section headed "5. Information on the Offeror Group, the Founder Group and the CVC Network" above. The Consortium Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

(ii) Shareholders' Agreement

On 5 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo 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. On 19 March 2021, the same parties entered into a deed of amendment relating to the Shareholders' Agreement. Set out below are key terms of the Shareholders' Agreement (as amended by the deed of amendment):

- *Board composition.* Founder Holdco shall have the right to appoint three directors on the board of EquityCo, and CVC Holdco shall have the right to appoint two directors.
- *Voting rights.* Ordinary shares, class A preference shares and class B preference shares in EquityCo will have voting rights, and each share will carry one vote.
- *Dividend rights.* Each preference share will have a cumulative non-cash coupon at the rate of 10% per annum. No dividend on any ordinary share shall be declared unless the accrued interest on the preference shares is fully settled. EquityCo shall, as soon as practicable after the Effective Date and in any event prior to CVC Holdco's exit from EquityCo, declare and pay in cash to CVC Holdco (as a holder of class B preference shares), prior to and in preference to the dividend rights of any other EquityCo shareholder, an additional preferred dividend of up to HK\$800 million (so long as the Offeror Group's balance sheet, debt financing terms and the applicable law permit such distribution (including through a dividend re-capitalisation)). There is no guarantee that such additional preferred dividend will be declared and paid in full, whereby EquityCo could borrow money to fund such preferred dividend payment together with any existing cash resources of the Offeror Group. While the timing of the declaration and payment of such additional preferred dividend to CVC Holdco through cash distribution is uncertain, in any event, CVC Holdco will be entitled to the economic benefits of such additional preferred dividend in its various exit scenarios.

- *Reserved matters.* EquityCo board will be responsible for the overall direction, supervision and management of the Offeror Group, subject to minority protection reserved matters over which CVC Holdco shall have a veto right. Such reserved matters include, among others, amendment of constitutional documents and share capital, liquidation and winding up of any company of the Offeror Group, approval of business plan and annual budget, appointment of auditors and senior management of the Offeror Group, change of business scope, any material borrowings, mergers, investments, acquisitions, disposals, granting of any material guarantees other than provided in the business plan, entering into or settling any material dispute, and entering into any material related party transactions.
- *Pre-emption rights.* Each shareholder shall have pre-emption rights to participate in any issuance of new shares by EquityCo.
- *Transfer restriction.* Other than with the prior written consent of CVC Holdco, Chairman, CCO (each in his personal capacity) and Founder Holdco shall not, subject to customary exceptions, transfer their or its EquityCo shares to third parties during the term of the Shareholders' Agreement.
- *Non-compete and non-solicit.* Founder Holdco, Chairman, CCO (each in his personal capacity) and their affiliates shall not, other than carrying on the Other Operations, compete with the Brand Operation, and shall not solicit the employment of the senior managers of the Offeror Group, subject to customary exceptions.
- *Liquidation preference.* In case of a liquidation event (including, with respect to the Offeror Group, any liquidation, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets), ahead of holders of other classes of shares, holders of class B preference shares shall be entitled to (i) participate in such liquidation event, or (ii) be paid by EquityCo, in respect of holders of class B preference shares, an amount no less than the sum of its investment amount and all accrued and unpaid dividend (including the HK\$800 million of preferred dividend).
- *Conversion rights.* Each preference share of EquityCo shall be automatically converted into ordinary shares immediately prior to the consummation of any initial public offering of EquityCo based on a conversion formula which, with respect to CVC Holdco as a holder of class B preference shares, factors in the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividends entitled to be received by CVC Holdco (including the HK\$800 million of preferred dividend) towards CVC Holdco's entitlement under its conversion right.
- *Exit.* Shareholders of EquityCo endeavour to procure that EquityCo shall consummate a qualified initial public offering (being a fully marketed public offering of EquityCo shares on the stock exchanges in Hong Kong, Tokyo, New York or other internationally reputable stock exchanges as the EquityCo shareholders may agree) or a trade sale in approximately three to five years after the Effective Date, through which shareholders may exit from EquityCo. CVC Holdco has the right (but not the obligation) to exit ahead of other shareholders. CVC Holdco has the right to, in its absolute discretion, decide whether and when to pursue a qualified initial public offering or a trade sale if CVC Holdco has not exited from EquityCo five years from the Effective Date. In relation to the potential qualified initial public offering, as at the Latest Practicable Date, the shareholders of EquityCo had not agreed on any expected offer price or post-market valuation, or the method of listing.

- *Share adjustment.* If the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo (calculated based on CVC Holdco's net return amount and investment amount) is in the range from 3.2 times to 3.5 times, up to approximately 13% of EquityCo shares (which were initially issued and credited to CVC Holdco as fully paid at the direction of Founder Holdco around the time of the Joint Announcement and the Effective Date respectively, and, as at the Effective Date, amounts to approximately HK\$465 million economic value and the future value of which at the time of CVC Holdco's future exits may change and is uncertain as at the Latest Practicable Date) will be proportionally returned to Founder Holdco for nil consideration upon CVC Holdco's future exits from EquityCo in accordance with a gradual scale. There is no certainty as to CVC Holdco's future exit return nor any guarantee that such share adjustment will eventually take place.
 - *Preferred dividend sharing.* After taking into account the share adjustment as described above, if the net money-on-money return achieved by CVC Holdco upon its future exits from EquityCo is greater than 3.5 times, CVC Holdco will share with Founder Holdco up to 63.5% of its preferred dividend actually received by CVC Holdco from EquityCo (to the extent that CVC Holdco's net money-on-money return remains above 3.5 times). There is no certainty as to CVC Holdco's future exit return nor any guarantee that such preferred dividend sharing will eventually take place.
 - *Additional upside sharing.* After taking into account the share adjustment and the preferred dividend sharing as described above, if the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo still exceeds 3.5 times, CVC Holdco will share with Founder Holdco an additional cash amount equal to approximately 15% of CVC Holdco's net return that is in excess of 3.5 times. There is no certainty as to CVC Holdco's future exit return nor any guarantee that such additional upside sharing will eventually take place.
 - *Termination.* The Shareholders' Agreement shall terminate (i) by the parties' written agreement, (ii) with respect to a shareholder, if that shareholder holds less than 10% EquityCo shares, (iii) upon a qualified initial public offering, and (iv) upon all EquityCo shares being held by one person.
- (iii) Transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents)

On 5 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo entered into a legally binding Restructuring Term Sheet. In accordance with the Restructuring Term Sheet, on 30 January 2021, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo entered into the Framework Agreement, which terminated and superseded the Restructuring Term Sheet. The Framework Agreement is the governing and guiding document for the Restructuring transactions. It reflects the principles and key terms of the Restructuring Term Sheet, and includes more detailed implementing provisions to effect the key terms agreed in the Restructuring Term Sheet. Pursuant to the Framework Agreement, the parties have agreed to:

- (a) procure the implementation of the Restructuring, the process of which commenced promptly after the date of the Joint Announcement and is intended to be substantially completed within a short period of time after the Effective Date;
- (b) procure the establishment of new Group entities dedicated for the Brand Operations which are required to effect the Restructuring;

- (c) procure that necessary intra-group legally binding intra-group documents, implementing asset and share transfers conditional on and taking effect after the Effective Date (unless otherwise agreed between the parties), are entered into as soon as practicable after the new Group entities described in paragraph (b) above are set up, in order to separate the Group's co-mingled Brand Operations and the Other Operations by intra-group separation and transfers of the Brand Operations' identified employees, inventory, other tangible and fixed assets, lease agreements, other third party contracts, intellectual properties, information technology infrastructure, data and cash from the co-mingled Group entities to selected or newly established Group entities dedicated to the Brand Operations. In this regard, the following types of agreement will be entered into:
- (i) intra-group asset transfer agreement, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer of an agreed list of identified assets of the Brand Operations including inventories, stores, and other fixed assets and includes customary provisions relating to completion mechanism, liability apportionment, and further assurance obligations on the same terms and principles as set out in the Framework Agreement;
 - (ii) intra-group share transfer agreement, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer of shares in four Group entities dedicated for the Brand Operations and includes customary provisions relating to completion mechanism, and fundamental warranties on title and capacity to be given by the transferor to the relevant transferee;
 - (iii) intra-group intellectual property assignment deed, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer and assignment of an agreed list of identified intellectual property rights of the Brand Operations (including trade-marks, registered designs, registered copyright and domain names) and includes customary provisions relating to the assignment of ancillary rights (such as rights to apply for or defend the trademarks), warranties relating to title, no encumbrances and non-infringement of third party rights, undertakings, and indemnities to be given by the relevant transferor to the relevant transferee and further assurance obligations;
 - (iv) intra-group transfer of an agreed lists of employees from the Other Operations to the Brand Operations on substantially the same terms as they are currently employed; and
 - (v) the intra-group transfer (by novation, split or renegotiation) of an agreed list of commercial contracts and leases from the Other Operations to the Brand Operations on substantially the same terms as their current terms.

Pursuant to the Framework Agreement, the parties agreed that upon the completion of the Restructuring: (i) the Brand Operations will be allocated with sufficient cash of the Group to support its operations (being HK\$126 million as at the end of March 2021 and additional cash generated or received by the Brand Operations afterwards); (ii) the Other Operations will be allocated with the remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion immediately upon completion of the Restructuring); and (iii) the Refinancing Proceeds (being up

to HK\$1.8 billion) to be borrowed by the entities dedicated to the Brand Operations pursuant to the Refinancing Documents (together with the cash reserves of the Group and proceeds of an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group and be allocated to the Other Operations) pursuant to the Framework Agreement will be passed on to the Other Operations (as consideration for transfer of Brand Operations' assets, shares and intellectual properties as further described in the paragraph immediately below) to repay and discharge all the existing borrowings of the Group (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) so that the Other Operations would have no external debt. For the valuation of the Other Operations, further details of which are set out in Appendix II to the Scheme Document, the Valuer has taken into account the cash and cash equivalents of HK\$1.3 billion and nil interest bearing debt of the Other Operations immediately upon completion of the Restructuring after allocating the cash of the Group and Refinancing Proceeds pursuant to the above arrangement under the Framework Agreement in arriving at its valuation of the 49.35% equity interest in the Other Operations.

In connection with the debt refinancing arrangement pursuant to the Framework Agreement, the parties agreed that the total amount of consideration, payable by the entities dedicated to the Brand Operations to the entities dedicated to the Other Operations, for the intra-group transfers of the assets, shares and intellectual properties of the Brand Operations pursuant to the Framework Agreement as described in this paragraph (c) will be the total amount of the Refinancing Proceeds (being up to HK\$1.8 billion).

After implementing the asset and share transfers, cash allocation and debt refinancing steps pursuant to the Framework Agreement as described in this paragraph (c):

- (i) entities dedicated to the Brand Operations will use the Refinancing Proceeds to purchase the assets, shares and intellectual properties of the Brand Operations pursuant to the Framework Agreement, to complete the separation of the Brand Operations and the Other Operations;
- (ii) entities dedicated to the Other Operations will use the Refinancing Proceeds received from the Brand Operations (together with the cash reserves of the Group and an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations) to repay the Group's external bank debt borrowed by the entities dedicated to the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) and associated costs;
- (iii) the transactions under steps (i) and (ii) above will happen simultaneously; and
- (iv) after allocating all cash and Refinancing Proceeds of the Group pursuant to the Framework Agreement, immediately upon completion of the Restructuring, the Other Operations will have remaining cash of the Group other than those allocated to the Brand Operations capped at HK\$1.3 billion, and no external bank debt.

If it is not possible for any particular asset or contract transfer to be completed within a short period of time after the Effective Date (for reasons such as restrictions under applicable laws or failure to receive any third-party consent), then transitional alternative contractual arrangements, conditional on and taking effect after the Effective Date, shall be put in place, such that the Brand Operations may enjoy the equivalent arrangements relating to the relevant assets or contracts before or after completion of the Restructuring, pending transfers of the relevant asset or contract on the terms as disclosed in this paragraph (c). Parties will minimise as much as possible the need to enter into any alternative arrangement, which serves as fallback arrangements where the intended transfers pursuant to the Framework Agreement cannot be completed in time. The alternative arrangements will be implemented based on or consistent with the material terms of the relevant transfers as disclosed in this paragraph (c) or material terms of the transitional services agreements as disclosed in paragraph (d) immediately below; and

- (d) procure that the Brand Operations and the Other Operations enter into:
 - (i) transitional services agreements, key terms of which are summarised as follows:

Service scope/subject matter	provision of services by the Other Operations to the Brand Operations relating to IT (including e-commerce), logistics, design support, administration and operations support and facilities services and other areas where transitional services are required;
Tenure	a period of six to twelve months with an early termination right by the relevant service recipient;
Service levels	on equivalent service standards as provided to the services recipient as during the twelve month period prior to completion of the Restructuring; and
Pricing/pricing policy	charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-up.

- (ii) long-term services agreements, key terms of which are summarised as follows:

Service scope/subject matter	long-term trading arrangement between the Brand Operations and the Other Operations, being (i) consignment or similar agreements for the sale of the Brand Operations products (i.e. fashion apparel and accessories bearing the trademarks of Brand Operation) in the online and offline multi-branded channels of the Other Operations (or vice versa), (ii) facility services agreement for provision of services by the Other Operations to the Brand Operations relating to conference rooms, pantries and utilities in PRC; and/or (iii) property and facility services for provision of services by the Other Operations to the Brand Operations relating to office premises in Taiwan to be provided by the Other Operations to the Brand Operations;
Tenure	the facility and property services will be provided for the duration of the relevant lease, with an early termination right by the relevant service recipient. The duration for other long-term services will depend on future business needs;
Service levels	on equivalent service standards as provided to the services recipient as during the twelve month period prior to completion of the Restructuring for the facility and property services. The service levels for other long-term services will depend on future business needs; and
Pricing/pricing policy	the facility and property services will be charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-up. The pricing for other long-term services will be determined based on market price and arm's length commercial negotiations, and on terms no more favorable than the terms available to and/or from any independent third-party service provider providing similar services in the relevant local market. Each time when a long-term agreement is entered into, the service recipient will compare the rate offered by the Brand Operations or the Other Operations (as the case may be) with the market rates charged by other independent third-party service providers in the relevant local market, and the prices to be charged by the Brand Operations or the Other Operations (as the case may be) under any long-term services will be within the range of the market rate charged by other independent third-party service providers in the relevant local market.

As at the Latest Practicable Date, the new Group entities and each of their branches dedicated to the Brand Operations required to effect the Restructuring are in the process of being set up and such new Group entities and their branches will be substantially set up by the end of April 2021 (subject to potential delays in certain locations). As at the Latest Practicable Date, whilst communications relating to the Restructuring are being carried out within the Group and with the Brand Operations' third-party contract counterparties, other than the Restructuring Term Sheet and the Framework Agreement (which terminated and superseded the Restructuring Term Sheet), no definitive implementing documents to implement and effect the transfers of Brand Operations' asset and shares, any alternative arrangement, the transitional or long-term services arrangements pursuant to the Framework Agreement had been signed. It is anticipated that such definitive implementing documents may be signed before, on or within a short period after the Effective Date pursuant to and in accordance with the terms of the Framework Agreement.

There will be no change in the material terms of the Framework Agreement or the material terms of such definitive implementing documents relating to the Restructuring between the Latest Practicable Date and the completion of the Restructuring. Pursuant to the Framework Agreement, to the extent that any definitive documents implementing the intra-group transfers of the assets and shares of the Brand Operations are signed before the Effective Date, such definitive agreements will be conditional upon and will only take effect after the Effective Date (unless otherwise agreed between the parties). Pursuant to the Implementation Agreement and the Consortium Agreement, any costs incurred relating to the Restructuring (together with any costs incurred relating to the Scheme and the other parts of the Joint Offeror Cooperation Arrangement) will be borne by the Offeror and ultimately be shared by the Joint Offerors, regardless of whether the Scheme becomes effective, lapses or is withdrawn.

Furthermore, under the Framework Agreement:

- (a) the Founder Group members have warranted to CVC Holdco that: (i) they have the requisite power and authority to enter into and perform the binding obligations under the Framework Agreement and the related implementing documents; and (ii) assets or shares of the Brand Operations being transferred pursuant to the Framework Agreement are validly owned by the relevant transferor without encumbrance, and are sufficient for the operation of the Brand Operations; and
- (b) the parties have agreed that, with respect to liabilities incurred in connection with the relevant Brand Operations' assets being transferred pursuant to the Framework Agreement, the transferor shall be responsible, and shall indemnify the transferee, for the liabilities incurred before and up to the date of the relevant transfer, and the transferee shall be responsible, and shall indemnify the transferor, for the liabilities incurred after the date of the relevant transfer.

After the Scheme becomes effective, CVC Holdco will have a 49.35% indirect interest in the Other Operations (as part of the Offeror Group). After the Brand Operations and the Other Operations are effectively separated after the Effective Date, under the Framework Agreement, CVC Holdco has agreed to transfer or procure the transfer of its 49.35% indirect interest in the Other Operations to Founder Holdco in accordance with the steps set out in the Framework Agreement, the key transaction steps being (i) the transfer by the Company of all of its shares in the holding company of the Other Operations to Founder Holdco in consideration for the issue by Founder Holdco of a promissory note for the amount of HK\$10 million by Founder Holdco to the Company (together with other quantifiable and non-quantifiable consideration as set out in the sub-section headed "Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco" below); (ii) the distribution or assignment of such

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

promissory note from the Company to the Offeror and then to EquityCo; and (iii) the buy-back by EquityCo from Founder Holdco of EquityCo shares representing HK\$10 million of EquityCo's share capital, payable by setting off against the promissory note of HK\$10 million owed by Founder Holdco to EquityCo.

EquityCo's share capital structure as at the Latest Practicable Date is set out below. EquityCo's share capital structure as at the Latest Practicable Date will remain unchanged as at the Effective Date and immediately prior to the completion of the Restructuring.

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	5,015,008	1,811,864,043	0	1,816,879,051	50.65%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.35%
Total	<u>10,027,953</u>	<u>1,811,864,043</u>	<u>1,765,499,925</u>	<u>3,587,391,921</u>	<u>100.00%</u>

The Restructuring steps for transfer of the CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco will reduce EquityCo's total share capital and EquityCo's share capital attributable to Founder Holdco by HK\$10 million respectively. Accordingly, immediately upon completion of these Restructuring steps, EquityCo's share capital structure will be as follows:

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	4,987,055	1,801,891,996	0	1,806,879,051	50.51%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.49%
Total	<u>10,000,000</u>	<u>1,801,891,996</u>	<u>1,765,499,925</u>	<u>3,577,391,921</u>	<u>100.00%</u>

Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco

Having taken into account the Other Operations' financial condition, lease liabilities and other cash requirements for operating and reviving its business, the consideration for the transfer of CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco includes, amongst others, the following:

- (a) By directing the EquityCo to directly issue and credit as fully paid approximately 13% EquityCo shares to CVC Holdco around the time of the Joint Announcement and at the Effective Date, respectively, Founder Holdco is deemed to have been passed to CVC Holdco an economic value of approximately HK\$465 million (as shown in the calculation set out in the sub-section headed "(b) Implied valuation of the Other Operations" under the section headed "(ii) The Asset Transaction" below on page 114 (being equivalent to approximately 13% of EquityCo's total share capital of approximately HK\$3,587,391,921 as at the Effective Date).

Under the Proposal, the Shares of the Founder Group will be rolled over after the Proposal has become effective but not the shares of the Non-Scheme Shareholders. Even if the shares of EquityCo were not offered to the Non-Founder Scheme Shareholders in lieu of cash for cancellation of their Shares, the terms of the Joint Offeror Cooperation Arrangement are still considered to be fair and reasonable after considering the following factors: (i) their interests in EquityCo as shareholders of a private company would not be subject to the corporate governance and minority protection provisions as stipulated under the Listing Rules such as shareholder approval for certain notifiable transactions, connected transactions and anti-dilution rights which creates corporate governance problems on shareholders of a private company like financial frauds, tunneling and dilution of shares; (ii) as the Non-Scheme Shareholders are minority shareholders, the decision to vote for or against future business decisions would be impaired or has no casting effect and not influential to the final decision of EquityCo; (iii) they would face liquidity risk of the EquityCo shares as they are unlikely to be able to perform a sale of their minority stakes in unlisted shares due to the lack of an open market; (iv) although there are future exit opportunities of EquityCo by going public, there is no guarantee whether, when and how an initial public offering may be effected within the next 12 years from the Effective Date and the pricing of the EquityCo shares is uncertain; (v) the potential benefits that Non-Scheme Shareholders as minority shareholders of EquityCo could receive such as dividend payout and increase in equity value are also uncertain; (vi) as a private company, the transfer of the EquityCo shares is subject to restrictions as the articles of association of EquityCo stipulate that any transfer of the EquityCo Shares shall be subject to consent of the directors, which may be withheld for any or no reason; and (vii) unlike the Non-Founder Scheme Shareholders, the Chairman and the COO (each in his personal capacity) have extensive experience and expertise in the business operations of the Group and in-depth understanding of the Group's businesses as members of the core management of the Company. Therefore, we believe the Founder Group is in a unique position with ability to take on the future risks in the operations of the Group in the face of market challenges and to formulate and implement strategies to contribute to the future development of the Group.

As at the Latest Practicable Date, the Founder Scheme Shares represent approximately 63.61% of the total Shares. Pursuant to the terms of the Proposal, in consideration of cancelling the Founder Scheme Shares (representing approximately 63.61% of the total Shares), Founder Holdco will only receive approximately 50.65% EquityCo shares as part of the Founder Cancellation Consideration. The economic value of the remaining approximately 13% EquityCo shares (equivalent to approximately HK\$465 million in economic value as at the Effective Date) is deemed to have been passed to CVC Holdco as at the Effective Date as part of the Joint Offeror Cooperation Arrangement and as part of the consideration for the disposal of CVC Holdco's 49.35% indirect interests in the Other Operations to Founder Holdco.

Pursuant to the terms of the Shareholders' Agreement, all or part of such 13% EquityCo shares issued to CVC Holdco at the direction of Founder Holdco are subject to potential adjustment and may be transferred to Founder Holdco for nil consideration upon CVC Holdco's future exits from EquityCo through a qualified initial public offering or a trade sale years after the Effective Date as part of the incentivisation arrangement offered by CVC Holdco to the Founder Group who will continue to retain management control over the Brand Operations, contribute its expertise and skills and drive the future value creation of the Offeror Group (consisting of the Brand Operations only after completion of the Restructuring) under the Joint Offeror Cooperation Arrangement. Under the Shareholders' Agreement, CVC Holdco will only transfer all or some of such 13% EquityCo shares it holds to Founder Holdco based on a gradual scale (with the percentage of share adjustment corresponding to the net return achieved by CVC Holdco through its future exits) as set out in the Shareholders' Agreement in the event that the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is from 3.2 times to 3.5 times. In the event that the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is below 3.2 times, no EquityCo shares will be transferred to Founder Holdco under the share adjustment arrangement. There is no certainty as to whether, when or how CVC Holdco will exit from EquityCo, future return that can be achieved by CVC Holdco through its future exits, the value of the 13% EquityCo shares at the time of CVC Holdco's future exists, nor any guarantee that any such share adjustment will actually take place;

- (b) by agreeing that CVC Holdco's class B preference shares in EquityCo will have a right to HK\$800 million of preferred dividend (and the conversion rights and liquidation preference which will factor in CVC Holdco's entitlement to any unpaid HK\$800 million of preferred dividend), Founder Holdco is deemed to have given up and passed to CVC Holdco up to approximately HK\$405 million of economic value (being the right to the pro rata dividend in EquityCo that Founder Holdco has given up and passed to CVC Holdco). Pursuant to the terms of the Shareholders' Agreement and as further elaborated in the paragraphs immediately below, Founder Holdco is deemed to have given up and passed to CVC Holdco up to approximately HK\$405 million in economic value by giving CVC Holdco (i) a right to receive HK\$800 million of preferred dividend in cash as soon as practicable after the Effective Date and in any event prior to CVC Holdco's exit from EquityCo. Notwithstanding CVC Holdco's entitlement and EquityCo's contractual obligation to declare and pay CVC Holdco such HK\$800 million of preferred dividend in cash prior to CVC Holdco's exit from EquityCo under the Shareholders' Agreement, the timing of the payment of the HK\$800 million of preferred dividend to CVC Holdco through cash distribution is uncertain. However, CVC Holdco's right to such HK\$800 million of preferred dividend is not subject to any expiry date before CVC Holdco's exit from EquityCo, and ranks prior to dividend rights of any other EquityCo shareholder; (ii) a conversion right which allows CVC Holdco to convert its class B preference shares in EquityCo into ordinary shares of EquityCo (which factors in the value equivalent to any unpaid HK\$800 million of preferred dividend) at the time of an initial public offering of EquityCo (which may or may not happen), and (iii) a right to receive a lump sum payment (which includes value equivalent to any unpaid amount of the HK\$800 million of preferred dividend) in case of a liquidation event (which may or may not happen, is subject to prior written consent or affirmative vote of CVC Holdco as holder of EquityCo class B preference shares as a reserved matter, and include any liquidation, winding-up or dissolution of the EquityCo, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or any of its subsidiaries), CVC Holdco shall, from available proceeds, ahead of other EquityCo shareholders holding other classes of shares, be

entitled to be paid by EquityCo an amount no less than the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements (including the HK\$800 million of preferred dividend). Whether CVC Holdco can be paid with the full amount of the HK\$800 million of preferred dividend in case of a liquidation event depends on the value of total assets and/or available proceeds of EquityCo upon a liquidation event. Shareholders and potential investors should be aware that if the Offeror Group becomes insolvent and is liquidated, wound up or dissolved without sufficient residual assets to settle any unpaid preferred dividend contractually entitled to be received by CVC Holdco, there is a possibility that CVC Holdco may enjoy economic benefits of less than HK\$800 million in this respect.

Under the Shareholders' Agreement, CVC Holdco's right to such HK\$800 million of preferred dividend (i) is a binding contractual obligation on EquityCo, Founder Holdco, Chairman, and CCO (each in his personal capacity as a member of the Founder Group), (ii) is not subject to any other approval or veto rights by any other EquityCo shareholders, Chairman or CCO, (iii) is not subject to any time limitation or expiry date before CVC Holdco exits from EquityCo, and (iv) ranks prior and in preference to dividend rights of any other EquityCo shareholder. EquityCo and each EquityCo shareholder are contractually obligated to do all things to procure and enable the cash distribution of the HK\$800 million of preferred dividend to CVC Holdco. Such HK\$800 million of preferred dividend shall be declared and paid to CVC Holdco as soon as practicable and in any event prior to CVC Holdco's exit from EquityCo so long as the Offeror Group's balance sheet, debt financing terms and applicable laws permit such distribution (which can be achieved through methods such as effecting a dividend re-capitalisation, whereby EquityCo could borrow money to fund such preferred dividend payment together with existing cash resources of the Offeror Group). There is no assurance that EquityCo will be able to borrow money to fund such preferred dividend and EquityCo may fund the preferred dividend payment through other methods such as using its own cash resources. The HK\$800 million amount of the preferred dividend was reached as part of the commercial agreement between the Joint Offerors, factoring in what parties agreed was an appropriate value which forms one element of the overall consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco.

Notwithstanding CVC Holdco's entitlement to the HK\$800 million of preferred dividend and EquityCo's contractual obligation to declare and pay CVC Holdco such HK\$800 million of preferred dividend in cash prior to CVC Holdco's exit from EquityCo under the Shareholders' Agreement, the timing for the full payment of the HK\$800 million of preferred dividend to CVC Holdco through cash distribution is uncertain. However, to the extent any HK\$800 million of preferred dividend is not fully paid to CVC Holdco through cash distribution, CVC Holdco can still enjoy the economic benefits of such HK\$800 million of preferred dividend on the basis that, pursuant to the terms of the Shareholders' Agreement:

- (i) CVC Holdco's right to the HK\$800 million of preferred dividend is not subject to any time limitation or expiry date and CVC Holdco can demand EquityCo to declare and pay such HK\$800 million of preferred dividend to CVC Holdco pursuant to the terms of the Shareholders' Agreement any time before CVC Holdco exits from EquityCo;

- (ii) immediately prior to the consummation of any initial public offering of EquityCo, all EquityCo class B preference shares held by CVC Holdco shall be converted into ordinary shares of EquityCo based on a conversion formula which factors in the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements to be received by CVC Holdco (including the HK\$800 million of preferred dividend) (as a consequence, Founder Holdco would be entitled to less, and CVC Holdco would be entitled to additional ordinary shares of EquityCo at the time of the initial public offering (equivalent to HK\$800 million in value (or part thereof)) if the HK\$800 million of preferred dividend had not been fully paid at the time). There is no assurance on whether CVC Holdco will exit from EquityCo through initial public offering or when any initial public offering can take place. However, in the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide (in any event no later than 12 years from the Effective Date), in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale;
- (iii) in the event there is a liquidation event (which may or may not happen and is subject to prior written consent or affirmative vote of CVC Holdco as holder of EquityCo class B preference shares as a reserved matter and include any liquidation, winding-up or dissolution of the EquityCo, as well as share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or any of its subsidiaries), CVC Holdco shall, from available proceeds, ahead of other EquityCo shareholders holding other classes of shares, be entitled to be paid by EquityCo an amount no less than the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements (including the HK\$800 million of preferred dividend). Whether CVC Holdco can be paid with the full amount of the HK\$800 million of preferred dividend in case of a liquidation event depends on the value of total assets and/or available proceeds of EquityCo upon a liquidation event. Shareholders and potential investors should be aware that if the Offeror Group becomes insolvent and is liquidated, wound up or dissolved without sufficient residual assets to settle any unpaid preferred dividend contractually entitled to be received by CVC Holdco, there is a possibility that CVC Holdco may enjoy economic benefits of less than HK\$800 million in this respect;
- (iv) parties agree that before CVC Holdco undertakes any trade sale (being the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco) to effect its exit, the HK\$800 million of preferred dividend must be first paid to CVC Holdco in full. If CVC Holdco has not been paid the HK\$800 million of preferred dividend in cash, CVC Holdco could elect to either (a) remain in EquityCo until it is first paid the HK\$800 million of preferred dividend in cash (using existing cash resources of the Offeror Group or by way of dividend recapitalisation) and then exit by way of a trade sale; or (b) exit and enjoy its economic benefits of HK\$800 million through its conversion rights upon an initial public offering as detailed in paragraph (ii) above or the liquidation preference payment in the case of liquidation event as detailed in paragraph (iii) above; and

- (v) EquityCo shareholders agree to endeavor to procure that EquityCo shall consummate a qualified initial public offering or a trade sale within three to five years after the Effective Date and that CVC Holdco has a right to exit ahead of and in priority to any other EquityCo shareholders through such qualified initial public offering or the trade sale. Under the Shareholders' Agreement, a qualified trade sale has been defined to be the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco. In the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide, in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale. Founder Holdco and EquityCo shall cooperate with CVC Holdco to consummate the qualified initial public offering or trade sale. As a company ultimately backed and controlled by a private equity fund, CVC Holdco has agreed to dispose all of its EquityCo shares and exit from EquityCo either through a qualified initial public offering or a trade sale within a reasonable period of time and in any event no later than 12 years from the Effective Date. Pursuant to the terms of the Shareholders' Agreement, EquityCo is contractually obligated to declare and pay to CVC Holdco the HK\$800 million of preferred dividend in cash prior to CVC Holdco's exit. It is noted that pursuant to the terms of the Shareholders' Agreement, EquityCo is contractually obligated to declare and pay to CVC Holdco the HK\$800 million of preferred dividend in cash prior to CVC Holdco's exit. As set out in paragraph (iv) above, the parties agree that before CVC Holdco exits through a trade sale, the HK\$800 million of preferred dividend must be first paid to CVC Holdco in full. As set out in paragraph (ii) above, in the event of an initial public offering, CVC Holdco will be entitled to the economic benefit of the HK\$800 million preferred dividend through its conversion right.

It is noted that EquityCo's ability to borrow as part of a dividend recapitalisation is just one option available to it to fund its payment of the preferred dividend. EquityCo may also fund the preferred dividend payment by using its own cash resources. EquityCo has the flexibility to distribute by way of dividend recapitalisation or using its own cash on its balance sheet or other distributable reserves.

A dividend recapitalisation provides one method which EquityCo may utilise for payment of the preferred dividend. As disclosed in the Scheme Document, in respect of a qualified trade sale, parties have agreed that CVC Holdco will not exit if EquityCo has not paid the HK\$800 million of preferred dividend. If CVC Holdco has not been paid the HK\$800 million of preferred dividend, CVC Holdco could elect to either (a) remain in EquityCo until it has been paid with the HK\$800 million of preferred dividend in cash (using the cash resources and distributable reserves of the Group or by way of dividend recapitalisation) and then exit by way of a trade sale; or (b) exit and enjoy its economic benefits of HK\$800 million through its conversion rights upon an IPO or the liquidation preference payment in the case of a liquidation event.

- (c) Founder Holdco settling the HK\$10 million nominal equity purchase price for the transfer of the Other Operations from the Offeror Group to Founder Holdco by setting off against the consideration of EquityCo's repurchase of Founder Holdco's EquityCo shares, representing HK\$10 million EquityCo's share capital; and
- (d) Founder Holdco agreeing, as part of the terms of the broader Joint Offeror Cooperation Arrangement, to pass to CVC Holdco certain rights including liquidation preference, exit preference and minority protection reserved matters in EquityCo, and subjecting Founder Holdco's EquityCo shares to transfer restrictions.

Each item of consideration described in paragraphs (a) to (d) above represents in aggregate all quantifiable consideration (totaling up to approximately HK\$880 million, being the sum of (i) approximately HK\$465 million of economic value as further described in paragraph (a) immediately above; (ii) up to approximately HK\$405 million as further described in paragraph (b) immediately above; and (iii) approximately HK\$10 million of economic value as further described in paragraph (c) immediately above and non-quantifiable consideration as described in paragraph (d) immediately above for CVC Holdco to transfer its 49.35% indirect interest in the Other Operations to Founder Holdco). The aggregate consideration (based on (a) to (c) above) for the transfer of CVC Holdco's 49.35% indirect interest in the Other Operations (the "**Founder Aggregate Consideration**") to Founder Holdco (the "**Asset Transaction**") is amounted up to approximately HK\$880 million (as shown in the calculation set out in the sub-section headed "(ii) The Asset Transaction" below).

The Joint Offerors have agreed to undertake the Restructuring as part of the broader Joint Offeror Cooperation Arrangement package, rather than as a standalone transaction.

(b) Implications under the Takeovers Code

As the Joint Offeror Cooperation Arrangement (being: (a) the cancellation of the Founder Scheme Shares in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement; (b) the entry by the relevant members of the Founder Group, CVC Holdco and/or EquityCo into the Consortium Agreement and Shareholders' Agreement; and (c) the transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (i) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (ii) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (iii) the Refinancing Documents)) is not offered to all Shareholders (and is only offered to the members of the Founder Group, such that, after the Effective Date and the completion of the Restructuring, the Founder Group may continue to retain management control over, contribute to, participate in potential distributions of, and potentially benefit from non-guaranteed increase in value of the Offeror Group from the share adjustment, preferred dividend sharing and additional upside sharing mechanism in the Shareholders' Agreement, while at the same time bearing risk of a potential fall in value, potential losses, or potential streams of negative cash flows of, or potential need for additional capital injection into the Offeror Group, resulting from undesirable performance or adverse market conditions, amongst other factors), the Joint Offeror Cooperation 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 and the Scheme are subject to the fulfilment of the following conditions:

- (a) the receipt of an opinion from us to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement; and
- (c) the grant of consent from the Executive to the Joint Offeror Cooperation Arrangement, which will be conditional on satisfaction of the matters in paragraphs (a) and (b) above.

The Disinterested Shareholders should note that the Joint Offeror Cooperation Arrangement is an integral part of the Proposal and the Proposal is conditional on, among other things, the approval of the Joint Offeror Cooperation Arrangement. If the Joint Offeror Cooperation Arrangement is not approved, the Proposal will not proceed.

(c) Principal factors and reasons considered

In formulating our opinion and recommendation with regard to the Joint Offeror Cooperation Arrangement, we have taken into account of the following principal factors and reasons:

(i) The Founder Cancellation Consideration

As at the Latest Practicable Date, the Founder Group directly and indirectly held and/or controlled the voting rights over 760,599,564 Shares in aggregate, representing approximately 63.61% of the issued share capital of the Company, being the Founder Scheme Shares which form part of the Scheme Shares.

Upon the Scheme becoming effective, the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration whereas all Non-Founder Scheme Shares (being a total of 435,197,743 Shares representing approximately 36.39% of the total Shares) will be cancelled in consideration for the Cancellation Price in cash.

For cancellation of the Founder Scheme Shares, Founder Holdco will be entitled to receive a consideration, which is the crediting of the following:

- (i) all of its approximately 50.65% unpaid EquityCo shares; and
- (ii) approximately 13% of unpaid EquityCo shares that Founder Holdco has directed EquityCo to issue to CVC Holdco directly as part of the Asset Transaction, as being full paid in an amount equivalent to the aggregate amount of the Cancellation Price per Scheme Share with respect to all the Founder Scheme Shares.

We consider that the above mechanism can be simplified as the following two steps:

- (i) Founder Holdco will be entitled to receive approximately 63.61% of EquityCo shares for cancellation of its approximately 63.61% shareholding interest in the Company; and
- (ii) Founder Holdco will then transfer approximately 13% of EquityCo shares to CVC in consideration of the Asset Transaction.

Overall comments

Taking into consideration of the following:

- (i) the entitlement of the Founder Cancellation Consideration by the Founder Group is in lieu of the Cancellation Price to be paid in cash to the Non-Founder Scheme Shareholders;
- (ii) under the Proposal, the Shares of the Founder Group will be rolled over after the Proposal but not the Shares of the Non-Scheme Shareholders. Even if the shares of EquityCo were not offered to the Non-Founder Scheme Shareholders in lieu of cash for cancellation of their Shares, the terms of the Joint Offeror Cooperation Arrangement are still considered to be fair and reasonable after considering the following factors: (i) their interests in EquityCo as shareholders of a private company would not be subject to the corporate governance and minority protection provisions as stipulated under the Listing Rules such as shareholder's approval for certain notifiable transactions, connected transactions and anti-dilution rights which creates corporate governance problems on shareholders of a private company like financial frauds, tunneling and dilution of shares; (ii) as the Non-Scheme Shareholders are minority shareholders, the decision to vote for or against future business decisions would be impaired or have no casting effect and not influential to the final decision of EquityCo; (iii) they would face liquidity risk of the EquityCo shares as they are unlikely to be able to perform a sale of their minority stakes in unlisted shares due to the lack of an open market; (iv) although there are future exit opportunities of EquityCo by going public, there is no guarantee as to whether, when and how an initial public offering may be effected and the pricing of the EquityCo shares is uncertain; (v) the potential benefits that Non-Scheme Shareholders as minority shareholders of EquityCo could receive such as dividend payout and increase in equity value are also uncertain; (vi) as a private company, the transfer of the EquityCo shares is subject to restrictions as the articles of association of EquityCo typically stipulate that any transfer of the EquityCo Shares shall be subject to consent of the directors, which may be withheld for any or no reason; and (vii) unlike the Non-Founder Scheme Shareholders, the Chairman and the COO (each in his personal capacity) have extensive experience and expertise in the business operations of the Group and in-depth understanding of the Group's businesses as members of the core management of the Company. Therefore, the Founder Group is in a unique position with ability to take on the future risks in the operations of the Group in the face of market challenges and to formulate and implement strategies to contribute to the future development of the Group.
- (iii) for the cancellation of the Founder Scheme Shares, the members of the Founder Group are entitled to the crediting of approximately 63.61% in total (being the sum of 50.54% and 12.96%) of unpaid EquityCo shares as being fully paid in an amount equivalent to the aggregate amount of the Cancellation Price per Scheme Share with respect to all the Founder Scheme Shares. That means the Cancellation Price is applied for both the Non-Founder Scheme Shares and the Founder Scheme Shares; and
- (iv) the Asset Transaction is considered to be fair and reasonable as the Other Operations Appraised Value as at the Valuation Date was approximately HK\$730.9 million which is below the Founder Aggregate Consideration of up to approximately HK\$880 million, details of which are set out in the sub-section headed "(b) Implied valuation of the Other Operations" under the section headed "(ii) The Asset Transaction" below,

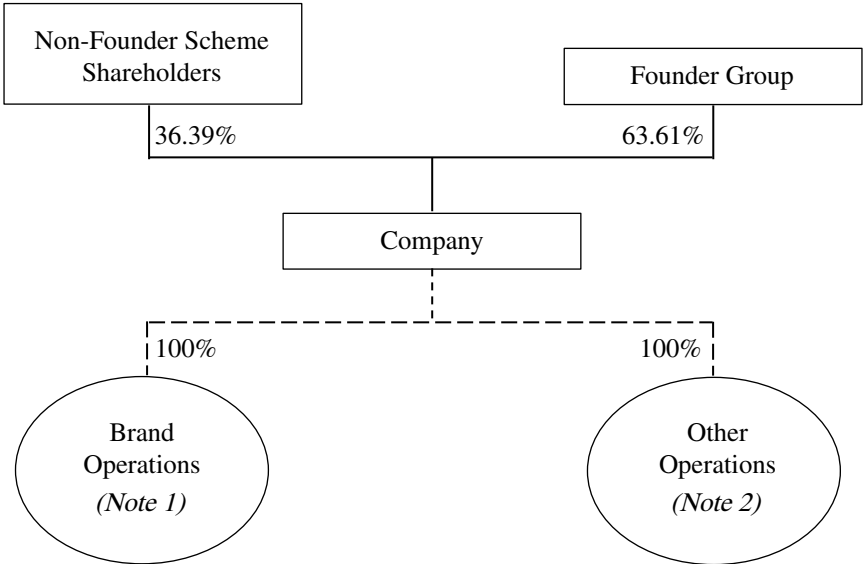
we are of the view that the Founder Cancellation Consideration is fair and reasonable so far as the Disinterested Shareholders are concerned.

(ii) The Asset Transaction

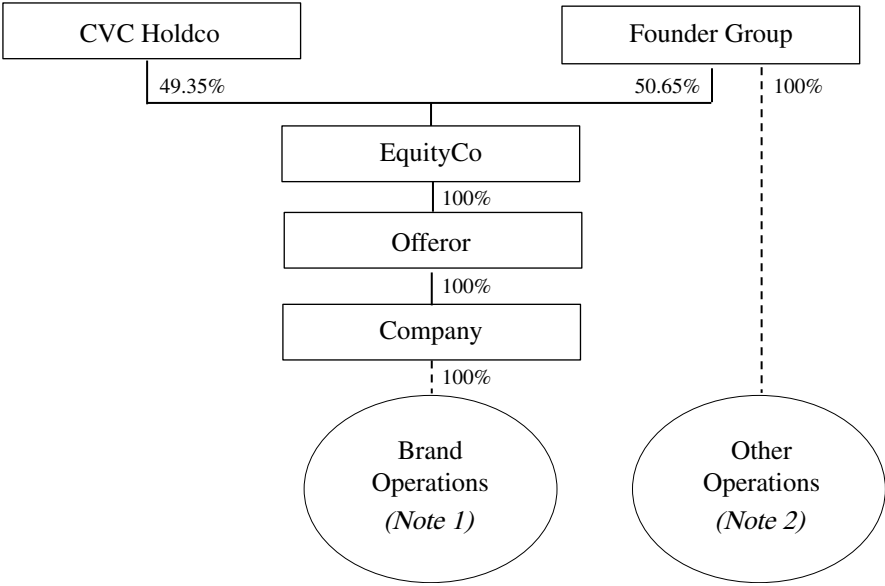
(a) Changes in the shareholding structure of the Company

The charts below set out the simplified shareholding structure of the Company for illustration purpose only:

As at the Latest Practicable Date



After the Effective Date and the completion of the Restructuring



Notes:

1. The Brand Operations will mainly include the Group's operations of design, sourcing, and sale of streetwear products bearing self-owned A Bathing Ape, AAPE by A Bathing Ape brands and associated sub-brands thereof, including without limitation Baby Milo, Milo Stores, BAPY, BAPE Black, and Mr. Bathing Ape. Unless otherwise agreed between the Joint Offerors, based on the scope of the Brand Operations as at the Latest Practicable Date, it is anticipated that upon completion of the Restructuring, (a) the Brand Operations will have leased stores, employees, assets, intellectual properties, and contractual relationships that are dedicated to the Brand Operations (the details of which are set out in the agreed lists of entities, assets, contracts, leases, employees, data and intellectual properties of the Brand Operations as annexed to the Framework Agreement), and sufficient cash to support its operations (being HK\$126 million as at the end of March 2021 and additional cash generated or received by the Brand Operations afterwards); and (b) the external bank debt of the Group borrowed by the entities dedicated for the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) will be fully repaid using (i) the Refinancing Proceeds (being up to HK\$1.8 billion), (ii) the Group's existing cash reserves, and (iii) any shareholders' loan made under the Framework Agreement (including an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to an amount equivalent to the sum of HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations).

2. The Other Operations will mainly consist of the retail operations for the sale and distribution of garments bearing third-party owned brands (such as Off-White, Acne Studios, Comme des Garçons, and Fred Perry) and over 10 self-owned brands (such as:CHOCOOLATE). Unless otherwise agreed between the Joint Offerors, based on the scope of the Other Operations as at the Latest Practicable Date, it is anticipated that, upon completion of the Restructuring, (a) the Other Operations will have around 600 leased stores, more than 6,000 employees, over 10 self-owned brands, real properties, inventory, fixed assets and contractual relationships that are needed for the Other Operations, and the remaining cash of the Group other than those allocated to the Brand Operations sufficient for its operations; and (b) the external bank debt of the Group borrowed by the entities dedicated for the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) will be fully repaid using the Refinancing Proceeds (being up to HK\$1.8 billion), the Group's existing cash reserves, any shareholders' loan made under the Framework Agreement (including an interest-free shareholder loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to an amount equivalent to the sum of HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations).

(b) Implied valuation of the Other Operations

As stated in the sub-section headed "(a) Key terms of the Joint Offeror Cooperation Arrangement" above, the consideration for the transfer of CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco includes, amongst others, the following:

- (i) crediting as fully paid approximately 13% EquityCo shares to CVC Holdco (being approximately HK\$465 million of economic value);

- (ii) by agreeing that CVC Holdco's class B preference shares in EquityCo will have right to HK\$800 million of preferred dividend (being up to approximately HK\$405 million of economic value, representing the right to pro rata dividend in EquityCo that Founder Holdco has agreed to give up and pass to CVC Holdco); and

- (iii) Founder Holdco settling the HK\$10 million nominal equity purchase price for the transfer of the Other Operations from the Offeror Group to Founder Holdco by setting off against the consideration of EquityCo's repurchase of Founder Holdco's EquityCo shares representing HK\$10 million EquityCo's share capital.

It should be noted that under various scenarios as stated in the sub-section headed "Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco" under the section headed "(iii) Transactions in connection with the Restructuring" above, CVC Holdco will be entitled to the economic benefits of HK\$800 million of preferred dividend in the following matters:

- (i) subject to applicable laws, so long as the balance sheet of the Brand Operations and its debt financing terms permit a distribution (including through a dividend re-capitalisation whereby EquityCo could borrow money to fund such preferred dividend payment together with any existing cash resources of the Offeror Group), CVC Holdco has the rights to demand the Brand Operations as soon as practicable to declare and pay such preferred dividend through cash distribution;
- (ii) in the event of an initial public offering, additional ordinary shares of EquityCo to be converted from EquityCo class B preference shares held by CVC Holdco at the time of the initial public offering of the Offeror Group to cover, among other things, any unpaid preferred dividend;
- (iii) in the event of a liquidation (including any liquidation, winding-up or dissolution of EquityCo, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or any of its subsidiaries), CVC Holdco has the priority to entitle, among other things, the payment of unpaid preferred dividend; and
- (iv) CVC Holdco will not undertake any trade sale to effect its exit unless the preferred dividend is fully paid to it. Under such circumstances, we consider that CVC Holdco can take other means to effect its exit such as an initial public offering.

As disclosed in the Scheme Document, in respect of a qualified trade sale, parties have agreed that CVC Holdco will not exit if EquityCo has not paid the HK\$800 million of preferred dividend. If CVC Holdco has not been paid the HK\$800 million of preferred dividend, CVC Holdco could elect to either (a) remain in EquityCo until it has been paid the HK\$800 million of preferred dividend (using the cash resources and distributable reserves of the Group or by way of dividend recapitalisation) and then exit by way of a trade sale; or (b) exit and enjoy its economic benefits of HK\$800 million through its conversion rights upon an IPO or the liquidation preference payment in the case of a liquidation event.

Based on the aforesaid, we consider that it is certain that CVC Holdco is entitled to the full economic benefits of HK\$800 million of preferred dividend on or before its exit through an initial public offering, a liquidation or a trade sale. Shareholders should note that, although the HK\$800 million of preferred dividend entitlement is a contractual arrangement, the actual economic benefits to be received by CVC Holdco may vary with, among other things, the availability of cash of EquityCo and/or the value of EquityCo under a specific exit scenario. If the EquityCo becomes insolvent and is liquidated, wound up or dissolved without sufficient residual assets to settle any unpaid preferred dividend contractually entitled to be received by CVC Holdco, there is a possibility that CVC Holdco

may enjoy economic benefits of less than HK\$800 million in this respect. However, it should be noted that the arrangement in relation to the HK\$800 million of preferred dividend is in fact a bona fide commitment by both CVC Holdco and Founder Holdco and is part and parcel of the Proposal. As such, we consider that it is fair and reasonable to include the full economic benefits of the HK\$800 million of preferred dividend to derive the Founder Aggregate Consideration (as shown in the table below) under the scenario of an initial public offering, a liquidation or a trade sale notwithstanding the fact that CVC Holdco may or may not get such full economic benefits eventually.

It is noted that it is the intention of the shareholders of EquityCo to procure EquityCo to consummate a qualified initial public offering or a trade sale in the next three to five years and CVC Holdco has a priority right to exit ahead of and in priority to any other EquityCo shareholders in such circumstances. In the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide, in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale. It is also stated that as a company ultimately backed and controlled by private equity funds, CVC Holdco has agreed to dispose all of its EquityCo shares and exit from EquityCo within a reasonable period of time and in any event no later than 12 years from investment.

Having considered (i) the stated intention of CVC Holdco to effect an exit in the future; (ii) CVC Holdco is ultimately controlled by private equity funds; (iii) CVC Holdco has the absolute discretion to pursue a qualified public offering or a trade sale after five years from the Effective Date; (iv) the Brand Operations will continue to be managed by the Founder Group but not by CVC Holdco, we have no reasonable ground to doubt that CVC Holdco will not effect an exit in the future.

Based on the aforesaid, we are of the opinion that that the full amount of the preferred dividend of HK\$800 million entitled by CVC Holdco shall be factored into the calculation of the Founder Aggregate Consideration.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Set out below is the calculation of the Founder Aggregate Consideration of 49.35% interest in the Other Operations as derived from the Asset Transaction based on the Cancellation Price:

Total number of issued Shares as at the Latest Practicable Date	a	shares	1,195,797,307
Cancellation Price	b	HK\$	3
Implied valuation for 100% equity interest in the Company	c=a*b	HK\$	3,587,391,921
% of EquityCo shares to be passed to CVC Holdco by Founder Holdco (63.61% – 50.65%)	d		12.96%
Value of EquityCo shares to be passed to CVC Holdco by Founder Holdco	e=c*d	HK\$	464,925,993
Nominal equity purchase price for the transfer of the Other Operations from the Offeror Group to Founder Holdco	f	HK\$	10,000,000
Preferred dividend to be passed to CVC Holdco from Founder Holdco (HK\$800,000,000 x 50.65%)	g	HK\$	405,200,000
Value of the Founder Aggregate Consideration	h=e+f+g	HK\$	880,125,993

(c) Appraised value of the Other Operations

In order to assess whether the terms of the Asset Transaction are fair and reasonable as far as the Disinterested Shareholders are concerned, we have compared the Founder Aggregate Consideration with the appraised value of 49.35% interest in the Other Operations (the “**Other Operations Appraised Value**”). The Other Operations has been valued by the Valuer. The full text of the valuation report (the “**Valuation Report**”) as at 31 December 2020 (the “**Valuation Date**”) is set out in Appendix II to the Scheme Document.

In order to assess the basis in determining the Other Operations Appraised Value, we have reviewed the Valuation Report and discussed with the Valuer. We noted that the Valuation Report is prepared with reference to the International Valuation Standards issued by International Valuation Standards Council. Besides, we have also reviewed and enquired the Valuer’s qualification and experience in relation to the performance of the valuation. We understand that the Valuer has relevant experience in valuing similar businesses in Greater China over the years and they are independent from the Company and other parties involved in the Proposal and the Scheme.

Following discussions with the Valuer, we understand that the Valuer has considered (i) market approach; (ii) cost approach; and (iii) income approach. The Valuer considered that cost approach and income approach are not appropriate as there are substantial limitations given the unique characteristics of the Other Operations. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. The retail industry is one of the hardest hit industries by COVID-19. The Other Operations had been impacted by COVID-19 as tourism had been one of the main drivers of its business in multiple operating markets. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is highly uncertain as at the Valuation Date given the performance of the Other Operations had been continuously impacted by the pandemic. As the derived value based on the income approach is highly dependent on the reliability of the financial projections, given the uncertain short term and long-term development of the retail industry due to the significant uncertainty over the magnitude and time period of the impact of COVID-19, the financial projections, which would base on highly subjective assumptions, may not be reliable and thus the income approach is not adopted in the valuation. Secondly, the cost approach does not directly incorporate information about the economic benefits and future earnings or loss potential contributed by the Other Operations as a going concern business. Due to the nature of the business, the economic value of the Other Operations is mainly attributable to the earning or loss potential of the business but not the value or replacement costs of its assets.

On the other hand, the Valuer considered that market approach takes recent transaction prices for similar assets into account. It also requires fewer assumptions and includes objectivity in application as publicly available information is used. Hence, the market approach is an appropriate approach adopted for the Other Operations Appraised Value.

The Valuer has used the market approach through two methods, namely guideline public company method and comparable transaction method. Under comparable transaction method, the Valuer looked at comparable transactions in apparel industry in Greater China. We noted that the Valuer has identified two comparable transactions. We have discussed with the Valuer and reviewed the selection basis on the comparable transactions in the apparel industry. We understand that such selection is based on (i) transactions announced or completed during 12 months before the Valuation Date and (ii) target company engages in similar business as the Other Operations in Greater China. We considered that 12 month period is appropriate given that the period can cover the latest transactions which reflected the latest market conditions. However, the Valuer considered that two comparable transactions identified were insufficient and not timely as the latest development of the pandemic and market consensus may not be reflected therein as at the Valuation Date. Hence, the Other Operations Appraised Value is solely determined based on the guideline public company method.

Under guideline public company method, we note that the Valuer has identified six comparable companies. We have discussed with the Valuer and reviewed the selection basis on the comparable companies under such method and understand that such selection is based on companies that (i) derive their revenues in PRC and Hong Kong from the same industry of the Other Operations; (ii) are searchable in Bloomberg; (iii) are publicly listed in Hong Kong and have significant operation in Greater China region, particularly in both PRC and Hong Kong; (iv) had market capitalisation of less than HK\$5 billion as of the Valuation Date; and (v) had EV/EBITDA multiple as at the Valuation Date on the companies that were available.

The selection criteria of the comparable companies by the Valuer are in line with our selection criteria as set out in the sub-section headed “(c) Comparable Companies analysis” under the section headed “7. Evaluation of the Cancellation Price” above.

According to the Valuation Report, the Other Operations Appraised Value is derived from market approach based on the market value of the Other Operations. The market value is defined as “the estimated amount for which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. The valuation in the Valuation Report is based on the unaudited EBITDA with adjustment of impairment charge of the Other Operations for the 12 months ended 31 December 2020 (the “**Profit Estimate**”) provided by the Company. The Other Operations will be operated on a standalone basis upon the completion of the Restructuring. Given the Brand Operations and Other Operations are not operated separately, the Group has prepared the Profit Estimate through segregation of profit and loss items from the co-mingled Brand Operations and Other Operations. We have reviewed the Profit Estimate and are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration. For further details, please refer to Appendix III “Letters from the Joint Independent Financial Advisers and the auditor of the Company on the Profit Estimate” set out in the Scheme Document.

Overall comments

We concur with the Valuer’s view that guideline public company method under the market approach is appropriate for determining the Other Operations’ Appraised Value. We consider that the Valuer’s selection criterion on market capitalisation is appropriate given that the Other Operations will be operated under private companies as opposed to the Company as a listed company. We concur with the Valuer’s view that EV/EBITDA multiple is an appropriate valuation methodology.

According to the Valuation Report, the Other Operations Appraised Value as at the Valuation Date was approximately HK\$730.9 million. Such amount is below the Founder Aggregate Consideration of up to approximately HK\$880 million. As such, we consider that the terms of the Asset Transaction are fair and reasonable so far as the Disinterested Shareholders are concerned.

(iii) Terms of the Shareholders’ Agreement

The Shareholders’ Agreement in respect of governance of the Offeror Group is intended to take full effect upon the Scheme becoming effective. We consider that the terms of the Shareholders’ Agreement can be broadly classified into the following three categories for discussion purpose:

- (i) Terms applied to both Founder Holdco and CVC Holdco;
- (ii) Terms that may not be considered as favourable to the Founder Group; and
- (iii) Terms that may be considered as favourable to the Founder Group.

- i. Terms applied to both Founder Holdco and CVC Holdco

Terms applied to both Founder Holdco and CVC Holdco including board composition, voting rights, pre-emption rights, conversion rights and termination of the Shareholders’ Agreement.

- ii. Terms that may not be considered as favourable to the Founder Group

Terms that may not be considered as favourable to the Founder Group are those terms that the Founder Group passes to CVC Holdco certain rights including (i) CVC Holdco shall be entitled to a preferred dividend of HK\$800 million (so long as the Offeror Group's balance sheet and debt financing terms permit such distribution); (ii) liquidation preference; (iii) exit preference; (iv) minority protection reserved matters in EquityCo over which CVC Holdco shall have a veto right; (v) transfer restrictions on Founder Holdco's EquityCo shares; and (vi) non-competition.

- iii. Terms that may be considered as favourable to the Founder Group

Terms that may be considered as favourable to the Founder Group are those terms that the Founder Group may receive benefits in the future including share adjustment under which all or part of 13% of EquityCo shares issued to CVC Holdco at the direction of Founder Holdco are subject to potential adjustment and may be returned to Founder Holdco for nil consideration upon CVC Holdco's future exits from EquityCo through a qualified initial public offering or a trade sale, preferred dividend sharing and additional upside sharing after the Effective Date, details of which are set out in the sub-section headed "(ii) Shareholders' Agreement" in the section headed "(a) Key terms of the Joint Offeror Cooperation Arrangement" above on page 96.

Overall comments

In assessing the fairness and reasonableness of the terms of the Shareholders' Agreement, we have considered the following factors:

- (a) the terms are part of the consensual arrangements between the Founder Group and CVC Holdco for sharing the potential risks and rewards of the EquityCo following completion of the Proposal and the Restructuring;
- (b) the Founder Group has to pass certain rights to CVC Holdco including Founder Holdco would pass up to approximately HK\$405 million of economic value as a result of CVC Holdco being entitled to preferred dividend of up to HK\$800 million (so long as the Offeror Group's balance sheet and debt financing terms permit such distribution); and
- (c) the terms that may be perceived as favourable to the Founder Group are considered to be acceptable given the following:
 - the Founder Holdco will have to bear the risk of a potential fall in value of EquityCo or potential need for additional capital injection as being a shareholder of the EquityCo after completion of the Proposal;

- the potential benefits arising from upside sharing arrangements consist of (i) the share adjustment arrangement under which the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is in the range from 3.2 times to 3.5 times, up to approximately 13% of EquityCo shares will be proportionally returned to Founder Holdco upon CVC Holdco's future exits from EquityCo in accordance with a gradual scale; (ii) the preferred dividend sharing arrangement under which after taking into account the share adjustment as described in (i) above, if the net money-on-money return achieved by CVC Holdco upon its future exits from EquityCo is greater than 3.5 times, CVC Holdco will share with Founder Holdco up to 63.5% of its preferred dividend actually received by CVC Holdco from EquityCo (to the extent that CVC Holdco's net money-on-money return remains above 3.5 times); and (iii) the additional upside sharing arrangement under which after taking into account the share adjustment and the preferred dividend sharing as described in (i) and (ii) above, if the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo still exceeds 3.5 times, CVC Holdco will share with Founder Holdco an additional cash amount equal to approximately 15% of CVC Holdco's net return that is in excess of 3.5 times. We note that these potential benefits that the Founder Group may receive are all conditional upon the attainment of at least 3.2 times of net money-on-money return (calculated based on CVC Holdco's net return amount and investment amount) by CVC Holdco upon its future exits from EquityCo, therefore there is no certainty that the Founder Group would receive these potential benefits eventually. We also note that these potential benefits the Founder Group may receive will be provided by CVC Holdco which will in turn reduce the net investment return on EquityCo of CVC Holdco. In case the net money-on-money return that could be achieved by CVC Holdco from its future exits of EquityCo was at 3.2 times or above, partial of its money-on-money return would be transferred to the Founder Group by way of EquityCo's shares that CVC Holdco owns, preferred dividend received by CVC Holdco or by cash, which in substance would reduce the net investment return on EquityCo of CVC Holdco from its future exits of EquityCo.

The yardsticks are contingent on the consideration to be received by CVC Holdco upon its future exits which in turn will depend on the future operations and financial performance of the Brand Operations after completion of the Proposal.

It should be noted that the potential benefits to the Founder Group are not based on the current state of the Group's operations and financial performance. We consider that this has been taken into account in the valuation of the Group as implied by the Cancellation Price. We believe that the purpose of such arrangement is to motivate and incentivise the Chairman and the CCO in managing the Brand Operations as their contributions are critical to the future development of the Brand Operations and is not a mean to provide additional benefits to the Founder Group in the capacity of a Shareholder;

- there is no certainty on whether, when and how CVC Holdco's future exit return would be materialised nor there is any guarantee that the potential additional benefits to the Founder Group will be received by the Founder Group. The potential benefits to be received by the Founder Group on the share adjustment, preferred dividend sharing and additional upside sharing under the Shareholders' Agreement do not represent parts of the value of, nor the consideration paid for, CVC Holdco's interests in the Other Operations on or around the Effective Date while the economic value of the Founder Aggregate Consideration will be transferred with certainty on or around the Effective Date, which in turn is independent of and unrelated to any future share adjustment, preferred dividend and additional upside sharing. These potential benefits would be regarded as potential compensations to the Founder Group with respect to their efforts to be put into the future operation and development of the Brand Operations, while they do not represent parts of the consideration for the Asset Transaction; and
- the Founder Group has to pass certain rights to CVC Holdco as stated in (b) above.

Based on the aforesaid analysis, we are of the view that terms of the Shareholders' Agreement are fair and reasonable so far as the Disinterested Shareholders are concerned.

(iv) transactions in connection with the Restructuring

Based on our review of the agreements and arrangements under the Restructuring, we note that the transactions in connection with the Restructuring are for the segregation of the Group's co-mingled Brand Operations and the Other Operations so as to achieve the purpose of operating the Brand Operations and the Other Operations independently as well as provision of certain services between the Brand Operations and the Other Operations. It is noted that the services to be provided are charged at cost except certain long-term services will be determined based on market price and arm's length commercial negotiations and on terms no more favorable than the terms available to and/or from any independent third-party service provider providing similar services in the relevant local market. As such, we consider that the pricing mechanism of the services agreements are fair and reasonable. After completion of the Restructuring, EquityCo will continue to own the Brand Operations and Founder Holdco will own the Other Operations. The Restructuring will be effected and completed after the Effective Date. We consider that the transactions will not affect the interests of the Disinterested Shareholders as the transactions will take place after the Effective Date. Furthermore, the Restructuring is part and parcel of the Proposal. We, therefore, are of the view that the transactions in connection with the Restructuring are fair and reasonable so far as the Disinterested Shareholders are concerned.

RECOMMENDATION

In arriving at our recommendation in respect of the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- *Deterioration of the Group's financial performance*

The Group's operating and financial performance was weak in FY19/20 due to the social instability in Hong Kong and it has further been adversely affected by COVID-19 pandemic. The Group's turnover decreased by approximately 12.6% to approximately HK\$7,719.4 million from FY18/19 to FY19/20 and decreased by approximately 31.9% to approximately HK\$2,734.7 million from 1H FY19/20 to 1H FY20/21. The negative comparable-store-sales growth particularly in the Hong Kong and Macau segment since FY18/19 and in each of Hong Kong and Macau, PRC and Japan and the US in 1H FY20/21 and the reduction in the number of stores led to the substantial decline in turnover.

PRC and Hong Kong operations are major revenue contributors of the Group. In FY19/20, both of PRC segment and the Hong Kong and Macau segment incurred losses. In 1H FY20/21, though PRC operations recorded segment profit, the profit could only offset about one-fourth of the loss incurred from Hong Kong and Macau operations. Japan and US operations recorded segmental profit in FY19/20. However, the Japan and US segment's profit plunged by approximately 73.1% in 1H FY20/21 on YoY basis. The deterioration of the financial performance of the Group in FY19/20 and 1H FY20/21 was primarily attributable to the substantial losses incurred from the Hong Kong and Macau segment. Given the retail industry outlook of Hong Kong remains bleak, we consider that turnaround of the Group's Hong Kong and Macau segment is unlikely to happen soon.

The financial position of the Group was affected by the deterioration of financial performance. The Group turned from a net cash position of approximately HK\$612.0 million as at 28 February 2019 to a net debt position as at 29 February 2020 and 31 August 2020 of approximately HK\$470.4 million and HK\$441.7 million respectively, primarily due to the increase in total borrowings, from approximately HK\$1,160.0 million as at 28 February 2019 to approximately HK\$1,927.2 million as at 29 February 2020 and approximately HK\$2,008.6 million as at 31 August 2020. As at 31 August 2020, the Company had approximately HK\$2.0 billion of credit facilities and approximately HK\$1.6 billion of cash and cash equivalents. Approximately HK\$1.7 billion of these credit facilities will be due by the end of 2022, of which a total of approximately HK\$455 million will be due by the end of April 2021.

- *Challenges brought by the change in consumer behaviour caused by the gradual shift of consumer preference to shopping online*

The growing of e-commerce has caused structural changes to consumer preferences and shopping behaviour. The Group has accelerated the pace of the digital development, both through their own e-commerce channel and via third-party online marketplaces, focusing on redirecting the customer flow to digital channels through online promotional campaigns. Although e-commerce sales have registered significant growth, this growth was not sufficient to compensate for the sales losses incurred by the Group's retail stores. The shift in consumption behaviour requires business transformation to resume long-term sustainable growth of the Group.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- *Transformation of the business will involve risks and may or may not be successful*

In view of the challenges to the Group's business brought on by COVID-19 pandemic and the gradual shift of consumer preference to shop online, transformation is pivotal in the Group's future. The transformation will inevitably involve execution, market and financial risks and may or may not be successful.

- *The Proposal represents an opportunity for the Non-Founder Scheme Shareholders to realise their investments in the Shares at substantial premiums over the Share prices prior to the issue of the Joint Announcement without suffering illiquidity discount*

The premiums as represented by the Cancellation Price were approximately 84.7%, 135.5%, 162.4%, 173.0% and 156.7%, over the average closing prices for the periods of five, 30, 60, 90 and 180 trading days up to and including the Last Trading Date, respectively.

We have reviewed the Share price performance since 1 January 2019. The Share performance at the beginning of our review period was traded by investors with reference to, among other things, the interim results of the Group for the six months ended 31 August 2018, the then latest financial performance reference of the Group, being a profit for the period of approximately HK\$113.4 million. We note that the Group issued six profit warning announcements during the period under review. As such, we believe that the Share price performance was largely affected by the adverse changes in financial performance of the Group. The Group incurred loss of approximately HK\$337.3 million for the six months ended 31 August 2020, being the then latest financial results of the Group prior to the Last Trading Date.

In general, there was a downward trend of the Share price from 18 January 2019 and until the Last Trading Date whereby the Share price dropped significantly during the said period with closing price from HK\$4.28 on 18 January 2019 as the highest to HK\$0.96 as the lowest on 10 August 2020 during the said period.

The Share price surged by approximately 44.8% to close at HK\$2.81 on 7 December 2020, being the first trading day following the issue of the Joint Announcement, and we consider that the surge in Share price was driven by the announcement of the Proposal, in particular, the Cancellation Price of HK\$3 per Scheme Share. From 7 December 2020 to the Latest Practicable Date, the Shares traded between HK\$2.73 to HK\$2.89. The prevailing Share price may not be sustained if the Scheme is not approved or the Proposal otherwise lapses.

Given the low liquidity of the Shares, it is difficult for the Disinterested Shareholders to sell their shareholdings in large volume without adversely affecting the Share price.

The Scheme provides an attractive and immediate opportunity for the Scheme Shareholders to monetise their Shares at the fixed Cancellation Price, which is at a significant premium to the market prices of the Company prior to the issue of the Joint Announcement.

- *The Cancellation Price is fair and reasonable*

We consider the Cancellation Price is fair and reasonable after taking into consideration of the following:

- (a) the closing prices of the Shares were below the Cancellation Price for over 16 consecutive months from 25 July 2019 to the Last Trading Date;

- (b) the EV/EBITDA ratio of the Company as implied by the Cancellation Price was approximately 5.1 times, which was higher than the average and median of the EV/EBITDA ratio of the Comparable Companies of approximately 4.0 times and 3.1 times respectively on the Last Trading Date; and
 - (c) the premium as represented by the Cancellation Price was approximately 84.7% over the average closing price of the Shares for the five trading days up to and including the Last Trading Date, which was within the range and higher than the average of approximately 55.7% and median of approximately 59.8% of those of the Successful Privatisation Precedents. The premiums as represented by the Cancellation Price were approximately 135.5%, 162.4%, 173.0% and 156.7% over the average closing prices of the Shares for the periods of 30, 60, 90 and 180 trading days up to and including the Last Trading Date, respectively, which were more than the respective maximum premium of those of the Successful Privatisation Precedents.
- *The terms of the Joint Offeror Cooperation Arrangement are fair and reasonable*

We are of the view that the terms of the Joint Offeror Cooperation Arrangement are fair and reasonable after considering the following:

- (a) the entitlement of the Founder Cancellation Consideration by the Founder Group is in lieu of the Cancellation Price to be paid in cash to the Non-Founder Scheme Shareholders;
- (b) for the cancellation of the Founder Scheme Shares, the members of the Founder Group are entitled to the crediting of approximately 63.61% in total (being the sum of 50.54% and 12.96%) of unpaid EquityCo shares as being fully paid in an amount equivalent to the aggregate amount of the Cancellation Price per Scheme Share with respect to all the Founder Scheme Shares. That means the Cancellation Price is applied for both the Non-Founder Scheme Shares and the Founder Scheme Shares;
- (c) the terms that may be perceived as favourable to the Founder Group are considered to be acceptable given the following:
 - the Founder Holdco will have to bear the risk of a potential fall in value, or potential need for additional capital injection as being a shareholder of the EquityCo after completion of the Proposal;
 - the potential benefits to be received by the Founder Group including share adjustment, preferred dividend sharing and additional upside sharing are all conditional upon the attainment of certain net money-on-money return (calculated based on CVC Holdco's net return amount and investment amount) by CVC Holdco upon its future exits. It should be noted that the potential benefits are not based on the current state of the Group's operations and financial performance, which we consider this has been factored in the valuation of the Group as implied by the Cancellation Price. The potential benefits to the Founder Group will be provided by CVC Holdco from the investment return upon future exit which will in turn reduce the total investment return of CVC Holdco in this transaction and will be based on the future operating and financial performance of the Brand Operations. We believe that the purpose of such arrangement is to motivate and incentivise the Chairman and the CCO in managing the Brand Operations as their contributions are critical to the future development of the Brand Operations and is not a mean to provide additional benefits to the Founder Group in the capacity of a Shareholder; and

- the Founder Group has to pass certain rights to CVC Holdco as stipulated under the Shareholders' Agreement;
- (d) the Founder Aggregate Consideration as derived from the Asset Transaction based on the Cancellation Price is up to approximately HK\$880 million.

As the Other Operations Appraised Value of approximately HK\$730.9 million as at the Valuation Date is below the Founder Aggregate Consideration, we consider that the Founder Aggregate Consideration and the terms of the Asset Transaction are fair and reasonable so far as the Disinterested Shareholders are concerned; and

- (e) transactions in connection with the Restructuring

Based on our review of the agreements and arrangements under the Restructuring, we note that the transactions in connection with the Restructuring are for the segregation of the Group's co-mingled Brand Operations and the Other Operations so as to achieve the purpose of operating the Brand Operations and the Other Operations independently as well as provision of certain services between the Brand Operations and the Other Operations. It is noted that the services to be provided are charged at cost except certain long-term services will be determined based on market price and arm's length commercial negotiations and on terms no more favorable than the terms available to and/or from any independent third-party service provider providing similar services in the relevant local market. After completion of the Restructuring, EquityCo will continue to own the Brand Operations and Founder Holdco will own the Other Operations. The Restructuring will be effected and completed after the Effective Date. We consider that the transactions will not affect the interests of the Disinterested Shareholders as the transactions will take place after the Effective Date and the services are charged based on costs or market prices. Furthermore, the Restructuring is part and parcel of the Proposal. We, therefore, are of the view that the transactions in connection with the Restructuring are fair and reasonable so far as the Disinterested Shareholders are concerned.

Based on the above, we consider that the terms of the Proposal, including the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM.

PART VI LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Disinterested Shareholders should note that the Joint Offeror Cooperation Arrangement is an integral part of the Proposal which is considered to be fair and reasonable so far as the Disinterested Shareholders are concerned and the Proposal is conditional on, among other things, the approval of the Joint Offeror Cooperation Arrangement. If the Joint Offeror Cooperation Arrangement is not approved, the Proposal will not proceed.

The Disinterested Shareholders are reminded that as stated in the “Explanatory Statement” in the Scheme Document, the Cancellation Price will not be increased and the Offeror does not reserve the right to do so, and if the Scheme is not approved or the Proposal otherwise lapses, 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.

Yours faithfully,
For and on behalf of

Challenge Capital Management Limited
Jackson Woo
Managing Director

China Tonghai Capital Limited
Benny Chung **Noelle Hung**
Co-Chief Executive Officer *Managing Director*

Mr. Jackson Woo is the Managing Director of Challenge Capital and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 20 years of experience in corporate finance.

Mr. Benny Chung is a Co-Chief Executive Officer of China Tonghai and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 20 years of experience in corporate finance.

Ms. Noelle Hung is a Managing Director of China Tonghai and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 20 years of experience in corporate finance.

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

**SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT)**

1. INTRODUCTION

On 6 December 2020, the Offeror and the Company jointly announced that the Offeror and the Company have entered into the Implementation Agreement, pursuant to which the parties have agreed to use all reasonable endeavours to implement the Proposal to privatise the Company by way of a scheme of arrangement under section 99 of the Companies Act, subject to the Pre-Condition and the Conditions being fulfilled or waived, as applicable. On 19 January 2021, the Pre-Condition had been satisfied.

If the Scheme is approved and implemented:

- (a) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement;
- (b) all Non-Founder Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$3 per Non-Founder 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 directly 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 set out the terms and effects of the Proposal (in particular the Scheme and the Joint Offeror Cooperation Arrangement). Particular attention is also drawn to (i) the letter from the Board set out in Part IV of this Scheme Document; (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (iii) the letter from the Joint Independent Financial Advisers set out in Part VI of this Scheme Document; and (iv) the Scheme set out in Appendix V headed “*Scheme of Arrangement*” to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Board has, upon the satisfaction of the Pre-Condition, put forward the Proposal. Upon the fulfilment of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and:

- (a) for cancellation of the Founder Scheme Shares, Founder Holdco will be entitled to receive the crediting as being fully paid of all of its approximately 50.65% unpaid EquityCo shares (and approximately 13% of unpaid EquityCo shares that Founder Holdco has directed EquityCo to issue to CVC Holdco directly as part of the Joint Offeror Cooperation Arrangement as detailed in the section headed “*Joint Offeror Cooperation Arrangement*” below, including, amongst others, the “share adjustment” arrangement as set out in further details in paragraph (k) of the section headed “*Shareholders’ Agreement*” below and the arrangements described in the section headed “*Restructuring*” below); and

- (b) for cancellation of the Non-Founder Scheme Shares, the Non-Founder Scheme Shareholders will be entitled to receive the Cancellation Price of HK\$3 per Non-Founder Scheme Share in cash.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the consideration for cancellation of the Founder Scheme Shares and Non-Founder Scheme Shares 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 following the Effective Date.

Cancellation Price per Non-Founder Scheme Share

The Cancellation Price of HK\$3 per Non-Founder Scheme Share represents:

- (a) a premium of approximately 7.5% over the closing price of HK\$2.790 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 54.6% over the closing price of HK\$1.940 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 84.7% over the average closing price of approximately HK\$1.624 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 135.5% over the average closing price of approximately HK\$1.274 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 162.4% over the average closing price of approximately HK\$1.143 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 173.0% over the average closing price of approximately HK\$1.099 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 170.4% over the average closing price of approximately HK\$1.109 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 156.7% over the average closing price of approximately HK\$1.169 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 51.8% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.977 as at 29 February 2020; and
- (j) a premium of approximately 73.1% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.733 as at 31 August 2020, which is calculated by the sum of the Company's total issued share capital of HK\$119.58 million and total reserves of HK\$1,953.07 million (which are based on the financial information disclosed in the Interim Results Announcement), divided by the total number of outstanding Shares of 1,195,797,307 as at 31 August 2020.

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.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.870 on 4 February and 2 February 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.960 on 8 September 2020, 7 September 2020 and 10 August 2020.

Basis for determining 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 Group, the significant investment required to reinvigorate the financial performance of the Group, financial performance of the Group, recent and historic traded prices of the Shares, and with reference to other privatisation transactions in Hong Kong in recent years.

Dividend payment by the Company

As at the Latest Practicable Date, the Company had not declared any dividend which remained unpaid. The Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be). For the avoidance of doubt, the Cancellation Price does not include any dividend that may be declared by the Company (subject to the approval of the Shareholders) prior to the Effective Date and the Cancellation Price will not be affected or reduced by the Shareholders' entitlement to such dividend (if any).

Events following the Scheme becoming effective

On the basis of the number of Scheme Shares in issue as at the Latest Practicable Date, if the Conditions are fulfilled or waived (as applicable) and upon the Scheme becoming effective:

- (a) all of the Scheme Shares will be cancelled;
- (b) contemporaneously with the cancellation of the Scheme Shares, the Company will issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled such that the issued share capital of the Company will be maintained at the amount in issue immediately prior to the cancellation of the Scheme Shares. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid; and
- (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15(2) of the Listing Rules.

Assuming that the Scheme becomes effective on 28 April 2021, cheques for cash entitlements under the Scheme will be despatched as soon as possible but in any event within seven business days following the Effective Date and accordingly, the cheques are expected to be despatched on or before 7 May 2021. Cheques shall be posted at the risk of the addressees and none of the Offeror, any Joint Offeror, the Company, Morgan Stanley, any Joint Independent Financial Advisers and the Company's Hong Kong branch 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.

3. CONFIRMATION OF FINANCIAL RESOURCES

The Proposal involves making an offer to cancel all of the Non-Founder Scheme Shares, in exchange for the Cancellation Price of HK\$3 per Non-Founder Scheme Share in cash.

Taking into account that the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration, the total amount of cash required to implement the Proposal in full will be approximately HK\$1,305,593,229. The Offeror proposes to finance the consideration payable under the Scheme with a combination of existing fund facilities available to and/or equity commitment from the CVC Funds.

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.

4. PRE-CONDITION TO THE PROPOSAL AND THE SCHEME

The making of the Proposal was, and the implementation of the Scheme had been, subject to the satisfaction of the non-waivable Pre-Condition (being the SAMR issuing a notice approving the Proposal and the Scheme, or the statutory clearance period specified by the SAMR pursuant to the PRC Anti-Monopoly Law, including any extension of such period, having elapsed and no objection having been raised or qualifications or requirements imposed by the SAMR in relation to the Proposal or the Scheme) on or prior to the Pre-Condition Long Stop Date. On 19 January 2021, the Pre-Condition had been satisfied.

5. 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 Scheme 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 Scheme Meeting (the Founder Group having provided an undertaking 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 – see the section headed “6. *Founder Irrevocable Undertakings*” below);
- (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 Scheme 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 Joint Offeror Cooperation Arrangement: (i) the receipt of an opinion from the Joint Independent Financial Advisers to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Joint Offeror Cooperation Arrangement;
- (g) all Approvals which are: (i) required in connection with the Proposal by Applicable Laws or any licences, 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;
- (h) 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);
- (i) 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;
- (j) since the date of the Joint Announcement, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole; and
- (k) save in connection with the implementation of the Proposal, the listing of the Company on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange, to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions in paragraphs (a) to (i) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (j) to (k) (inclusive) above 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 Pre-Condition and the Conditions in paragraphs (a) to (f) (inclusive) above, the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (g) to (i) (inclusive) above not being satisfied. As at the Latest Practicable Date and based on the information available to the Offeror, other than pursuant to the Pre-Condition and the Conditions in paragraphs (a) to (f) (inclusive) above, the Offeror was also not aware of any other Approvals which are required as set out in the Condition in paragraph (g) above.

As at the Latest Practicable Date, the Pre-Condition had been satisfied, all Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the Conditions had been satisfied or waived.

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 Scheme Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Scheme Meeting and the SGM on 16 April 2021 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.

6. FOUNDER IRREVOCABLE UNDERTAKINGS

On 5 December 2020, each member of the Founder Group gave an irrevocable undertaking in favour of the Offeror and CVC Holdco being the other Joint Offeror:

- (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;
- (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.

7. ARRANGEMENTS MATERIAL TO THE PROPOSAL**Implementation Agreement**

On 5 December 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 cooperate 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; and (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, unless otherwise approved by the Shareholders in a general meeting in accordance with Rule 4 of the Takeovers Code, 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, authorising or proposing the issue of any securities or making any change to its share capital, other than in respect of a wholly-owned member of the Group or pursuant to the terms of any shareholders' agreement governing any member of the Group; (iii) in respect of the Company only, recommending, proposing, declaring, paying or making any bonus issue, dividend or other distribution; (iv) entering into any merger or acquiring or disposing of any material assets; (v) incurring any indebtedness or creating any encumbrance, other than in the ordinary and usual course of business; (vi) creating or agreeing to create any encumbrance over its business or any asset except in the ordinary and usual course of business of the Group; or (vii) transferring or assigning to any third party any intellectual property which it owns or has the right of use as at the date of the Implementation Agreement as well as any other intellectual property which it subsequently acquires or obtains the right of use of.

The Company has further undertaken, amongst other things, that it will not, and will procure that no member of the Group shall, directly or indirectly (a) solicit, encourage, or otherwise seek to procure the submission of proposals, indications of interests or offers of any kind which are reasonably likely to lead to an alternative offer from any person other than the Offeror; and (b) enter into, or participate in, any discussions or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an alternative offer or provide any due diligence information on the Company and the Group to any third party in connection therewith, save to the extent that, based on the written advice of external legal counsel: (i) the Board reasonably considers that they are likely to be in breach of their directors' duties or statutory duties not to do so; or (ii) they are required to do so under Rule 6 of the Takeovers Code or other Applicable Laws.

Nothing in the Implementation Agreement is intended to prevent or deprive: (a) the Shareholders from having the opportunity to consider; or (b) 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.

Joint Offeror Cooperation Arrangement

As part of the Proposal, the relevant members of the Founder Group, CVC Holdco, EquityCo and/or the Offeror entered into the following Joint Offeror Cooperation Arrangement:

- (a) Consortium Agreement;
- (b) Shareholders' Agreement; and
- (c) transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents).

As the Joint Offeror Cooperation Arrangement (being: (a) the cancellation of the Founder Scheme Shares in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement; (b) the entry by the relevant members of the Founder Group, CVC Holdco and/or EquityCo into the Consortium Agreement and Shareholders' Agreement; and (c) the transactions in connection with the Restructuring) is not offered to all Shareholders (and is only offered to the members of the Founder Group, such that, after the Effective Date and the completion of the Restructuring, the Founder Group may continue to retain management control over, contribute to, participate in potential distributions of, and potentially benefit from a non-guaranteed increase in value of the Offeror Group, while at the same time bearing the risk of a potential fall in value, potential losses, or potential streams of negative cash flows of, or potential need for additional capital injection into the Offeror Group, resulting from undesirable performance or adverse market conditions, amongst other factors), the Joint Offeror Cooperation 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 from the Executive to the Joint Offeror Cooperation Arrangement conditional on (a) the Joint Independent Financial Advisers to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement.

The Proposal and the Scheme are therefore subject to:

- (a) the receipt of an opinion from the Joint Independent Financial Advisers to the Independent Board Committee confirming that the Joint Offeror Cooperation 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 Joint Offeror Cooperation Arrangement; and
- (c) the grant of consent from the Executive to the Joint Offeror Cooperation Arrangement, which will be conditional on satisfaction of the matters in paragraphs (a) and (b) above.

The Joint Independent Financial Advisers have stated in the letter from the Joint Independent Financial Advisers that they consider that the terms of the Proposal, including the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Joint Independent Financial Advisers have advised the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM. Please refer to the full text of the letter from the Joint Independent Financial Advisers as set out in Part VI of this Scheme Document. If the Joint Offeror Cooperation Arrangement is not approved by the Disinterested Shareholders at the SGM, the Joint Offeror Cooperation Arrangement will not be implemented, and the Scheme will not proceed.

Consortium Agreement

On 4 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), and the Joint Offerors 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 EquityCo 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.

Shareholders’ Agreement

On 5 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo 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. On 19 March 2021, the same parties entered into a deed of amendment relating to the Shareholders’ Agreement. A summary of the key terms of the Shareholders’ Agreement (as amended by the deed of amendment) is set out below:

- (a) **Board composition.** Founder Holdco shall have the right to appoint three directors on the board of EquityCo, and CVC Holdco shall have the right to appoint two directors.
- (b) **Voting rights.** Ordinary shares, class A preference shares and class B preference shares in EquityCo will be voting, and each share will carry one vote.
- (c) **Dividend rights.** Each preference share will have a cumulative non-cash coupon at the rate of 10% per annum. No dividend on any ordinary share shall be declared unless the accrued interest on the preference shares is fully settled. EquityCo shall, as soon as practicable after the Effective Date and in any event prior to CVC Holdco’s exit from EquityCo, declare and pay in cash to CVC Holdco, as a holder of class B preference shares, prior to and in preference to the dividend rights of any other EquityCo shareholder, an additional preferred dividend of HK\$800,000,000 (so long as the Offeror Group’s balance sheet, debt financing terms and the applicable law permit such distribution, including through a dividend re-capitalisation, whereby EquityCo could borrow money to fund such preferred dividend payment together with any existing cash resources of the Offeror Group). While the timing of the declaration and payment of such additional preferred dividend to CVC Holdco through cash distribution is uncertain, in any event, CVC Holdco will be entitled to the economic benefits of such additional preferred dividend in its various exit scenarios. Please refer to the section headed “*Consideration for transferring CVC Holdco’s 49.35% indirect interest in the Other Operations to Founder Holdco*” on pages 144-148 below for further analysis of CVC Holdco’s right to the HK\$800 million preferred dividend.
- (d) **Reserved matters.** EquityCo board will be responsible for the overall direction, supervision and management of the Offeror Group, subject to minority protection reserved matters over which CVC Holdco shall have a veto right. Such reserved matters include, among others, amendment of constitutional documents and share capital, liquidation and winding up of any company of the Offeror Group, approval of the business plan and annual budget, appointment of auditors and senior management of the Offeror Group, change of business scope, any material borrowings, mergers, investments, acquisitions, disposals, granting of any material guarantees other than provided in the business plan, entering into or settling any material dispute, and entering into any material related party transactions.

- (e) **Pre-emption rights.** Each shareholder shall have pre-emption rights to participate in any issuance of new shares by EquityCo.
- (f) **Transfer restriction.** Other than with the prior written consent of CVC Holdco, Chairman, CCO (each in his personal capacity) and Founder Holdco shall not, subject to customary exceptions, transfer their or its EquityCo shares to third parties during the term of the Shareholders' Agreement.
- (g) **Non-compete and non-solicit.** Founder Holdco, Chairman, CCO (each in his personal capacity) and their affiliates shall not, other than carrying on the Other Operations, compete with the Brand Operation, and shall not solicit the employment of the senior managers of the Offeror Group, subject to customary exceptions.
- (h) **Liquidation preference.** In case of a liquidation event (including, with respect to the Offeror Group, any liquidation, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets), ahead of holders of other classes of shares, holders of class B preference shares shall be entitled to (i) participate in such liquidation event, or (ii) be paid by EquityCo, in respect of holders of class B preference shares, an amount no less than the sum of its investment amount and all accrued and unpaid dividend (including the HK\$800 million preferred dividend).
- (i) **Conversion rights.** Each preference share of EquityCo shall be automatically converted into ordinary shares immediately prior to the consummation of any initial public offering of EquityCo based on a conversion formula which, with respect to CVC Holdco as a holder of class B preference shares, factors in the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividends entitled to be received by CVC Holdco (including the HK\$800 million preferred dividend) towards CVC Holdco's entitlement under its conversion right.
- (j) **Exit.** Shareholders of EquityCo endeavour to procure that EquityCo shall consummate a qualified initial public offering (being a fully marketed public offering of EquityCo shares on the stock exchanges in Hong Kong, Tokyo, New York or other internationally reputable stock exchanges as EquityCo shareholders may agree) or a trade sale (being the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco) within approximately three to five years after the Effective Date, through which shareholders may exit from EquityCo. CVC Holdco has the right (but not the obligation) to exit ahead of other shareholders. CVC Holdco has the right to, in its absolute discretion, decide whether and when to pursue a qualified initial public offering or a trade sale if CVC Holdco has not exited from EquityCo five years from the Effective Date. In relation to the potential qualified initial public offering, as at the Latest Practicable Date, the shareholders of EquityCo had not agreed on any expected offer price or post-market valuation, or the method of listing.
- (k) **Share adjustment.** If the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo (calculated based on CVC Holdco's net return amount and investment amount) is in the range from 3.2 times to 3.5 times, up to approximately 13% of EquityCo shares (which were initially issued and credited to CVC Holdco as fully paid at the direction of Founder Holdco around the time of the Joint Announcement and the Effective Date, respectively, and, as at the Effective Date, amounts to approximately HK\$465 million economic value as further elaborated in the section headed "*Restructuring*" below, and the future value of which at the time of CVC Holdco's future exits, may change and is uncertain as at the Latest Practicable Date) will be proportionally returned to Founder Holdco upon CVC Holdco's future exits from EquityCo in accordance with a gradual scale. There is no certainty as to CVC Holdco's future exit return nor any guarantee that such share adjustment will eventually take place.

- (l) **Preferred dividend sharing.** After taking into account the share adjustment as described above, if the net money-on-money return achieved by CVC Holdco upon its future exits from EquityCo is greater than 3.5 times, CVC Holdco will share with Founder Holdco up to 63.5% of its preferred dividend actually received by CVC Holdco from EquityCo (to the extent that CVC Holdco's net money-on-money return remains above 3.5 times). There is no certainty as to CVC Holdco's future exit return nor any guarantee that such preferred dividend sharing will eventually take place.
- (m) **Additional upside sharing.** After taking into account the share adjustment and the preferred dividend sharing as described above, if the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo still exceeds 3.5 times, CVC Holdco will share with Founder Holdco an additional cash amount equal to approximately 15% of CVC Holdco's net return that is in excess of 3.5 times. There is no certainty as to CVC Holdco's future exit return nor any guarantee that such additional upside sharing will eventually take place.
- (n) **Termination.** The Shareholders' Agreement shall terminate (i) by the parties' written agreement, (ii) with respect to a shareholder, if that shareholder holds less than 10% EquityCo shares, (iii) upon a qualified initial public offering, and (iv) upon all EquityCo shares being held by one person.

Restructuring

Key terms of the Framework Agreement

On 5 December 2020, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo entered into a legally binding Restructuring Term Sheet. In accordance with the Restructuring Term Sheet, on 30 January 2021, Chairman, CCO (each in his personal capacity as a member of the Founder Group), the Joint Offerors and EquityCo entered into the Framework Agreement, which terminated and superseded the Restructuring Term Sheet.

The Framework Agreement is the governing and guiding document for the Restructuring transactions. It reflects the principles and key terms of the Restructuring Term Sheet, and includes more detailed implementing provisions to effect the key terms agreed in the Restructuring Term Sheet. Pursuant to the Framework Agreement, parties have agreed to:

- (a) procure the implementation of the Restructuring, the process of which commenced promptly after the date of the Joint Announcement and is intended to be substantially completed within a short period of time after the Effective Date;
- (b) procure the establishment of new Group entities dedicated for the Brand Operations which are required to effect the Restructuring;

- (c) procure that necessary legally binding intra-group documents, implementing asset and share transfers conditional on and taking effect after the Effective Date (unless otherwise agreed between the parties), are entered into as soon as practicable after the new Group entities described in paragraph (b) above are set up, in order to separate the Group's co-mingled Brand Operations and the Other Operations by intra-group separation and transfer of the Brand Operations' identified employees, inventory, other tangible and fixed assets, lease agreements, other third-party contracts, intellectual properties, information technology infrastructure, data and cash from the co-mingled Group entities to selected or newly established Group entities dedicated to the Brand Operations. In this regard, the following types of agreement will be entered into:
- (i) intra-group asset transfer agreement, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer of an agreed list of identified assets of the Brand Operations including inventories, stores, and other fixed assets and includes customary provisions relating to completion mechanism, liability apportionment, and further assurance obligations on the same terms and principles as set out in the Framework Agreement;
 - (ii) intra-group share transfer agreement, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer of shares in four Group entities dedicated for the Brand Operations and includes customary provisions relating to completion mechanism, and fundamental warranties on title and capacity to be given by the transferor to the relevant transferee;
 - (iii) intra-group intellectual property assignment deed, an agreed form template of which has been attached to the Framework Agreement, which will be used for the transfer and assignment of an agreed list of identified intellectual property rights of the Brand Operations (including trade-marks, registered designs, registered copyright and domain names) and includes customary provisions relating to the assignment of ancillary rights (such as rights to apply for or defend the trademarks), warranties relating to title, no encumbrances and non-infringement of third party rights, undertakings, and indemnities to be given by the relevant transferor to the relevant transferee and further assurance obligations;
 - (iv) intra-group transfer of an agreed lists of employees from the Other Operations to the Brand Operations on substantially the same terms as they are currently employed; and
 - (v) intra-group transfer (by novation, split or renegotiation) of an agreed list of commercial contracts and leases entered into with third parties from the Other Operations to the Brand Operations on substantially the same terms as their current terms.

Pursuant to the Framework Agreement, the parties agreed that upon the completion of the Restructuring: (i) the Brand Operations will be allocated with sufficient cash of the Group to support its operations (being HK\$126 million as at the end of March 2021 and additional cash generated or received by the Brand Operations afterwards); (ii) the Other Operations will be allocated with the remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion immediately upon completion of the Restructuring); and (iii) the Refinancing Proceeds (being up to HK\$1.8 billion) to be borrowed by the entities dedicated to the Brand Operations pursuant to the Refinancing Documents (together with the cash reserves of the Group and proceeds of an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group and be allocated to the Other Operations) pursuant to the Framework Agreement) will be passed on to the Other Operations (as consideration for transfer of the assets, shares and intellectual

properties of the Brand Operations as further described in the paragraph immediately below) to repay and discharge all the existing borrowings of the Group (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) so that the Other Operations would have no external debt. Please refer to the sections headed “*Valuation of the Other Operations*”, “*Financial Information of the Other Operations*”, “*Information relating to the Brand Operations*” and “*Information relating to the Other Operations*” on pages 149-152 below for further information of the Brand Operations and the Other Operations. Please refer to the section headed “*Information relating to the Brand Operations*” on pages 150-151 below for further details of the Refinancing Documents. Under the valuation report set out in Appendix II to this Scheme Document, the Valuer has taken into account the cash and cash equivalents of HK\$1.3 billion and nil interests bearing debt of the Other Operations immediately upon completion of the Restructuring after allocating the cash of the Group and Refinancing Proceeds pursuant to the above arrangement under the Framework Agreement in arriving at its valuation of the 49.35% equity interest in the Other Operations.

In connection with the debt refinancing arrangement pursuant to the Framework Agreement, the parties agreed that the total amount of consideration payable by the entities dedicated to the Brand Operations to the entities dedicated to the Other Operations for the intra-group transfers of the assets, shares and intellectual properties of the Brand Operations pursuant to the Framework Agreement as described in this paragraph (c) will be the total amount of the Refinancing Proceeds (being up to HK\$1.8 billion)

After implementing asset and share transfers, cash allocation and debt refinancing steps pursuant to the Framework Agreement as described in this paragraph (c):

- (i) entities dedicated to the Brand Operations will use the Refinancing Proceeds to purchase the assets, shares and intellectual properties of the Brand Operations pursuant to the Framework Agreement, to complete the separation of the Brand Operations and the Other Operations;
- (ii) entities dedicated to the Other Operations will use the Refinancing Proceeds received from the Brand Operations (together with the cash reserves of the Group and an interest-free shareholders’ loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations) to repay the Group’s external bank debt borrowed by the entities dedicated to the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) and associated costs;

- (iii) the transactions under steps (i) and (ii) above will happen simultaneously; and
- (iv) after allocating all cash and Refinancing Proceeds of the Group pursuant to the Framework Agreement, immediately upon completion of the Restructuring, the Other Operations will have remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion) and no external bank debt.

If it is not possible for any particular asset or contract transfers to be completed within a short period of time after the Effective Date (for reasons such as restrictions under applicable laws or failure to receive any third-party consent), then transitional alternative contractual arrangements, conditional on and taking effect after the Effective Date, shall be put in place, such that the Brand Operations may enjoy the equivalent arrangements relating to the relevant assets or contracts before or after completion of the Restructuring, pending transfers of the relevant asset or contract on the terms as disclosed in this paragraph (c). Parties will minimise as much as possible the need to enter into any alternative arrangement, which serves as fallback arrangements where the intended transfers pursuant to the Framework Agreement cannot be completed in time. The alternative arrangements will be implemented based or consistent with the material terms of the relevant transfers as disclosed in this paragraph (c) or material terms of the transitional services agreements as disclosed in paragraph (d) immediately below; and

- (d) procure that the Brand Operations and the Other Operations enter into:
 - (i) transitional services agreements, key terms of which are summarised as follows:

<i>Service scope/subject matter</i>	provision of services by the Other Operations to the Brand Operations relating to IT (including e-commerce), logistics, design support, administration and operations support and facilities services and other areas where transitional services are required;
<i>Tenure</i>	a period of six to twelve months with an early termination right by the relevant service recipient;
<i>Service Levels</i>	on equivalent services standards as provided to the services recipient as during the twelve month period prior to completion of the Restructuring; and
<i>Pricing/Pricing Policy</i>	charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-up.

- (ii) long-term services agreements, key terms of which are summarised as follows:

<i>Service scope/subject matter</i>	long-term trading arrangement between the Brand Operations and the Other Operations, being (i) consignment or similar agreements for the sale of the Brand Operations products (i.e. fashion apparel and accessories bearing the trademarks of the Brand Operations) in the online and offline multi-branded channels of the Other Operations (or vice versa); (ii) facility services agreement for provision of services by the Other Operations to the Brand Operations relating to conference rooms, pantries and utilities in the PRC; and/or (iii) property and facility services for provision of services by the Other Operations to the Brand Operations relating to office premises in Taiwan to be provided by the Other Operations to the Brand Operations;
<i>Tenure</i>	the facility and property services will be provided for the duration of the relevant lease, with an early termination right by the relevant service recipient. The duration for other long-term services will depend on future business needs;
<i>Service Levels</i>	on equivalent services standards as provided to the services recipient as during the twelve month period prior to completion of the Restructuring for the facility and property services. The service levels for other long-term services will depend on future business needs; and
<i>Pricing/Pricing Policy</i>	the facility and property services will be charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-up. The pricing for other long-term services will be determined based on market price and arms' length commercial negotiations, and on terms no more favorable than the terms available to and/or from any independent third-party service provider providing similar services in the relevant local market. Each time when a long-term agreement is entered into, the service recipient will compare the rate offered by the Brand Operations or the Other Operations (as the case may be) with the market rates charged by other independent third-party service providers in the relevant local market, and the prices to be charged by the Brand Operations or the Other Operations (as the case may be) under any long-term services will be within the range of the market rate charged by other independent third-party service providers in the relevant local market.

As at the Latest Practicable Date, the new Group entities and each of their branches dedicated to the Brand Operations required to effect the Restructuring are in the process of being set up and such new Group entities and their branches will be substantially set up by the end of April 2021 (subject to potential delays in certain locations). As at the Latest Practicable Date, whilst communications relating to the Restructuring are being carried out within the Group and with the Brand Operations' third-party contract counterparties, other than the Restructuring Term Sheet and the Framework Agreement (which terminated and superseded the Restructuring Term Sheet), no definitive implementing documents to implement and effect the transfers of Brand Operations' asset and shares, any alternative arrangement, the transitional or long-term services arrangements pursuant to the Framework Agreement had been signed. It is anticipated that such definitive implementing documents may be signed before, on or within a short period after the Effective Date, pursuant to and in accordance with the terms of the Framework Agreement.

There will be no change in the material terms of the Framework Agreement or the material terms of such definitive implementing documents relating to the Restructuring as disclosed in this section headed "*Restructuring*" between the Latest Practicable Date and the completion of the Restructuring. Pursuant to the Framework Agreement, to the extent that any definitive documents implementing the intra-group transfers of the assets and shares of the Brand Operations are signed before the Effective Date, such definitive agreements will be conditional upon and will only take effect after the Effective Date (unless otherwise agreed between the parties). Pursuant to the Implementation Agreement and the Consortium Agreement, any costs incurred relating to the Restructuring (together with any costs incurred relating to the Scheme and the other parts of the Joint Offeror Cooperation Arrangement) will be borne by the Offeror and ultimately be shared by the Joint Offerors, regardless of whether the Scheme becomes effective, lapses or is withdrawn.

Furthermore, under the Framework Agreement:

- (a) the Founder Group members have warranted to CVC Holdco that: (i) they have the requisite power and authority to enter into and perform the binding obligations under the Framework Agreement and the related implementing documents; and (ii) assets or shares of the Brand Operations being transferred pursuant to the Framework Agreement are validly owned by the relevant transferor without encumbrance, and are sufficient for the operation of the Brand Operations; and
- (b) the parties have agreed that, with respect to liabilities incurred in connection with the relevant Brand Operations' assets being transferred pursuant to the Framework Agreement, the transferor shall be responsible, and shall indemnify the transferee, for the liabilities incurred before and up to the date of the relevant transfer, and the transferee shall be responsible, and shall indemnify the transferor, for the liabilities incurred after the date of the relevant transfer.

After the Scheme becomes effective, CVC Holdco will have a 49.35% indirect interest in the Other Operations (as part of the Offeror Group). After the Brand Operations and the Other Operations are effectively separated after the Effective Date, under the Framework Agreement, CVC Holdco has agreed to transfer or procure the transfer of its 49.35% indirect interest in the Other Operations to Founder Holdco in accordance with the steps set out in the Framework Agreement, the key transaction steps being (i) the transfer by the Company of all of its shares in the holding company of the Other Operations to Founder Holdco in consideration for the issue by Founder Holdco of a promissory note for the amount of HK\$10 million to the Company (together with other quantifiable and non-quantifiable consideration as set out in the section headed "*Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco*" immediately below on pages 144-148); (ii) the distribution or assignment of such promissory note from the Company to the Offeror and then to EquityCo; and (iii) the buy-back by EquityCo from Founder Holdco of EquityCo shares representing HK\$10 million of EquityCo's share capital, payable by setting off against the promissory note of HK\$10 million owed by Founder Holdco to EquityCo.

EquityCo's share capital structure as at the Latest Practicable Date is set out below. EquityCo's share capital structure as at the Latest Practicable Date will remain unchanged as at the Effective Date and immediately prior to the completion of the Restructuring.

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	5,015,008	1,811,864,043	0	1,816,879,051	50.65%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.35%
Total	<u>10,027,953</u>	<u>1,811,864,043</u>	<u>1,765,499,925</u>	<u>3,587,391,921</u>	<u>100%</u>

The Restructuring steps for transfer of the CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco will reduce EquityCo's total share capital and EquityCo's share capital attributable to Founder Holdco by HK\$10 million, respectively. Accordingly, immediately upon completion of these Restructuring steps, EquityCo's share capital structure will be as follows:

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	4,987,055	1,801,891,996	0	1,806,879,051	50.51%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.49%
Total	<u>10,000,000</u>	<u>1,801,891,996</u>	<u>1,765,499,925</u>	<u>3,577,391,921</u>	<u>100%</u>

Consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco

Having taken into account the Other Operations' financial condition, lease liabilities and other cash requirements for operating and reviving its business, the consideration for the transfer of CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco includes, amongst others, the following:

- (a) by directing EquityCo to credit as fully paid approximately 13% EquityCo shares to CVC Holdco (which were issued by EquityCo to CVC Holdco on an unpaid basis before the date of the Joint Announcement) at the Effective Date, Founder Holdco is deemed to have been passed to CVC Holdco approximately HK\$465 million economic value (being equivalent to approximately 13% of EquityCo's total share capital of HK\$3,587,391,921 as at the Effective Date, as further disclosed in the section headed "Information on the Offeror Group" on page 156 below).

As disclosed in the section headed “*Shareholding Structure of the Company and Effect of the Proposal*” on page 153 below, as at the Latest Practicable Date, the Founder Scheme Shares represent approximately 63.61% of the total Shares. Pursuant to the terms of the Proposal, in consideration of cancelling the Founder Scheme Shares (representing approximately 63.61% of the total Shares), Founder Holdco will only receive approximately 50.65% EquityCo shares as part of the Founder Cancellation Consideration. The economic value of the remaining approximately 13% EquityCo shares (equivalent to approximately HK\$465 million in economic value as at the Effective Date) is deemed to have been passed to CVC Holdco as at the Effective Date as part of the Joint Offeror Cooperation Arrangement and as part of the consideration for the disposal of CVC Holdco’s 49.35% indirect interests in the Other Operations to Founder Holdco.

Pursuant to the terms of the Shareholders’ Agreement, all or part of such 13% EquityCo shares issued to CVC Holdco at the direction of Founder Holdco are subject to potential adjustment and may be transferred to Founder Holdco for nil consideration upon CVC Holdco’s future exits from EquityCo through a qualified initial public offering or a trade sale years after the Effective Date as part of the incentivisation arrangement offered by CVC Holdco to the Founder Group who will continue to retain management control over, contribute its expertise and skills and drive the future value creation of the Offeror Group (consisting of the Brand Operations only after completion of the Restructuring) under the Joint Offeror Cooperation Arrangement. Under the Shareholders’ Agreement, CVC Holdco will only transfer all or some of such 13% EquityCo shares it holds to Founder Holdco based on a gradual scale (with the percentage of share adjustment corresponding to the net return achieved by CVC Holdco through its future exits) as set out in the Shareholders’ Agreement in the event that the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is from 3.2 times to 3.5 times. In the event that the net money-on-money return achieved by CVC Holdco through its future exits from EquityCo is below 3.2 times, no EquityCo shares will be transferred to Founder Holdco under the share adjustment arrangement.

There is no certainty as to whether, when or how CVC Holdco will exit from EquityCo, future return that can be actually achieved by CVC Holdco through its future exits, the value of the 13% EquityCo shares at the time of CVC Holdco’s future exits, nor any guarantee that such share adjustment will actually take place. Please refer to paragraphs (j) and (k) under the section headed “*Shareholders’ Agreement*” on page 136 above for further details;

- (b) by agreeing that CVC Holdco’s class B preference shares in EquityCo will have a right to HK\$800 million of preferred dividend (and the conversion rights and liquidation preference which will factor in CVC Holdco’s entitlement to any unpaid HK\$800 million preferred dividend), Founder Holdco is deemed to have given up and passed to CVC Holdco approximately HK\$405 million economic value (being the right to the pro rata dividend in EquityCo that Founder Holdco has given up to CVC Holdco).

Pursuant to the terms of the Shareholders’ Agreement and as further elaborated in the paragraphs immediately below, Founder Holdco is deemed to have given up and passed to CVC Holdco HK\$405 million in economic value by giving CVC Holdco (i) a right to receive HK\$800 million of preferred dividend in cash as soon as practicable after the Effective Date and in any event prior to CVC Holdco’s exit from EquityCo. Notwithstanding CVC Holdco’s entitlement and EquityCo’s contractual obligation to declare and pay CVC Holdco such HK\$800 million preferred dividend in cash prior to CVC Holdco’s exit from EquityCo under the Shareholders’ Agreement, the timing of the payment of the HK\$800 million preferred dividend to CVC Holdco through cash distribution is

uncertain. However, CVC Holdco's right to such HK\$800 million preferred dividend is not subject to any expiry date before CVC Holdco's exit from EquityCo, and ranks prior to dividend rights of any other EquityCo shareholder; (ii) a conversion right which allows CVC Holdco to convert its class B preference shares in EquityCo into ordinary shares of EquityCo (which factors in the value equivalent to any unpaid HK\$800 million preferred dividend) at the time of an initial public offering of EquityCo (which may or may not happen, as further elaborated in the paragraphs immediately below); and (iii) a right to receive a lump sum payment (which includes value equivalent to any unpaid HK\$800 million preferred dividend) in case of a liquidation event (which may or may not happen and is subject to prior written consent or affirmative vote of CVC Holdco as holder of EquityCo class B preference shares as a reserved matter, and include any liquidation, winding-up or dissolution of EquityCo, share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or any of its subsidiaries).

Under the Shareholders' Agreement, CVC Holdco's right to such HK\$800 million of preferred dividend (i) is a binding contractual obligation on EquityCo, Founder Holdco, Chairman, and CCO (each in his personal capacity as a member of the Founder Group), (ii) is not subject to any other approval or veto rights by any other EquityCo shareholders, Chairman or CCO, (iii) is not subject to any time limitation or expiry date before CVC Holdco exits from EquityCo, and (iv) ranks prior and in preference to dividend rights of any other EquityCo shareholder. EquityCo and each EquityCo shareholder are contractually obligated to do all things to procure and enable the cash distribution of the HK\$800 million preferred dividend to CVC Holdco. Such HK\$800 million preferred dividend shall be declared and paid to CVC Holdco as soon as practicable and in any event prior to CVC Holdco's exit from EquityCo so long as the Offeror Group's balance sheet, debt financing terms and applicable laws permit such distribution (which can be achieved through methods such as effecting a dividend re-capitalisation, whereby EquityCo could borrow money to fund such preferred dividend payment together with existing cash resources of the Offeror Group). The HK\$800 million amount of the preferred dividend was reached as part of the commercial agreement between the Joint Offerors, factoring in what parties agreed was an appropriate value which forms one element of the overall consideration for transferring CVC Holdco's 49.35% indirect interest in the Other Operations to Founder Holdco.

Notwithstanding CVC Holdco's entitlement to the HK\$800 million preferred dividend and EquityCo's contractual obligation to declare and pay CVC Holdco such HK\$800 million preferred dividend in cash prior to CVC Holdco's exit from EquityCo under the Shareholders' Agreement, the timing for the full payment of the HK\$800 million preferred dividend to CVC Holdco through cash distribution is uncertain. However, to the extent any HK\$800 million preferred dividend is not fully paid to CVC Holdco through cash distribution, CVC Holdco can still enjoy the economic benefits of such HK\$800 million preferred dividend on the basis that, pursuant to the terms of the Shareholders' Agreement:

- (i) CVC Holdco's right to the HK\$800 million preferred dividend is not subject to any time limitation or expiry date and CVC Holdco can demand EquityCo to declare and pay such HK\$800 million preferred dividend to CVC Holdco pursuant to the terms of the Shareholders' Agreement any time before CVC Holdco exits from EquityCo;
- (ii) immediately prior to the consummation of any initial public offering of EquityCo, all EquityCo class B preference shares held by CVC Holdco shall be converted into ordinary shares of EquityCo based on a conversion formula which factors in the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements to be received by CVC Holdco (including the HK\$800 million preferred dividend) (as a consequence, Founder Holdco would be entitled to less, and CVC Holdco would be entitled to additional ordinary shares of EquityCo at the time of the initial public offering (equivalent to HK\$800 million in value (or part thereof)) if the HK\$800 million preferred dividend had not been fully paid at the time). There is no assurance on whether CVC Holdco will exit from EquityCo through initial public offering or when any initial public offering can take place. However, in the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide (in any event no later than 12 years from the Effective Date), in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale;
- (iii) in the event there is a liquidation event (which may or may not happen and is subject to prior written consent or affirmative vote of CVC Holdco as holder of EquityCo class B preference shares as a reserved matter and include any liquidation, winding-up or dissolution of the EquityCo, as well as share sale resulting in Founder Holdco losing control, or sale of all or substantially all of the assets of EquityCo or any of its subsidiaries), CVC Holdco shall, from available proceeds, ahead of other EquityCo shareholders holding other classes of shares, be entitled to be paid by EquityCo an amount no less than the sum of CVC Holdco's initial investment amount and all accrued and unpaid dividend entitlements (including the HK\$800 million preferred dividend). Whether CVC Holdco can be paid with the full amount of the HK\$800 million preferred dividend in case of a liquidation event depends on the value of total assets and/or available proceeds of EquityCo upon a liquidation event. Shareholders and potential investors should be aware that if the Offeror Group becomes insolvent and is liquidated, wound up or dissolved without sufficient residual assets to settle any unpaid preferred dividend contractually entitled to be received by CVC Holdco, there is a possibility that CVC Holdco may enjoy economic benefits of less than HK\$800 million;
- (iv) parties agree that before CVC Holdco undertakes any trade sale (being the sale of EquityCo shares held by CVC Holdco to a third party buyer at an acceptable valuation to CVC Holdco) to effect its exit, the HK\$800 million preferred dividend must be first paid to CVC Holdco in full . If CVC Holdco has not been paid the HK\$800 million preferred dividend in cash, CVC Holdco could elect to either (a) remain in EquityCo until it is first paid the HK\$800 million cash preferred dividend (using existing cash resources of the Offeror Group or by way of dividend recapitalisation) and then exit by way of a trade sale; or (b) exit and enjoy its economic benefits of HK\$800 million through its conversion rights upon an initial public offering as detailed in paragraph (ii) above or the liquidation preference payment in the case of liquidation event as detailed in paragraph (iii) above; and

- (v) EquityCo shareholders agree to endeavor to procure that EquityCo shall consummate a qualified initial public offering or a trade sale within three to five years after the Effective Date and that CVC Holdco has a right to exit ahead of and in priority to any other EquityCo shareholders through such qualified initial public offering or the trade sale. In the event that CVC Holdco has not exited from EquityCo five years from the Effective Date, CVC Holdco has the right to decide, in its absolute discretion, whether and when EquityCo shall pursue a qualified initial public offering or a trade sale. Founder Holdco and EquityCo shall cooperate with CVC Holdco to consummate the qualified initial public offering or trade sale. As a company ultimately backed and controlled by a private equity fund, CVC Holdco has agreed to dispose all of its EquityCo shares and exit from EquityCo either through a qualified initial public offering or a trade sale within a reasonable period of time and in any event no later than 12 years from the Effective Date. Pursuant to the terms of the Shareholders' Agreement, EquityCo is contractually obligated to declare and pay to CVC Holdco the HK\$800 million preferred dividend in cash prior to CVC Holdco's exit. As set out in paragraph (iv) above, the parties agree that before CVC Holdco exits through a trade sale, the HK\$800 million preferred dividend must be first paid to CVC Holdco in full. As set out in paragraph (ii) above, in the event of an initial public offering, CVC Holdco will be entitled to the economic benefit of the HK\$800 million preferred dividend through its conversion right.

Please refer to paragraphs (c) and (I) under the section headed "Shareholders' Agreement" on pages 136 to 138 above for further details

- (c) Founder Holdco settling the HK\$10 million nominal equity purchase price for the transfer of the Other Operations from the Offeror Group to Founder Holdco by setting off against the consideration of EquityCo's repurchase of Founder Holdco's EquityCo shares representing HK\$10 million EquityCo's share capital. Please refer to the section headed "*Key terms of the Framework Agreement*" above for further details of those transaction steps; and
- (d) Founder Holdco agreeing, as part of the terms of the broader Joint Offeror Cooperation Arrangement, to pass to CVC Holdco certain rights, including liquidation preference, exit preference and minority protection reserved matters in EquityCo, and subjecting Founder Holdco's EquityCo shares to transfer restrictions. Please refer to the section headed "*Shareholders' Agreement*" above for further details.

Each item of consideration described in paragraphs (a) to (d) immediately above represents in aggregate all quantifiable consideration (totaling up to approximately HK\$880 million, being the sum of (i) approximately HK\$465 million economic value as further described in paragraph (a) immediately above; (ii) up to approximately HK\$405 million as further described in paragraph (b) immediately above; and (iii) approximately HK\$10 million as further described in paragraph (c) immediately above) and non-quantifiable consideration (as described in paragraph (d) immediately above and set out in further details in this section headed "*Joint Offeror Cooperation Arrangement*") for CVC Holdco to transfer its 49.35% indirect interest in the Other Operations to Founder Holdco.

The Joint Offerors have agreed to undertake the Restructuring as a part of the broader Joint Offeror Cooperation Arrangement package, rather than as a standalone transaction.

Valuation of the Other Operations

Based on the valuation report of the Other Operations prepared by the Valuer set out in Appendix II headed “*Valuation of the Other Operations*” to this Scheme Document, the valuation of 49.35% equity interest in the Other Operations amounted to approximately HK\$730.9 million as at 31 December 2020.

As set out in the valuation report, the valuation of the Other Operations was made by the Valuer using the market approach based on the assumptions that: (a) there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Other Operations; (b) the Other Operations on a standalone basis would have the similar level of such cost structure as the allocation by the Company of the shared corporate head office (including regional head offices) costs and warehouse costs between the Other Operations and the Brand Operations in preparation of the financial information of the Other Operations for the twelve months ended 31 December 2020; (c) the operational and contractual terms stipulated in the relevant contracts and agreements will be honored; (d) the facilities and systems proposed are sufficient for future expansion in order to realise the growth potential of the business and maintain a competitive edge; (e) the Valuer has assumed the accuracy of the financial and operational information of Other Operations provided by the Company and has relied to a considerable extent on such information in arriving at its opinion of value; and (f) there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value. For further details, please refer to the section headed “*Major Assumptions*” in the Valuation of the Other Operations in Appendix II to this Scheme Document.

The valuation of 49.35% equity interest in the Other Operations has taken into account the cash and cash equivalents of HK\$1.3 billion and nil interests bearing debt of the Other Operations immediately upon completion of the Restructuring after allocating all cash and Refinancing Proceeds of the Group pursuant to the Framework Agreement. For further details, please refer to the section headed “*Key terms of the Framework Agreement*” on pages 138-144 above and the section headed “*Calculation of Valuation Result*” in the Valuation of the Other Operations in Appendix II to this Scheme Document.

Financial Information of the Other Operations

The unaudited EBITDA with adjustment of impairment charge of the Other Operations for the twelve months ended 31 December 2020 was HK\$454,546,000.

The unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been prepared by the Directors based on the unaudited financial information of the Group for the twelve months ended 31 December 2020 and on a basis consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020 (being the latest published financial statements of the Group).

As the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 is for a completed period which has already ended, no assumption is involved in its computation. However, the Group has not historically recharged corporate head office costs comprised in the operating expenses including but not limited to management information, accounting and financial reporting, treasury, taxation, cash management, employee benefit administration, payroll and professional services to any of its underlying operations. As a result, an allocation has been made of the amounts of shared corporate head office costs between the Other Operations and the Brand Operations, based on various methods including the usage of the services, headcounts and size of the relevant operations. These costs were affected by the arrangements that existed in the Group and are not necessarily representative of the position that may prevail in the future.

Pursuant to Rule 10 of the Takeovers Code, the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 constitutes a profit forecast and must be reported on by the Company's financial adviser and its auditors or consultant accountants in accordance with the Takeovers Code. The unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been reported on by PricewaterhouseCoopers, the auditor of the Company, and the Joint Independent Financial Advisers. PricewaterhouseCoopers has reported that, so far as the accounting policies and calculations are concerned, the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020. The Joint Independent Financial Advisers are of the opinion that the unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been compiled with due care and consideration.

Your attention is drawn to the letters issued by the Joint Independent Financial Advisers and PricewaterhouseCoopers as set out in Appendix III headed "*Letters from the Joint Independent Financial Advisers and the Auditor on Unaudited Financial Information*" to this Scheme Document.

Information relating to the Brand Operations

Upon completion of the Restructuring, the Brand Operations will mainly include the Group's operations of design, sourcing, and sale of streetwear products bearing self-owned A Bathing Ape, AAPE by A Bathing Ape brands and associated sub-brands thereof, including, without limitation, Baby Milo, Milo Stores, BAPY, BAPE Black, and Mr. Bathing Ape. Unless otherwise agreed between the Joint Offerors, based on the scope of the Brand Operations as at the Latest Practicable Date, it is anticipated that upon completion of the Restructuring, (a) the Brand Operations will have leased stores, employees, assets, intellectual properties, and contractual relationships that are dedicated to the Brand Operations (the details of which are set out in the agreed lists of entities, assets, contracts, leases, employees, data and intellectual properties of the Brand Operations as annexed to the Framework Agreement), and sufficient cash to support its operations (being HK\$126 million as at the end of March 2021 and additional cash generated or received by the Brand Operations afterwards); and (b) the external bank debt of the Group borrowed by the entities dedicated for the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) will be fully repaid using (i) the Refinancing Proceeds (being up to HK\$1.8 billion), (ii) the Group's existing cash reserves, and (iii) any shareholders loan made under the Framework Agreement (including an interest-free shareholder loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to an amount equivalent to the sum of HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations).

In connection with the Restructuring, BNP Paribas and Standard Chartered Bank (Hong Kong) Limited have issued a debt commitment letter to the Offeror on 6 December 2020 relating to a five-year term loan facility for up to approximately HK\$1,800,000,000 and a revolving credit facility for up to approximately HK\$200,000,000. It is proposed that the Refinancing Proceeds (being up to approximately HK\$1,800,000,000 under the five-year term loan facility) and the proceeds under the revolving credit facility (being up to approximately HK\$200,000,000) will be used (a) to purchase the assets, shares and intellectual properties of the Brand Operations as described in the section headed “*Key Terms of the Framework Agreement*” above; (b) simultaneously with (a), to ultimately repay the Group’s external bank debt borrowed by the entities dedicated to the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021), together with Group’s existing cash reserves and shareholders’ loan under the Framework Agreement; (c) to finance the costs incurred by the Group relating to the Restructuring; and (d) for general corporate and operational purposes. It is also proposed that, under the Refinancing Documents: (a) conditions precedent to draw-down will include, amongst others, the Scheme becoming effective, and completion of most of the Restructuring steps (subject to ongoing transitional arrangements); (b) the borrower for the term loan facility will be a Group entity dedicated to the Brand Operations after the Effective Date and the borrowers for the revolving facility may include the Offeror and other Group entities dedicated to the Brand Operations after the Effective Date; and (c) after the Effective Date and draw-down, the facilities under the Refinancing Documents will be guaranteed by certain Group entities dedicated to the Brand Operations and secured against shares and assets of the Group entities dedicated to the Brand Operations. As part of the security package, upon draw-down under the Refinancing Documents after the Effective Date, the Offeror will become one of the guarantors under the Refinancing Documents and the shares of the Offeror owned by EquityCo will be subject to an equitable share mortgage in favour of BNP Paribas and Standard Chartered Bank (Hong Kong) Limited and other potential syndication refinancing lenders. For further details, please refer to the section headed “*Reasons for and Benefits of the Proposal*” in the Explanatory Statement in Part VI of this Scheme Document.

Information relating to the Other Operations

Upon completion of the Restructuring, the Other Operations will mainly consist of the retail operations for the sale and distribution of garments bearing third-party owned brands (such as Off-White, Acne Studios, Comme des Garçons, and Fred Perry) and over 10 self-owned brands (such as: CHOCOOLATE). Unless otherwise agreed between the Joint Offerors, based on the scope of the Other Operations as at the Latest Practicable Date, it is anticipated that, upon completion of the Restructuring:

- (a) the Other Operations will have:
 - (i) around 600 leased stores in Hong Kong, the PRC, Macau and Taiwan, selling multi-branded fashion wear and accessories;
 - (ii) more than 6,000 employees (working as senior management, store managers, store sales personnel, designers, merchandisers, human resources, finance and administrative personnel);
 - (iii) over 10 self-owned brands (including :CHOCOOLATE, Izzue, fingercroxx, b+ab, 5cm, under garden, tout à coup, aftermaths, ccaabb, greenishpink, overprotection, blockait, MINI CREAM, and MUSIUM DIV);
 - (iv) real properties (including office units and car parks in Hong Kong and a warehouse under construction in the PRC);
 - (v) inventory, fixed assets and contractual relationships that are needed for the operation of the Other Operations (with third-party brand licensors, manufacturers, landlords, or franchisees);
 - (vi) the remaining cash of the Group other than those allocated to the Brand Operations (capped at HK\$1.3 billion for the Other Operations immediately upon completion of the Restructuring); and

- (b) the external bank debt of the Group borrowed by the entities dedicated for the Other Operations (being approximately HK\$2 billion as at 31 October 2020 and approximately HK\$1.8 billion as at 31 January 2021) will be fully repaid using the Refinancing Proceeds (being up to HK\$1.8 billion), the Group's existing cash reserves, any shareholders' loan made under the Framework Agreement (including an interest-free shareholders' loan which may be provided by CVC Holdco to the Offeror Group pursuant to the Framework Agreement for up to an amount equivalent to the sum of HK\$126 million plus applicable costs relating to the Refinancing Documents and be allocated to the Other Operations).

Reasons for the Restructuring

As further explained in the sections headed "*Reasons for and Benefits of the Proposal*" and "*The Offeror's Intention Regarding the Group*" in the Explanatory Statement in Part VII of this Scheme Document, the Joint Offerors and the Offeror plan to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. Together with a shared ambition to uncover potential for the Brand Operations, a partnership between the Founder Group and CVC Holdco will provide the optimal structure and platform for both sides to unleash their respective strengths in realising the common objective to create long-term value for the Brand Operations while allowing Founder Holdco to take necessary steps to revive the Other Operations.

Other arrangements

As at the Latest Practicable Date:

- (a) save for the Proposal, the Scheme, the Joint Offeror Cooperation Arrangement (being: (A) the cancellation of the Founder Scheme Shares in consideration for the Founder Cancellation Consideration; (B) the entry by the relevant members of the Founder Group, CVC Holdco and/or EquityCo into the Consortium Agreement and Shareholders' Agreement; and (C) the transactions in connection with the Restructuring (being the restructuring of the Group and the Offeror Group (as applicable) pursuant to: (a) the Framework Agreement (which terminated and superseded the Restructuring Term Sheet); (b) the implementing agreements relating to asset or share transfers, transitional or long-term services and alternative arrangements in relation to the Restructuring; and (c) the Refinancing Documents), the Founder Irrevocable Undertakings 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 EquityCo or 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 Irrevocable Undertakings and the Joint Offeror Cooperation Arrangement as disclosed in the section headed "*Arrangements Material to the Proposal*" above, there was no special deal between: (i) any Shareholder; and (ii) either (A) the Offeror or any party acting in concert with it (including the Founder Group and the CVC Network); or (B) the Company or the Company's subsidiaries or associated companies.

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

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 1,195,797,307 Shares;
- (b) as detailed below, the Founder Group legally or beneficially owned, controlled or had direction over a total of 760,599,564 Shares, representing approximately 63.61% of the total Shares;
- (c) CVC Holdco did not legally or beneficially own, control or have direction over any Shares;
- (d) the Offeror did not legally or beneficially own, control or have direction over any Shares;
- (e) Morgan Stanley, being a concert party of the Offeror, did not legally or beneficially own, control or have direction over any Shares (except those Shares which may be held in its capacity as an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code);
- (f) save as disclosed in paragraph (b) above and in the table below, neither the Offeror nor any party acting in concert with it legally or beneficially owned, controlled or had direction over any Shares;
- (g) neither the Offeror nor any party acting in concert with it had entered into any outstanding derivative in respect of the securities in the Company;
- (h) neither the Offeror nor any party acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (i) the Disinterested Shareholders legally or beneficially owned, controlled or had direction over a total of 435,197,743 Shares, representing approximately 36.39% of the total Shares.

The Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration pursuant to the Joint Offeror Cooperation Arrangement. All Non-Founder Scheme Shares (being a total of 435,197,743 Shares representing approximately 36.39% of the total Shares) will be cancelled in consideration for the Cancellation Price in cash upon the Scheme becoming effective.

The table 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.

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) Joint Offerors				
(A1) Founder Group				
ABS 2000 Trust (1)	698,564,441	58.42%	–	–
Mr. Sham Kar Wai (2)	6,834,000	0.57%	–	–
Mr. Sham Kin Wai (3)	6,834,000	0.57%	–	–
Ms. Sham Sau Han (4)(6)	39,743,941	3.32%	–	–
Ms. Sham Sau Wai (4)	7,692,985	0.64%	–	–
Mr. Fung Yuk Hung (4)	930,197	0.08%	–	–
(A2) CVC Holdco	–	–	–	–
(A3) Offeror	–	–	1,195,797,307	100%
(A) Sub-total = (A1)+(A2)+(A3)	760,599,564	63.61%	1,195,797,307	100%
(B) Concert parties of the Offeror (5)	–	–	–	–
(C) Disinterested Shareholders	435,197,743	36.39%	–	–
TOTAL (A)+(B)+(C)	<u>1,195,797,307</u>	<u>100%</u>	<u>1,195,797,307</u>	<u>100%</u>

Note (1): Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members are beneficiaries of the ABS 2000 Trust, which is an irrevocable discretionary trust of which HSBCITL is the trustee. Amongst the ABS 2000 Trust Holding Companies, Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by HSBCITL as a trustee of the ABS 2000 Trust (on trust for the benefit of its beneficiaries). Each of Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members is therefore deemed to be interested in the interests of the ABS 2000 Trust Holding Companies in the Company.

Note (2): Mr. Sham Kar Wai is an executive Director, Chairman of the Board and the chief executive officer of the Company.

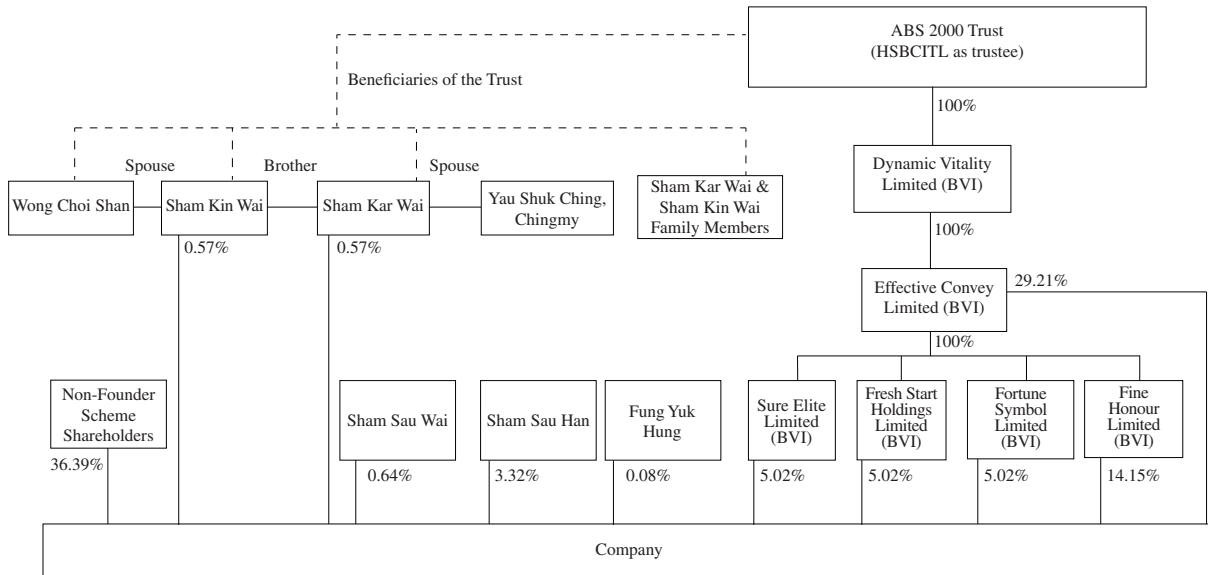
Note (3): Mr. Sham Kin Wai is an executive Director and the chief creative officer of the Company.

Note (4): Ms. Sham Sau Han and Ms. Sham Sau Wai are sisters to Mr. Sham Kar Wai and Mr. Sham Kin Wai. Mr. Fung Yuk Hung is brother-in-law to Mr. Sham Kar Wai and Mr. Sham Kin Wai.

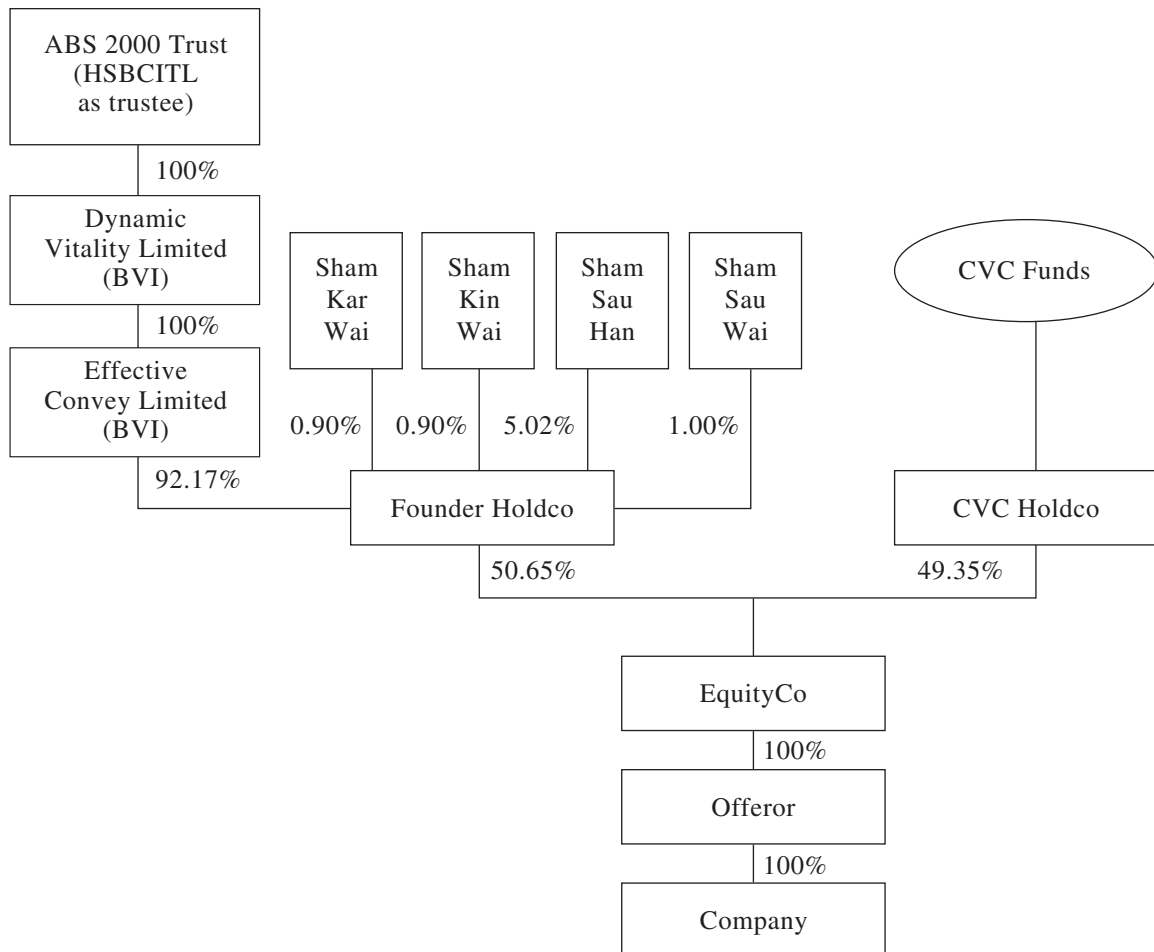
Note (5): Morgan Stanley is the financial adviser to the Offeror in relation to the Proposal. Accordingly, Morgan Stanley and relevant members of the Morgan Stanley group which hold Shares on their own account or on a discretionary managed basis are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by exempt principal traders or exempt fund managers).

Note (6): The shareholding percentage in the table is subject to rounding adjustment.

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



The chart below sets out the illustrative shareholding structure of the Company immediately upon the Scheme becoming effective:



9. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in Bermuda with limited liability, the shares of which have been listed on the Stock Exchange since March 2005 with the stock code 999. The Group is principally engaged in the design, sourcing and sales of fashion wear and accessories.

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

10. INFORMATION ON THE OFFEROR GROUP

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

As at the Latest Practicable Date:

- (a) EquityCo had three classes of shares: ordinary shares, class A preference shares and class B preference shares, with the following breakdown.

	Number of Ordinary Shares	Number of Class A Preference Shares	Number of Class B Preference Shares	Amount of the total share capital (HK\$)	% of the total share capital
Founder Holdco	5,015,008	1,811,864,043	0	1,816,879,051	50.65%
CVC Holdco	5,012,945	0	1,765,499,925	1,770,512,870	49.35%
Total	<u>10,027,953</u>	<u>1,811,864,043</u>	<u>1,765,499,925</u>	<u>3,587,391,921</u>	<u>100%</u>

Further details of the terms and conditions of EquityCo’s ordinary shares, class A preference shares and class B preference shares upon the Effective Date are further described in the section headed “*Shareholders’ Agreement*” above.

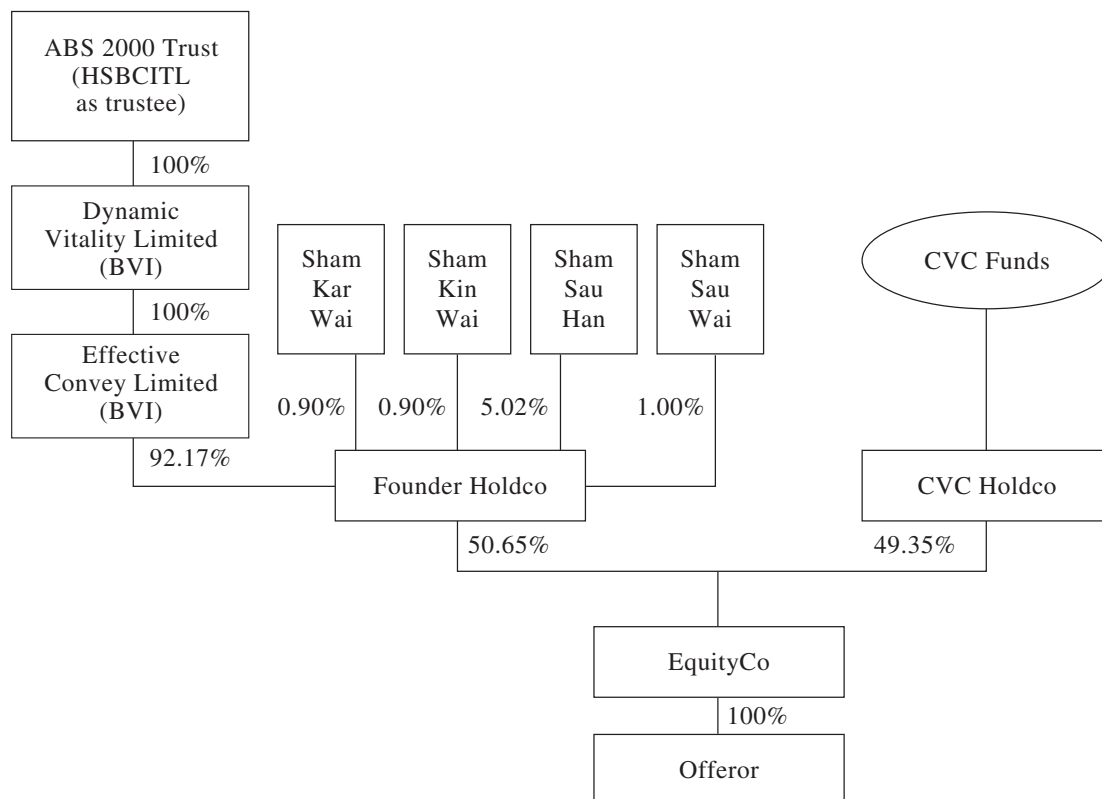
For EquityCo’s share capital structure immediately upon completion of the Restructuring, please refer to the section headed “*Restructuring*” above.

- (b) The board of each of EquityCo and the Offeror comprised Mr. Sham Kar Wai and Mr. Yann Jiang.

Further details of Mr. Sham Kar Wai are further described in the section headed “*Information on the Founder Group*” below.

Mr. Yann Jiang is a director and member of the CVC greater China and regional team, based in Hong Kong. Prior to joining CVC, Mr. Jiang worked at Caisse de Dépôt et Placement du Québec in its direct private equity team in Singapore, COTY Inc. in its investment team based in Geneva, and previously at Morgan Stanley in Paris as an investment banking professional. Mr. Jiang holds a master’s degree in management from HEC Paris (Grande Ecole).

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



11. INFORMATION ON THE FOUNDER GROUP

The Founder Group comprises Mr. Sham Kar Wai, Mr. Sham Kin Wai, Ms. Sham Sau Han, Ms. Sham Sau Wai, Mr. Fung Yuk Hung, Founder Holdco and the ABS 2000 Trust Holding Companies.

- (a) Both Mr. Sham Kar Wai and Mr. Sham Kin Wai founded the Group in 1988 and have more than 30 years of experience in the fashion retail industry.

Mr. Sham Kar Wai is an executive Director, Chairman of the Board and the chief executive officer of the Company. He is responsible for the overall management and strategic development of the Group. He has established an extensive network of contacts with international design houses.

Mr. Sham Kin Wai is an executive Director and the chief creative officer of the Company. CCO's principal focus has been on merchandising and product design for the Company and is responsible for the creative and aesthetic aspects of the Group's businesses.

- (b) Founder Holdco is a company incorporated in the British Virgin Islands with limited liability and set up for the implementation of the Proposal. As at the Latest Practicable Date, Founder Holdco was owned as to 92.17% by Effective Convey Limited, a wholly-owned subsidiary of Dynamic Vitality Limited, which was in turn wholly-owned by HSBCITL (as trustee for ABS 2000 Trust on trust for the benefit of Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members), 0.90% by Mr. Sham Kar Wai, 0.90% by Mr. Sham Kin Wai, 5.02% by Ms. Sham Sau Han and 1.00% by Ms. Sham Sau Wai. As at the Latest Practicable Date, the directors of Founder Holdco were Mr. Sham Kar Wai and Ms. Sham Sau Han.

- (c) The ABS 2000 Trust Holding Companies are directly or indirectly wholly owned by HSBCITL (on trust for the benefits of Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members).
- (d) Ms. Sham Sau Han and Ms. Sham Sau Wai are sisters to Mr. Sham Kar Wai and Mr. Sham Kin Wai. Mr. Fung Yuk Hung is brother-in-law to Mr. Sham Kar Wai and Mr. Sham Kin Wai.

12. INFORMATION ON THE CVC NETWORK

The CVC Network comprises CVC Holdco, CVC and CVC Funds.

- (a) CVC Holdco is an exempted company incorporated in Hong Kong with limited liability and set up for the implementation of the Proposal. CVC Holdco is ultimately wholly-owned by CVC Funds. CVC Holdco is an independent third party and is not connected with and is not a person acting in concert with the Company or its subsidiaries or any connected persons of the Company (other than members of the Founder Group).
- (b) CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and approximately 550 employees throughout Europe, Asia and the US. To date, CVC has secured commitments of more than US\$160 billion from some of the world's leading institutional investors across its private equity strategies. In total, CVC currently manages over US\$117 billion of assets. Today, funds managed or advised by CVC are invested in over 90 companies worldwide, employing approximately 450,000 people in numerous countries. Together, these companies have combined annual sales of over US\$100 billion. For more information, please visit www.cvc.com.
- (c) CVC Funds are widely held among a large number of investors, including pension funds, sovereign wealth funds, financial institutions and various other partners.
- (d) CVC Capital Partners Asia V Limited is the general partner of CVC Funds. CVC Capital Partners Asia V Limited is ultimately controlled by CVC Capital Partners SICAV-FIS S.A.

13. REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Company: a proposal to facilitate a necessary transformation of the business amid challenging market conditions alongside a highly accomplished partner. In light of change of customer preference to online shopping in the retail industry, the Company will need to undertake restructuring efforts to reposition its businesses and improve its competitive advantage.

Structural Shifts in the Retail Industry: The past few years have been unprecedentedly challenging for the Company and the fashion retail industry as a whole. The development of e-commerce platforms, the adoption of offline to online sales channels, and new online direct-to-consumer brands have caused customers to gradually shift their preferences from shopping in physical outlets to shopping online. As a result, customers are more regularly bypassing physical retailers and purchasing directly online.

These developments have impacted the competitive position and financial performance of the Company, which predominantly derives its sales from physical retail store channels. In the six months ended 31 August 2020, physical retail sales still contributed 75% of the Company's total sales. While the Company has adopted online strategies and intends to continue to develop these online strategies in the next several years, the implementation of these strategies to date, including the development of e-commerce channels on its websites and other third-party platforms (such as Alibaba's Tmall and participating in Double 11 Festival campaigns), has been unable to offset a decline in sales from its physical retail outlets of the Company (the Brand Operations and the Other Operations both operate physical retail outlets). In the six months ended 31 August 2020, despite a 97.9% growth in online sales from the corresponding period in 2019, online sales growth was unable to offset the decline in sales from retail stores, and the total turnover for the Company decreased by 31.9% from the corresponding period in 2019. This followed the Company's annual net loss for the financial year ended 29 February 2020 of HK\$745.8 million.

Deteriorating Operating Environment: Aside from structural changes to the industry, consumer spending has sharply declined in several key markets. The outbreak of COVID-19 has significantly impacted the Company's business performance and trading conditions across multiple regions. Company operates in three key markets, namely Hong Kong and Macau (26.7% of total sales for the six months ended 31 August 2020), mainland China (58.5% of total sales for the six months ended 31 August 2020), Japan and USA (13.0% of total sales for the six months ended 31 August 2020). A large part of the Company's sales in Hong Kong and Japan are derived from inbound tourism, which has seen a sharp decline due to the pandemic and stringent travel restrictions. In particular, inbound tourism to Hong Kong plunged during 2020, with arrivals during the year declining by 93.6% to an extremely low level. Hong Kong's GDP for 2020 contracted by 6.1% compared to 2019. In Japan, inbound visitor arrivals declined by 87.1% during 2020 from a year earlier, which also affected the Company's sales performance in Japan. Against the backdrop of global travel recovery being highly uncertain, which was evidenced by capacity reductions in some of the major airlines, the Company foresees a long and challenging journey ahead until a full restoration of consumer confidence and normal inbound tourism arrivals across most regions where the Company operates.

As disclosed in the Trading Update Announcement, in the three months ended 30 November 2020, the Company recorded a same-store-sales decline of 23.5% in the Hong Kong and Macau segment and a decline of 36.8% in the Japan and USA segment compared to the corresponding period in 2019.

The mainland China retail apparel market is mainly driven by domestic consumption and the Company recorded a modest recovery in the three months ended 30 November 2020, where its same-store-sales increased by 5.1% compared to the corresponding period in 2019 as disclosed in the Trading Update Announcement. However, growth in mainland China was unable to offset the Company's sluggish recovery in the other key markets where the Company operates.

Ongoing Ability to Finance: Although the Company has implemented several short-term measures to temporarily counter the impact of economic headwinds, the Company also recognises that the shift of consumer preferences and a substantial reduction of global tourism will have a lasting impact. Consequently, the Company's business performance and overall market sentiment towards the traditional brick-and-mortar retail business model have affected the Company's ability to procure steady and long-term financing. In view of bankruptcy or bankruptcy protection filings of retail brands such as J.C. Penney Co., Brooks Brothers Group Inc. and Topshop-owner Arcadia Group in 2020, commercial banks have generally taken a more prudent approach towards refinancing retail businesses. As at 31 August 2020, the Group had approximately HK\$2.0 billion of borrowings and approximately HK\$1.6 billion of cash and equivalents. Approximately HK\$1.7 billion of these borrowings will become due by the end of 2022, of which a total of approximately HK\$455 million will become due by the end of April 2021. While the Group has had initial discussions with various commercial banks for refinancing of such borrowings which will become due by the end of April 2021, all refinancing plans did not proceed due to the prudent attitude of the banks towards retail businesses, especially those which had incurred sustained

losses. As such, the Group intends to finance the repayment of such borrowings by its cash and cash equivalents and revolving facilities available to the Group. However, reliance on such revolving facilities entails significant financing risks for the Group as lenders can cancel the revolving facilities and demand repayment at any time at their discretion. Various anti-epidemic government assistance programmes in Hong Kong, including the Employee Support Scheme for subsidising the payment of wages to employees (which ended in November 2020) and the Retail Sector Subsidy Scheme (which provided the Group with a one-off subsidy for its retail stores), served as a temporary buffer to cushion the adverse impacts from macro challenges. However, in the near term as these loans mature, it is uncertain whether the Company would be able to roll over or secure new long-term financing with similar terms and conditions. The limited trading liquidity and depressed share price have also impacted the Company's ability to seek equity financing in the public market without causing a significant dilution to the incumbent shareholders of the Company.

The Company believes that the Restructuring would allow the Brand Operations, with better cash generative capabilities, to surface as a more feasible borrower to secure long-term financing; while preserving sufficient cash for the Other Operations to weather through the retail headwinds, before a potentially successful turn-around in the future. The Brand Operations was more feasible to secure long-term bank financing than the Group, primarily because that after Restructuring, the loans extended by the banks to the Brand Operations will be ring-fenced from Other Operations, which have significant Hong Kong retail exposure, and are currently running at an operating loss and negative cash flow. In the section headed "*Information relating to the Brand Operations*" in the letter from the Board in Part IV of this Scheme Document, on 6 December 2020, the Offeror secured a debt commitment from BNP Paribas and Standard Chartered Bank (Hong Kong) Limited relating to a five-year term loan facility for up to approximately HK\$1,800,000,000 and a revolving credit facility for up to approximately HK\$200,000,000. The facilities are available to the Group subject to the Scheme becoming effective and the completion of the Restructuring, and would allow the Group to repay all or substantially all of its existing borrowings that are coming due in the next 20 months. This would reduce short-term pressure to repay debt so that the Brand Operations and the Other Operations can focus on business transformation over the medium term. Such refinancing would not have been otherwise available to the Company if it does not implement the Scheme and complete the Restructuring. The magnitude of the Restructuring would also have been difficult to orchestrate under a publicly listed setting as the Company would be subject to various regulatory and financial reporting obligations and pressure from share price reactions.

CVC Network's credibility and track record in business turnaround as well as its long-term relationship with commercial banks were instrumental in securing the recent five-year debt commitment from commercial banks relating to a term loan facility for up to approximately HK\$1,800,000,000 and a revolving credit facility for up to approximately HK\$200,000,000 for refinancing the existing external bank debt of the Group and for the Brand Operations. The drawdown of credit facilities under the Refinancing Document will be conditional upon, amongst others, (a) the Scheme becoming effective; and (b) completion of most of the Restructuring steps (subject to ongoing transitional arrangements). The Company believes that it would be highly unlikely for the Company to refinance its sizeable debt on its own without having CVC Network as a partner for the Restructuring.

Evaluation of Viable Options: The Founder Group had been evaluating strategic options with respect to its large exposure to the Company on an ongoing basis and remains committed to the long-term prospects of the Company. The Founder Group, as the controlling shareholder of the Company, had considered a number of alternatives, including but not limited to, the spin-off and listing of the Brand Operations, or a minority stake sale of the Brand Operations. These alternatives faced various practical limitations from both regulatory and commercial standpoints such as competition between the Brand Operations and the Other Operations and the listing viability of the Other Operations after a spin-off and these alternatives do not resolve the immediate concern to secure a long-term refinancing. Consequently, the Founder Group considers privatisation with a partner followed by the Restructuring as the most viable option to return value to the Shareholders at a significant premium to the prevailing share price while resolving the Company's most imminent financing needs.

Financial and Operational Resources from CVC Network: The Founder Group considers the partnership with CVC Holdco, ultimately owned by CVC Funds being a leading global long-term strategic financial investor with efficiency optimisation capabilities and a synergetic brand portfolio, to be advantageous. CVC Network has contributed to the Company's financial resources by assisting the Company to secure long-term financing. In addition to financial resources, CVC Network will also bring in valuable operational resources with CVC Funds as a significant minority shareholder. In particular, CVC Network's strong track record in managing brand and retail companies such as Samsonite, Formula 1, Breitling and MAP Active, a seasoned global advisory board with comprehensive experience in the retail industry, and its extensive global network will all be operational resources that will be instrumental to the growth and value creation of the Brand Operations.

The Joint Offerors plan to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. Together with a shared ambition to uncover potential for the Brand Operations, a partnership between the Company and CVC Network will provide the optimal structure and platform for both sides to unleash their respective strengths in realising the common objective to create long-term value for the Brand Operations while allowing the Founder Holdco to take the necessary steps to revive the Other Operations.

The Company's transformation will involve execution, market and financial risks and the associated benefits (if any) will require a long time to materialise. The Offeror believes that such changes, if successful, may bolster the long-term competitiveness of the Company, but they can be more effectively implemented if the Company is privatised and operated away from the public market without ongoing pressures of short-term business performance or the pressure arising from the near-term refinancing needs.

For Non-Founder Scheme Shareholders: an attractive opportunity to realise their investment at a compelling premium in view of macro headwinds, execution, market and financial risks and challenging market conditions.

In light of the challenging market environment and the execution, market and financial risks in implementing a strategic transformation, the Proposal provides an attractive opportunity for the Non-Founder Scheme Shareholders to monetise their Shares at a compelling premium to historical trading prices. The Cancellation Price of HK\$3 for each Non-Founder Scheme Share represents a premium of approximately 54.6% over the closing price of HK\$1.940 per Share as quoted on the Stock Exchange on the Last Trading Date, a premium of approximately 135.5% and 173.0% over the average closing price of approximately HK\$1.274 and HK\$1.099 per Share for 30 and 90 trading days up to and including the Last Trading Date, a premium of approximately 7.5% over the closing price of HK\$2.790 per Share as quoted on the Latest Practicable Date, a premium of approximately 51.8% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.977 as at 29 February 2020 and a premium of approximately 73.1% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.733 as at 31 August 2020, respectively.

The average daily trading volume of the Shares for the twelve months up to and including the Last Trading Date was approximately 961,361 Shares per day, representing only approximately 0.08% of the issued Shares as at the Last Trading Date. This low level of trading liquidity of the Shares makes it difficult for Shareholders to sell their shareholdings in large volumes on the secondary market without adversely affecting share price.

The Proposal provides the Non-Founder Scheme Shareholders with an opportunity to immediately realise their investment in the Company for cash without taking on the risks facing the retail industry in key markets, including Hong Kong and Macau as well as Japan and the USA, as well as the uncertainty over the Group's restructuring of its retail operations and its imminent refinancing needs as described above.

14. THE OFFEROR'S INTENTION REGARDING THE GROUP

As explained in the sections headed “*Restructuring*” and “*Reasons for and Benefits of the Proposal*” above, the Joint Offerors and the Offeror plan to implement the Restructuring and contribute financial and operational resources to the Group in order to reinvigorate growth over a long period through online infrastructure expansion, selective branding, implementing location strategies and exploring new business opportunities. Together with a shared ambition to uncover potential for the Brand Operations, a partnership between the Company and the CVC Network will provide the optimal structure and platform for both sides to unleash their respective strengths in realising the common objective to create long-term values for the Brand Operations while providing Founder Holdco leeway to take the necessary steps to revive the Other Operations.

As part of the Restructuring:

- (a) the Offeror intends to separate (or procure that the alternative contractual arrangements are entered into to separate the economic benefits relating to) the employees, inventory, other tangible or fixed assets, lease agreements, other third party contracts, intellectual properties, information technology infrastructure, data, cash or receivables, debt or payables, and other assets and liabilities of the Group into two parts, being the Brand Operations and the Other Operations; and
- (b) upon completion of the separation described in paragraph (a) above, the Offeror intends to continue to operate the existing business of the Brand Operations of the Group, while transferring the existing business of the Other Operations of the Group to the Founder Holdco as part of the Restructuring. The Brand Operations and the Other Operations may also enter into (i) transitional services agreements relating to logistics, e-commerce, office premises and IT systems or other areas where transitional services are required, and (ii) long-term agreements relating to trading between the Brand Operations and the Other Operations, including, consignment or similar agreements for the sale of the Brand Operations products in the Other Operations channels (or *vice versa*), facility services agreement for conference rooms, pantries and utilities in the PRC, and/or property and facility services for office premises in Taiwan, each conditional on and taking effect after the Effective Date. Transitional services agreements will be entered into for a period of six to twelve months with an early termination right by the relevant service recipient. Transitional services and long-term facility and property services will be charged by the relevant service provider on a monthly basis at actual costs of the services with no mark-ups. The pricing for other long term services will be determined based on market price and arm's length commercial negotiations, and on terms no more favorable than the terms available to and/or from any independent third-party service provide providing similar services in the relevant local market.

The Offeror does not have any plan to make significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal, except for staff movements which are part of the normal conduct of business and separation and redeployment of the Group's employees by the Brand Operations and the Other Operations upon which the Group's employees dedicated to the Brand Operations will continue to be employed by entities dedicated to the Brand Operations and the Group's employees dedicated to the Other Operations will continue to be employed by the Group's entities dedicated to the Other Operations.

As disclosed in paragraph (j) in the section headed “*Shareholders’ Agreement*” above, shareholders of EquityCo (being the Joint Offerors) endeavour to procure that EquityCo consummates a qualified initial public offering (being a fully marketed public offering of EquityCo shares on the stock exchanges in Hong Kong, Tokyo, New York or other internationally reputable stock exchanges as the EquityCo shareholders may agree) or a trade sale within approximately three to five years after the Effective Date, through which EquityCo shareholders (being the Joint Offerors) may exit from EquityCo. CVC Holdco has the right (but not the obligation) to exit ahead of other shareholders. In relation to the potential qualified initial public offering, as at the Latest Practicable Date, the shareholders of EquityCo had not agreed on any expected offer price or post-market valuation, or the method of listing.

15. FINANCIAL ADVISER

The Offeror has appointed Morgan Stanley as its financial adviser in connection with the Proposal.

16. INDEPENDENT BOARD COMMITTEE AND JOINT INDEPENDENT FINANCIAL ADVISERS

An Independent Board Committee, which comprises the following independent non-executive Directors: Dr. Wong Tin Yau, Kelvin, JP; Mr. Francis Goutenmacher; and Mr. Tsang Hin Fun, Anthony, has been established by the Board on 4 December 2020 to make a recommendation to the Disinterested Shareholders as to whether (a) the terms of the Proposal, and in particular the Scheme and the Joint Offeror Cooperation Arrangement, are fair and reasonable to the Disinterested Shareholders; and (b) to vote in favour of the Scheme at the Scheme Meeting and the Joint Offeror Cooperation Arrangement at the SGM.

The Joint Independent Financial Advisers have been appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee on the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement. The full text of the letter from the Joint Independent Financial Advisers is set out in Part VI of this Scheme Document.

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 contemporaneously 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 at 9:00 a.m. on Friday, 30 April 2021.

The Scheme Shareholders will be notified by way of an announcement of the 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. 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.

In the event that proposed privatisation of the Company by the Offeror is not successful, the Company will continue to explore options to refinance the existing indebtedness of the Group and carry on its existing businesses of design, sourcing and sale of fashion wear and accessories.

19. OVERSEAS SHAREHOLDERS

General

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.

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 (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 five Shareholders (representing approximately 1.08% of the total number of the Shareholders) whose registered addresses as shown in the register of members of the Company were outside Hong Kong and together held 4,003 Shares (representing approximately 0.0003% of the issued share capital of the Company). Those five Shareholders included Shareholders in Australia, the Cayman Islands 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 the aforementioned 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.

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, 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.

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/her 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/her independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him/her.

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 judgment.

In accordance with the Takeovers Code, Morgan Stanley and some of its affiliates may continue to act as exempt principal traders and exempt fund managers in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that any such purchase or arrangement complies with applicable law and is made outside the US. Any information about such purchases will be reported to the SFC and, to the extent required to be publicly disclosed under the Takeovers Code, will be available on the website of the SFC at <http://www.sfc.hk>.

20. TAXATION ADVICE

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

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal. It is emphasised that none of the Offeror, persons acting in concert with the Offeror, the Company, Morgan Stanley 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.

It is emphasised that none of the Offeror, any party acting in concert with the Offeror, the Company, Morgan Stanley, the Joint Independent Financial Advisers and the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 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. REGISTRATION AND PAYMENT

Assuming that the Record Date falls on Wednesday, 28 April 2021, it is proposed that the register of members of the Company will be closed from Friday, 23 April 2021 (or such other date as the Shareholders may be notified by way of an announcement) in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Shareholders should ensure that the transfers of their Shares are lodged with the Company's Hong Kong branch share registrar for registration in their names or in the names of their nominees before 4:30 p.m. on Thursday, 22 April 2021. The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Cheques for cash entitlements under the Scheme will be despatched by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective address as appearing on 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 following the Effective Date. Accordingly, assuming that the Scheme becomes effective on Wednesday, 28 April 2021, the cheques are expected to be despatched on or before Friday, 7 May 2021. All such cheques shall be posted at the risk of the addressees and none of the Offeror, any Joint Offeror, the Company, Morgan Stanley, any Joint Independent Financial Advisers and the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 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.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

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 payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, 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 and the Company 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 or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be Wednesday, 28 April 2021.

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.

22. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders can be found in Part II of this Scheme Document headed "*Actions to be Taken*".

23. 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 Scheme Meeting and the SGM.

24. SCHEME MEETING AND SGM

The Court has directed that the Scheme 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 Scheme 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 Scheme Meeting. In accordance with the direction from the Court, HKSCC Nominees will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives.

Notice of the Scheme Meeting is set out on pages SM-1 to SM-3 of this Scheme Document. The Scheme Meeting will be held on Friday, 16 April 2021 at the time and place specified in the notice.

Immediately following the conclusion of the Scheme 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 approve the application of the reserve created by the cancellation of the Scheme Shares to contemporaneously maintain the issued share capital of the Company by allotting and issuing to the Offeror such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled and the authorisation of the directors of the Company to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme; and (iii) an ordinary resolution to approve the Joint Offer Cooperation Arrangement.

All Shareholders will be entitled to attend the SGM and vote on the special resolution and the ordinary resolution to maintain the issued 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 Joint Offer Cooperation Arrangement.

Notice of the SGM is set out on pages SGM-1 to SGM-3 of this Scheme Document. The SGM will be held at the same place and on the same date at 10:30 a.m. (or as soon thereafter as the Scheme Meeting shall have concluded or been adjourned).

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.

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

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarised above, other than with the consent of the Executive, a scheme of arrangement used to privatise a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

As at the Latest Practicable Date, the Disinterested Shareholders legally or beneficially owned, controlled or had direction over a total of 435,197,743 Shares and 10% of the votes attached to all Scheme Shares held by the Disinterested Shareholders was approximately 43,519,774 Shares.

Exempt principal traders which are connected for the sole reason that they are under the same control as Morgan Stanley are not presumed to be acting in concert with the Offeror. However, Shares held by members of the Morgan Stanley group acting in the capacity of exempt principal traders will not be voted at the Scheme Meeting and the SGM unless the Executive otherwise allows such Shares to be voted. For the avoidance of doubt, Disinterested Shareholders include any member of the Morgan Stanley group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code.

26. INDICATIONS AS TO VOTING

Mr. Sham Kar Wai, Mr. Sham Kin Wai and Mr. Chan Wai Kwan, each being a Director who holds or is beneficially interested in the Shares, have indicated that those Shares held by them or held through their controlled companies will be voted in favour of (i) the resolution to approve the Scheme at the Scheme Meeting; and (ii) the resolutions to be proposed at the SGM to implement the Scheme, including 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 to maintain the issued share capital of the Company.

As at the Latest Practicable Date, save for Mr. Sham Kar Wai, Mr. Sham Kin Wai and Mr. Chan Wai Kwan, none of the Directors had a beneficial interest in the Shares.

27. RECOMMENDATION

Your attention is drawn to the following:

- (a) the paragraph headed “*Recommendation*” in the letter from the Board in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee in Part V of this Scheme Document; and
- (c) the letter from the Joint Independent Financial Advisers in Part VI of this Scheme Document.

28. FURTHER INFORMATION

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.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Morgan Stanley, the Joint Independent Financial Advisers 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 inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the unaudited consolidated financial results for the six months ended 31 August 2020 and the six months ended 31 August 2019, as extracted from the annual reports of the Company for the years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the interim report of the Company for the six months ended 31 August 2020 and the six months ended 31 August 2019, respectively.

The auditor's report issued by the auditor of the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the three years ended 28 February 2018, 28 February 2019 and 29 February 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Statement of Comprehensive Income

	For the year ended			For the six months ended	
	28 February 2018 (audited) HK\$'000	28 February 2019 (audited) HK\$'000	29 February 2020 (audited) HK\$'000	31 August 2019 (unaudited) HK\$'000	31 August 2020 (unaudited) HK\$'000
Turnover	8,383,043	8,832,157	7,719,378	4,015,362	2,734,698
Cost of sales	(3,059,224)	(3,192,446)	(2,985,674)	(1,520,262)	(1,241,498)
Gross profit	5,323,819	5,639,711	4,733,704	2,495,100	1,493,200
Other (losses)/gains, net	13,604	(13,532)	(21,262)	(22,704)	(6,002)
Impairment of goodwill	-	-	(231,520)	(46,838)	-
Operating expenses	(4,610,139)	(4,927,676)	(4,904,283)	(2,314,653)	(1,812,247)
Other income	30,473	55,111	43,305	33,774	101,515
Operating (loss)/profit	757,757	753,614	(380,056)	144,679	(223,534)
Finance income	22,457	24,946	19,797	12,198	6,592
Finance costs	(71,352)	(42,922)	(154,777)	(76,396)	(67,336)
Share of profit of an associate	-	-	22,031	4,111	35
Share of (losses)/gains of joint ventures	13,996	(27,846)	(55,336)	(17,310)	(7,398)
(Loss)/profit before income tax	722,858	707,792	(548,341)	67,282	(291,641)
Income tax expense	(290,932)	(263,647)	(197,429)	(138,453)	(45,434)
(Loss)/profit for the year/period	431,926	444,145	(745,770)	(71,171)	(337,075)
Other comprehensive (loss)/income:					
Items that may be reclassified to profit or loss					
Currency translation differences	188,329	(115,727)	(106,703)	(96,349)	46,281
Cash flow hedge recognised as finance costs	(88,733)	(33,047)	-	-	-
Fair value changes on cash flow hedge, net of tax	129,264	18,209	11,003	11,003	-

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the year ended			For the six months ended	
	28 February 2018 (audited) HK\$'000	28 February 2019 (audited) HK\$'000	29 February 2020 (audited) HK\$'000	31 August 2019 (unaudited) HK\$'000	31 August 2020 (unaudited) HK\$'000
Total other comprehensive (loss)/income for the period	228,860	(130,565)	(95,700)	(85,346)	46,281
Total comprehensive (loss)/income for the period	660,786	313,580	(841,470)	(156,517)	(290,794)
(Loss)/profit attributable to:					
– Equity holders of the Company	430,556	442,599	(747,254)	(71,958)	(337,265)
– Non-controlling interests	1,370	1,546	1,484	787	190
	431,926	444,145	(745,770)	(71,171)	(337,075)
Total comprehensive (loss)/income attributable to:					
– Equity holders of the Company	658,932	312,427	(842,964)	(157,420)	(291,084)
– Non-controlling interests	1,854	1,153	1,494	903	290
	660,786	313,580	(841,470)	(156,517)	(290,794)
(Loss)/earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share)					
– basic	36.0	37.0	(62.5)	(6.0)	(28.2)
– diluted	34.9	35.7	(62.5)	(6.0)	(28.2)
Dividends	212,852	215,243	–	–	–

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 28 February 2018, 28 February 2019 and 29 February 2020 and for the six months ended 31 August 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 28 February 2018 (the “**17/18 Financial Statements**”) are set out on pages 65 to 122 of the annual report of the Company for the year ended 28 February 2018 (the “**Annual Report 17/18**”), which was published on 21 June 2018. The Annual Report 17/18 is posted on the websites of the Company (www.ithk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the Annual Report 17/18:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0621/ltn20180621330.pdf>

The audited consolidated financial statements of the Group for the year ended 28 February 2019 (the “**18/19 Financial Statements**”) are set out on pages 67 to 130 of the annual report of the Company for the year ended 28 February 2019 (the “**Annual Report 18/19**”), which was published on 21 June 2019.

2019. The Annual Report 18/19 is posted on the websites of the Company (www.ithk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the Annual Report 18/19:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0621/ltm20190621437.pdf>

The audited consolidated financial statements of the Group for the year ended 29 February 2020 (the “**19/20 Financial Statements**”) are set out on pages 69 to 142 of the annual report of the Company for the year ended 29 February 2020 (the “**Annual Report 19/20**”), which was published on 22 June 2020. The Annual Report 19/20 is posted on the websites of the Company (www.ithk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the Annual Report 19/20:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0622/2020062200351.pdf>

The unaudited consolidated interim financial information for the six months ended 31 August 2020 (the “**20 Interim Financial Information**”) are set out on pages 13 to 37 of the interim report of the Company for the six months ended 31 August 2020 (the “**Interim Report 20/21**”), which was published on 17 November 2020. The Interim Report 20/21 is posted on the websites of the Company (www.ithk.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the Interim Report 20/21:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1117/2020111700464.pdf>

The 17/18 Financial Statements, the 18/19 Financial Statements, the 19/20 Financial Statements and the 20 Interim Financial Information (but not any other part of the Annual Report 17/18, the Annual Report 18/19, the Annual Report 19/20 and the Interim Report 20/21 in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. TRADING UPDATE ANNOUNCEMENT

On 26 February 2021, the Company issued the Trading Update Announcement in relation to the unaudited third quarter trading update for the three months ended 30 November 2020. As the Trading update Announcement is made after the commencement of the offer period in respect of the Proposal, pursuant to Rule 10 of the Takeovers Code, the unaudited gross profit margins for the three months and nine months ended 30 November 2020 as stated in the Trading Update Announcement constitute a profit estimate which must be reported by the Company’s financial adviser and its auditors or consultant accountants in accordance with the Takeovers Code. Accordingly, the unaudited gross profit margins for the three months and nine months ended 30 November 2020 have been reported on by PricewaterhouseCoopers, the auditor of the Company, and the Joint Independent Financial Advisers. The letters issued by PricewaterhouseCoopers and the Joint Independent Financial Advisers have been set out in the Trading Update Announcement.

Please refer to Appendix VI to this Scheme Document for the full text of the Trading Update Announcement.

4. INDEBTEDNESS

Bank Borrowings

As at 31 December 2020, being the latest practicable date for the purpose of this statement of indebtedness, the Group had current bank borrowings of HK\$429,171,000 and non-current bank borrowings of HK\$1,418,574,000. Bank borrowings of HK\$59,300,000 were secured by the Group’s certain properties with carrying amounts of HK\$171,808,000.

Lease Liabilities

As at 31 December 2020, being the latest practical date for the purpose of this statement of indebtedness, the Group had current lease liabilities of HK\$803,109,000 and non-current lease liabilities of HK\$1,292,686,000.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, intragroup guarantees and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2020, the Group did not have any material 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 contingent liabilities.

5. MATERIAL CHANGE

As at the Latest Practicable Date, save for the following:

- (a) as disclosed in the interim report of the Company for the six months ended 31 August 2020 (the “**Interim Report**”), the following changes in the financial results of the Group which were mainly due to the impact of the COVID-19 pandemic:
 - (i) a decrease in turnover of approximately 31.9%;
 - (ii) a decrease in gross profit of approximately 40.2%;
 - (iii) an increase in government grants of approximately 235.1%,
as compared with the respective figures for the six months ended 31 August 2019; and
- (iv) an unaudited net loss attributable to equity holders of the Company for the six months ended 31 August 2020.

As disclosed in the Interim Report, the Group aggressively implemented cost control measures across all regions and all levels to mitigate the negative impact of the COVID-19 situation;

- (b) as disclosed in the Trading Update Announcement, the same-store-sales-growth of the Group in the Hong Kong and Macau segment, the Mainland China segment and the Japan and the USA segment had a year-on-year decrease of approximately 23.5%, year-on-year increase of approximately 5.1% and year-on-year decrease of approximately 36.8%, respectively, and the gross profit margin of the Group for the three months ended 30 November 2020 was approximately 61.1%, representing approximately 1.2% decrease when compared with the corresponding period in 2019. The decline in same-store-sales-growth in most markets was primarily a result of COVID-19 related restrictions and decline in inbound tourism. The year-on-year decrease in gross profit margins was principally due to the extra discount-related promotions that the Group had offered during the period to boost sales.

For the nine months ended 30 November 2020, the same-store-sales-growth of the Group in the Hong Kong and Macau segment, the Mainland China segment and the Japan and the USA segment had year-on-year decreases of approximately 42.0%, 3.9% and 48.0% respectively and the gross profit margin of the Group for the nine months ended 30 November 2020 was approximately 57.1%.

Pursuant to Rule 10 of the Takeovers Code, the unaudited gross profit margins for the three months and nine months ended 30 November 2020 as stated in the Trading Update Announcement constitute a profit estimate which must be reported by the Company's financial adviser and its auditors or consultant accountants in accordance with the Takeovers Code. Accordingly, the unaudited gross profit margins for the three months and nine months ended 30 November 2020 have been reported on by PricewaterhouseCoopers, the auditor of the Company, and the Joint Independent Financial Advisers. The letters issued by PricewaterhouseCoopers and the Joint Independent Financial Advisers have been set out in the Trading Update Announcement. Please refer to Appendix VI to this Scheme Document for the full text of the Trading Update Announcement;

- (c) other than the aforesaid, based on the unaudited consolidated management accounts of the Group for the eleven months ended 31 January 2021, the following changes in the financial results and financial position of the Group:
 - (i) no impairment of goodwill was recorded for the eleven months ended 31 January 2021, as compared with the respective figures for the eleven months ended 31 January 2020; and
 - (ii) current borrowings accounted for approximately 45.7% of the total borrowings (comprised current borrowings and non-current borrowings) as at 31 January 2021 whereas current borrowings accounted for approximately 24.0% of the total borrowings as at 29 February 2020 based on the annual report for the year ended 29 February 2020, which was mainly due to some non-current borrowings became repayable within one year as at 31 January 2021;
- (d) as disclosed in the Interim Report, it is widely expected that COVID-19 will continue to impact people, communities and companies around the world. Consumer demand remains weak in many of the operating regions of the Group even after the reopening of stores;

The Directors consider that it is difficult to accurately estimate the full impact of the COVID-19 pandemic on the future financial position and results of the Group; and

- (e) as disclosed in the Interim Report and as stated in the Explanatory Statement in Part VII of this Scheme Document, as of 31 August 2020, the Company had approximately HK\$2.0 billion of borrowings and approximately HK\$1.6 billion of cash and equivalents. Approximately HK\$1.7 billion of these borrowings will become due by the end of 2022, of which a total of approximately HK\$455 million will become due by the end of April 2021. Various government assistance programs served as a buffer to cushion the recent adverse impacts from macro challenges. However, in the near term as these loans mature, it is uncertain whether the Company would be able to roll over or secure new long-term financing with similar terms and conditions. The limited trading liquidity and depressed share price also impacted the Company's ability to seek equity financing in the public market without causing a significant dilution to the incumbent Shareholders,

the Directors confirm that there had been no other material change in the financial or trading position or outlook of the Group since 29 February 2020 (being the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificate received from the Valuer in connection with its valuations as at 31 December 2020 of the Other Operations for the purpose of incorporation into this Scheme Document.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

22 March 2021

The Board of Directors
I.T Limited
31/F Tower A Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

Dear Sirs,

In accordance with the instructions from I.T Limited (the "Company", together with its subsidiaries, the "Group"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited has undertaken a valuation exercise which requires us to express an independent opinion of the market value of 49.35% equity interest in the Group's business operations other than the business operations relating to A Bathing Ape, AAPE by A Bathing Ape and associated sub-brands thereof, including Baby Milo, Milo Stores, BAPY, BAPE Black and Mr. Bathing Ape (the "Other Operations") as at 31 December 2020 (the "Valuation Date").

The purpose of this valuation is for inclusion in its public disclosure of the Company.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF THE OTHER OPERATIONS

I.T Limited is principally engaged in the retailing of fashion apparels and accessories. On 5 December 2020, Brooklyn Investment Limited (the “Offeror”) and the Company entered into an agreement pursuant to which the parties have agreed to pursue the proposal for the privatization of the Company by the Offeror by way of a scheme of arrangement to be proposed under section 99 of the Companies Act 1981 of Bermuda. Under the proposed scheme of arrangement, the Company will be restructured such that the Group’s operations would be separated into the Brand Operations (defined as business operations relating to A Bathing Ape, AAPE by A Bathing Ape and associated sub-brands thereof, including Baby Milo, Milo Stores, BAPY, BAPE Black, and Mr. Bathing Ape) (the “Brand Operations”) and the Other Operations.

Based on the information provided to us, the Other Operations are currently operated in the Greater China region, predominantly in Mainland China, Hong Kong and Macau.

Earnings before interest, tax, depreciation and amortization (“EBITDA”) at post IFRS16 basis with adjustment of impairment charge of the Other Operations for the twelve months ended 31 December 2020 was HKD454,546,000. The unaudited EBITDA of the Other Operations for the twelve months ended 31 December 2020 has been reported on by PricewaterhouseCoopers, the auditor of the Company, and the Joint Independent Financial Advisers. EBITDA is calculated as operating profit of the company, plus depreciation with respect to both property, plant and equipment and right-of-use assets, plus amortization and any impairment charges.

SOURCES OF INFORMATION

In conducting our valuation of the 49.35% equity interest in the Other Operations, we have reviewed information from several sources, including, but not limited to:

- Background of the Other Operations and relevant corporate information;
- Financial information of the Other Operations for the twelve months ended 31 December 2020;
- Proposed separation of certain assets and liabilities such as cash and cash equivalent, interest bearing debt and lease liabilities from the co-mingled Brand Operations and Other Operations; and
- Other operation and market information in relation to the Other Operations’ business.

We have held discussions with management of the Company, and conducted market research from public sources to assess the reasonableness and fairness of information provided. We assumed such information reliable and legitimate; and we have relied to a considerable extent on the information provided by the Company in arriving at our opinion of value.

BASIS OF OPINION

We have conducted our valuation referred to the International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Other Operations and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Other Operations. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Other Operations;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the subject business;
and
- Assessment of the liquidity of the subject business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Other Operations.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the unique characteristics of the asset, there are substantial limitations for the income approach and the cost approach for valuing the Other Operations.

Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. The retail industry is one of the hardest hit industries by COVID-19. The Other Operations had been particularly impacted by COVID-19 as tourism had been one of the main drivers of its business in multiple operating markets. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is highly uncertain as at the Valuation Date given the performance of the Other Operations had been continuously impacted by the pandemic. As the derived value based on the income approach is highly dependent on the reliability of the financial projections, given the uncertain short term and long term development of the retail industry due to the significant uncertainty over the magnitude and time period of the impact of COVID-19, the financial projections, which would base on highly subjective assumptions, may not be reliable and thus the income approach is not adopted in the valuation.

Secondly, the cost approach does not directly incorporate information about the economic benefits and future earnings or loss potential contributed by the Other Operations as a going concern business. Due to the nature of the business, the economic value of the Other Operations is mainly attributable to the earning or loss potential of the business but not the value or replacement costs of its assets.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable (if applicable). Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. Given the nature of the retail business of the Other Operations and its long operating history and established business, market information and comparable in the retail industry for this transaction are widely available. Therefore, based on the above factors, we consider that the market approach is the most appropriate approach to the Other Operations.

The market approach can be applied through two commonly used methods, namely the guideline public company method and the comparable transaction method. The comparable transaction method utilizes information on transactions involving assets that are same or similar to the subject asset. For this particular valuation exercise, an exhaustive list of 2 transactions had been identified with the following criteria:

1. The comparable transaction was announced/completed during 12 months before the Valuation Date. Given the current pandemic situation, transaction data older than 12 months' time might be outdated and might not reflect the latest impact from the pandemic; and
2. The target company involved in the comparable transaction is engaged in similar business as the Other Operations in Greater China region.

The identified transactions are listed below:

Announcement Date	Completion Date	Target Name	Acquirer Name
12 December 2019	27 April 2020	Joyce Boutique Group Ltd	JoyBo International Ltd
15 May 2020	21 July 2020	Bossini International Holdings Ltd	Viva China Holdings Ltd

As only 2 comparable transactions are identified, we considered that only 2 transaction records are not sufficient and that the Joyce Boutique Group Ltd transaction is not considered as timely given the current pandemic situation, while the Bossini International Holdings Ltd transaction is not considered as it was opined by the independent financial adviser that the terms of the offers were not fair and reasonable. These historical transactions might not reflect the latest development and market consensus on the business as of the Valuation Date. Therefore, in this valuation exercise, the market value of the 49.35% equity interest in the Other Operations is developed through the guideline public company method.

This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the 49.35% equity interest in the Other Operations. In this valuation, we have considered the following commonly used benchmark multiples:

- Price to earnings ratio ("P/E") is not adopted as the Other Operations is in the loss-making position.
- Price to book ratio ("P/B") is not adopted as P/B multiple is common for asset intensive industries which is not the case for the Other Operations.
- Price to sales ratio ("P/S") and enterprise value to sales ratio ("EV/S") are not adopted as P/S and EV/S are commonly used in the valuation of early-stage companies but the Other Operations has a long operating history and record. These ratios also do not take into account a company's profitability and cost structure.
- It is considered that the suitable multiple in this valuation is the enterprise value to EBITDA ratio ("EV/EBITDA"), as EV/EBITDA can incorporate the differences in balance sheet positions between the Other Operations and the comparable companies. In this Valuation, EV/EBITDA is calculated as enterprise value as at the Valuation Date divided by the EBITDA at post IFRS16 basis over the trailing twelve months from the Valuation Date, in order to reflect the Other Operations' latest financial performance.

We applied the EV/EBITDA ratio, which is calculated by using comparable companies' latest available financial statements, to determine the market value of the Other Operations and then taking into account whether further adjustments are required to arrive at the market value. Enterprise Value is defined as the sum of market capitalization (i.e. the market value of the ordinary equity), preferred equity (if any) and short- and long-term interest bearing debt (including lease liabilities) less cash and cash equivalents.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following assumptions in determining the market value of the equity interest have been made:

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Other Operations;

- As the Brand Operations and the Other Operations are comingled, the corporate head office (including regional head offices) costs and warehouse costs comprised in the operating expenses, including but not limited to management information accounting and financial reporting, treasury, taxation, cash management, employee benefit administration, payroll and professional services, were not historically recharged to any of its underlying operations. We understand that the financial information of the Other Operations for the twelve months ended 31 December 2020 was prepared by the Company with the allocation of these shared costs between the Other Operations and the Brand Operations. We have assumed that the Other Operations on a standalone basis would have the similar level of such cost structure;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements entered into between the Other Operations and any other parties, including but not limited to loan contracts, business contracts and other contracts that will affect the business of the Other Operations, will be honored;
- We have assumed that the facilities and systems in place or proposed (if any) are sufficient for future operations in order to realize the growth potential of the business and maintain a competitive edge;
- We have assumed the accuracy of the financial and operational information of the Other Operations provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value. Further, we are not aware of any material changes to the Other Operations between the Valuation Date and the date of this report and we shall endeavor to notify shareholders through the Company should there be any material changes throughout the offer period.

SUMMARY OF MARKET APPROACH

In determining the financial multiple, a list of comparable companies was identified. The selection criteria include the following:

1. The companies derive their revenues in retail operations from Mainland China and Hong Kong from the same industry as the Other Operations. Specifically, the Bloomberg Industry Classification Systems (“BICS”) Apparel Footwear and Accessories Design & Specialty Apparel Stores are selected;
2. The comparable companies are searchable in Bloomberg;
3. As the Other Operations have significant operations in and exposure to Mainland China and Hong Kong, the comparable companies publicly listed in Hong Kong with significant operations in the Greater China region, particularly in both Mainland China and Hong Kong, are selected;

4. Different size of companies may exhibit different attributes in terms of the pricing multiple. In avoidance of the size effect, comparable companies with market capitalization of less than HKD5 billion as of the Valuation Date are selected (in line with the market capitalization of the Company as at the Valuation Date); and
5. EV/EBITDA ratio as at the Valuation Date on the companies are available.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis. The details of the comparable companies are listed below:

Bloomberg Ticker	Company Name	Company Description	Market Capitalisation (HKD Million)	EV/EBITDA Ratio	Financial period of the EBITDA
2528.HK	Forward Fashion (International) Holdings Company Limited	Forward Fashion (International) Holdings Company Limited operates as a holding company. The company, through its subsidiaries, focuses on retailing fashion apparel. It serves customers in Hong Kong.	472	5.48	12 months ended 30 June 2020
592.HK	Bossini International Holdings Limited	Bossini International Holdings Limited, through its subsidiaries, retails and distributes garment.	748	55.32	12 months ended 30 June 2020
891.HK	Trinity Limited	Trinity Limited retails men's clothing. The company through its subsidiaries operates stores in the People's Republic of China, Hong Kong, Macau, and Taiwan.	281	2.13	12 months ended 30 June 2020
483.HK	Bauhaus International (Holdings) Limited	Bauhaus International (Holdings) Limited, through its subsidiaries, designs, manufactures, wholesales, and retails apparel, bags and sacs and accessories under its own brand names as well as under other third-party brand names in the fashion industry.	220	2.52	12 months ended 30 September 2020
709.HK	Giordano International Limited	Giordano International Limited, through its subsidiaries, retails and distributes casual apparel and accessories under the Giordano, Giordano Ladies, Giordano Junior, BSX and Concepts One brands.	1,799	2.36	12 months ended 30 June 2020

Bloomberg Ticker	Company Name	Company Description	Market Capitalisation (HKD Million)	EV/EBITDA Ratio	Financial period of the EBITDA
130.HK	Moiselle International Holdings Limited	Moiselle International Holdings Limited, through its subsidiaries, develops, manufactures, retails, and wholesales various lines of fashion apparel and accessories. The company markets its products under MOISELLE, moi, imaroon, and M.kids brand names. In addition, the company invests in properties.	85	5.88	12 months ended 30 September 2020
Average (excluding outlier)				3.68	-

592.HK is excluded from the calculation of the average of the EV/EBITDA ratio as an outlier outside 2 standard deviations, which is ± 3.69 . We considered that the size of the Other Operations is in the range of those comparable companies and therefore, no adjustment to the EV/EBITDA ratios has been made.

The average and median value is 3.68x and 2.52x respectively. In determining whether to use average or median, we have also made reference to the EV/EBITDA ratio of the Company on the last trading day before the joint announcement dated 6 December 2020 (i.e. 30 November 2020), which is 3.68x¹. As the EV/EBITDA ratio of the Company on the last trading day before the joint announcement dated 6 December 2020 (i.e. 30 November 2020) is close to the average value, we considered that using average value is more appropriate.

¹ For reference, the average EV/EBITDA ratios of the Company for the 5 trading days, 30 trading days and 60 trading days before the joint announcement dated 6 December 2020 (i.e. 30 November 2020) are 3.41x, 3.10x and 2.98x, respectively. We considered the EV/EBITDA ratio of the Company on the last trading date before the joint announcement (i.e. 3.68x) to be most relevant as it is derived from the most recent trading record.

JOINT VENTURES AND ASSOCIATE

According to the financial information obtained, the Other Operations also hold a number of joint ventures and an associate company listed below:

Company Name	Nature	Status	Ownership
Galleries Lafayette (China) Limited	Joint venture	Active	50.0%
Kenzo Asia Holding Co. Limited	Joint venture	Active	49.0%
FCIT China Limited	Joint venture	Inactive	50.0%
FCUK IT Company	Joint venture	Inactive	50.0%
ZVIT Limited	Joint venture	Active	50.0%
ZIT H.K. Limited	Joint venture	Active	50.0%
SR (Shanghai) Limited	Joint venture	Active	50.0%
SRIT Limited	Joint venture	Active	50.0%
Acne Studios Holding AB	Associate company	Active	10.9%

The share of profit or loss of the above companies are not included in the EBITDA of the Other Operations. After discussing with the Company, we understand all the joint ventures were loss-making in the past few years while the total operating loss of all joint ventures for the 12 months ended 31 August 2020 contributed less than 5% of the operating loss of the Other Operations over the same period. In view of the above, the treatment for both active and inactive joint ventures is the same and we have adopted the share of net asset of all these joint ventures as their market value.

A shareholder loan of HKD22,268,000 was made to FCIT China Limited and ZIT H.K. Limited and was also included in the valuation.

The associate company is an operating company and is in the net profit position for the 12 months ended 31 August 2020. In valuing the associate company, we have considered three generally accepted approaches, namely market approach, cost approach and income approach. Given the minority nature of the ownership together with the current pandemic situation, a reliable and detailed financial projections cannot be formed as the Company is not involved in its daily operation. Thus, income approach is not adopted. Besides, as the associate company is in the profit position, its economic value of is mainly attributable to the earning potential of the business but not the value or replacement costs of its assets and thus cost approach is not adopted.

Market approach is thus adopted in valuing the equity interest attributed to the Other Operations. Due to the minority nature, share of profit for the 12 months ended 31 August 2020 is available and thus price to earnings (“P/E”) multiple is adopted in estimating the market value of 10.9% equity interest of the associate company.

In determining the financial multiple of the associate company, a list of comparable companies was identified. The selection criteria include the following:

1. The companies derive their revenues in retail operations from the same industry as the associate company. Specifically, the Bloomberg Industry Classification Systems (“BICS”) Apparel Footwear and Accessories Design & Specialty Apparel Stores are selected;
2. The comparable companies are searchable in Bloomberg;
3. The comparable companies are publicly listed worldwide;
4. As the associate company is based in Sweden, the comparable companies domiciled in Western Europe are selected;
5. Comparable companies with net income in the range of HKD100 million to HKD1,000 million are selected, as the associate company is a profit making company with an audited annual net profit for its last financial year within this range; and
6. P/E multiple as at the Valuation Date on the companies are available.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis. The details of the comparable companies are listed below:

Bloomberg Ticker	Company Name	Company Description	P/E Ratio
DLTA.FP	Delta Plus Group Limited	Delta Plus Group Limited designs, produces and distributes personal protection equipment, which are used in all types of manufacturing industries to protect worker. The company operates worldwide through its subsidiaries, mainly in Europe, China, South America and the United Arab Emirates.	17.89
BWNG.LN	N Brown Group plc	N Brown Group plc is an online, catalogue and stores retailer. The company's products include clothing, footwear and household products with a particular focus on the plus-size apparel segment operating in the UK, Europe and the US.	6.77
VAN.BB	Van De Velde NV	Van De Velde NV designs, produces, and commercializes fashionable lingerie, including panties, corsets, and bras. The company markets its products under its own brand names through a group of multi-brand shops, department stores, and the company's own stores.	14.32
WOL.AV	Wolford AG	Wolford AG designs, manufactures, and markets a variety of women's legwear, clothing, swimwear, lingerie, and accessories. The company offers knitted natural and other fine fiber products fashioned by its international creations design team. Wolford sells its products through its own boutiques and shops within department stores worldwide.	7.10
JD/.LN	JD Sports Fashion PLC	JD Sports Fashion PLC operates a chain of retail stores which sell brand-name sports and leisure wear. The company sells sports and leisure footwear, clothing, and accessories, among other items.	44.18
BRBY.LN	Burberry Group PLC	Burberry Group PLC is a global luxury brand with British heritage, core outerwear, and large leather goods base. The company designs and sources apparel and accessories, selling through a diversified network of retail, digital, wholesale, and licensing channels worldwide.	347.33
FRAS.LN	Frasers Group PLC	Frasers Group PLC retails sports apparel products. The company offers a wide range of shirts, pants, jackets, caps, and coats, as well as various types of accessories.	20.09

Bloomberg Ticker	Company Name	Company Description	P/E Ratio
CPRI.US	Capri Holdings Limited	Capri Holdings Limited operates as a holding company. The company, through its subsidiaries, designs apparels and accessories. Capri Holdings distributes and retails handbags, shoes, watches, sweaters, hoodies, pants, sunglasses, and boots. Capri Holdings serves customers worldwide.	12.97
Average (excluding outliers)			13.19

JD/.LN and BRBY.LN are excluded from the calculation of the average of the P/E ratio as outliers outside 2 standard deviations, which is ± 10.93 .

Based on the information obtained by from the Company, the estimated market value of the 10.9% equity interest of the associate company by using the market approach is HKD239,544,000, which is the amount of the share of profit from the associate company for the twelve months ended 31 August 2020 (i.e. HKD18,161,000) multiplied by the adopted P/E Ratio above (i.e. 13.19).

DISCOUNT FOR LACK OF MARKETABILITY (DLOM)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. The Other Operations, as part of the co-mingled business of the Company, would be separated after the proposed privatization, and considered as a private entity.

The DLOM is applicable to the Other Operations as it is proposed that the Company, including the Other Operations, will be privatized according to the Proposal. Also, the Other Operations as a standalone basis is not a public company. The stock exchange platform is only available for the Company as a whole, not the Other Operations.

We have assessed the DLOM of this interest using a put option method. The concept is that when comparing a public share and a private share, the holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event becomes shorter, the degree of the DLOM becomes smaller.

In this valuation exercise, we have assessed the DLOM using the put option method, which is one of the most commonly used theoretical models. The value of put option is determined by “Finnerty Model” with the following parameters.

Parameters	31 December 2020	Source	Remarks
Maturity	1 year	Not Applicable	The input of maturity period represents “how long a holder needs to transact the shares to another person”. The transaction time is dependent mainly on the time for the potential buyer’s due diligence process. Although the Other Operations are part of the publicly listed company, which has systems and procedures to produce timely the documents required for a typical due diligence work, the nature of being co-mingled with the Brand Operations may result in a longer time period for the due diligence process. Besides, the operations of the Other Operations are spread across different retail stores in different locations of the Greater China Region, which may also affect the time required on the due diligence process. As such, we have assumed a maturity period of one year for this case.
Volatility	64.42%	Bloomberg L.P.	Historical volatility of comparable companies
Implied DLOM	14.25%	Not Applicable	Calculated

By using the put option method and based on the above assumptions, we apply 14.25% DLOM for this case.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the DLOM. The calculation of the market value of the 49.35% equity interest in the Other Operations as at the Valuation Date is as follows:

	<i>(HKD'000)</i>
Trailing 12 months EBITDA of the Other Operations with impairment charge ¹ adjusted	454,546
EV/EBITDA multiple (times)	<u>3.68</u>
Enterprise Value of the Other Operations	1,670,495³
Add: Cash and cash equivalents ²	1,300,000
Less: Interest bearing debt ²	0
Less: Lease liabilities ⁴	1,594,615
Add: Market value of joint ventures ⁴	89,334
Add: Shareholder loan to joint ventures ⁴	22,268
Add: Market Value of associate ⁴	<u>239,544</u>
Equity Value of the Other Operations	1,727,026
Less: Discount of Lack of Marketability (14.25%)	<u>246,023³</u>
Market Value of 100% Equity Interest in the Other Operations (at non-controlling basis)	1,481,003
Market Value of 49.35% Equity Interest in the Other Operations	<u><u>730,875</u></u>

1. This represents the impairment loss on the property, plant and equipment and right-of-use assets.
2. Provided by the Company, representing the cash and cash equivalents and interest bearing debt allocated to the Other Operations upon completion of the Restructuring pursuant to the Framework Agreement.
3. Difference is due to rounding.
4. Figures are as of 31 December 2020.

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions which have been set out in this report above and the consideration of many uncertainties including natural disaster, war, government intervention, major change in management, etc., not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We confirm that we have sufficient current local and international (as appropriate) knowledge of the market which the Other Operations are engaged in and the skills and understanding necessary to undertake the valuation of the Other Operations competently. We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuous prudent management of the Other Operations that is reasonable and necessary to maintain the character and integrity of the assets valued.

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the financial projections/assumptions. As of the date of this report, it is uncertain how long the disruption will last and to what extent it will affect the economy. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this report.

This report is issued subject to our Limiting Conditions as attached.

CONCLUSION OF VALUE

Based on the results of our investigations and analysis, we are of the opinion that the market value of the 49.35% equity interest of the Other Operations as at the Valuation Date is reasonably stated at the amount of **HKD730.9 million**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS) where he now serves on their North Asia Valuation Practice Group. He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the board of the company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation. We cannot provide assurance on the achievability of the results forecasted by the company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This report has been prepared solely for the use as stated in engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third

party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the financial information provided by the management of the company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

The following is the text of a letter received from the Joint Independent Financial Advisers in connection with the valuation of the Other Operations for the purpose of incorporation into this Scheme Document.



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED



中國通海企業融資有限公司
CHINA TONGHAI CAPITAL LIMITED

22 March 2021

The Board of Directors
I.T Limited
31/F, Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

Dear Sirs,

We refer to the business valuation (the “**Business Valuation**”) performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”) in relation to the valuation of 49.35% equity interest in the Other Operations, details of which are set out in the valuation report dated 22 March 2021 (the “**Report**”) addressed to the Board of Directors of I.T Limited (the “**Company**”) as set out in Appendix II to the scheme document dated 22 March 2021 (the “**Scheme Document**”) jointly issued by the Company and Brooklyn Investment Limited (the “**Offeror**”) in connection with, among other matters, the proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

This letter is provided to the Board solely for the purpose of Rule 11.1(b) of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

Based on our review and discussion with the Valuer in respect of its qualifications and experience, we are satisfied that the Valuer has the relevant qualifications and experience in undertaking the Business Valuation. We have also reviewed and discussed with the Valuer the Business Valuation including the bases and assumptions contained in the Report. We are satisfied that the Business Valuation including the bases and assumptions have been made with due care and consideration.

For and on behalf of
Challenge Capital Management Limited
Jackson Woo
Managing Director

For and on behalf of
China Tonghai Capital Limited
Benny Chung **Noelle Hung**
Co-Chief Executive Officer *Managing Director*

The following is the text of a letter received from the Joint Independent Financial Advisers in connection with the unaudited financial information of the Other Operations for the purpose of incorporation into this Scheme Document.



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED



中國通海企業融資有限公司
CHINA TONGHAI CAPITAL LIMITED

22 March 2021

The Board of Directors
I.T Limited
31/F, Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

Dear Sirs,

We refer to the statement in relation to the Profit Estimate (as defined below) set out under the paragraph headed “Financial Information of the Other Operations” (the “**Statement**”) in the letter from the Board of the scheme document dated 22 March 2021 (the “**Scheme Document**”) jointly issued by I.T Limited (the “**Company**”) and Brooklyn Investment Limited (the “**Offeror**”) in connection with, among other matters, the proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

The Statement reads as follows: “The unaudited EBITDA with adjustment of impairment charge of the Other Operations for the twelve months ended 31 December 2020 was HK\$454,546,000 (the “**Profit Estimate**”)”.

The Profit Estimate is regarded as a profit forecast under Rule 10 of the Takeovers Code and, therefore, is required to be reported on by the Company’s financial adviser and its auditors or consultant accountants. This letter is issued in compliance with the requirement under Rule 10 of the Takeovers Code.

The Directors are solely responsible for the Profit Estimate. The Profit Estimate has been prepared based on the unaudited consolidated management accounts of the Group for the 12 months ended 31 December 2020. We have reviewed the Profit Estimate and discussed the bases of the Profit Estimate with the senior management of the Company. Furthermore, we have considered, and relied upon, the letter addressed to the Directors dated 22 March 2021 from PricewaterhouseCoopers, the auditor of the Company, regarding the accounting policies and calculations upon which the Profit Estimate has been made which states that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out on page 36 of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the senior management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company, its subsidiaries, associates and/or joint ventures. Save as provided in this letter, we do not express any other opinion or views on the Profit Estimate. The Directors remain solely responsible for the Profit Estimate. This letter is provided to the Board solely for the purpose of complying with Rule 10 of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

On the basis of the foregoing, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,

For and on behalf of
Challenge Capital Management Limited
Jackson Woo
Managing Director

For and on behalf of
China Tonghai Capital Limited
Benny Chung **Noelle Hung**
Co-Chief Executive Officer *Managing Director*

The following is the text of a letter received from the auditor of the Company, PricewaterhouseCoopers, in connection with the unaudited financial information of the Other Operations for the purpose of incorporation into this Scheme Document.



羅兵咸永道

The Board of Directors
I.T Limited
31/F, Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

22 March 2021

Dear Sirs,

I.T Limited (the “Company”)

Profit Estimate for the Twelve Months Ended 31 December 2020

We refer to the following profit estimate set out in the section headed “Financial Information of the Other Operations” in the Letter from the Board in the scheme document dated 22 March 2021 (the “**Scheme Document**”) jointly issued by the Company and Brooklyn Investment Limited (the “**Offeror**”) in connection with, among other matters, the proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda and the restructuring as contemplated under the restructuring framework agreement dated 30 January 2021 entered into by the relevant parties (the “**Restructuring**”).

Under the Restructuring, the Company and its subsidiaries (collectively referred to as the “**Group**”) will restructure into the brand operations (the Group’s business operations relating to A Bathing Ape, AAPE by A Bathing Ape and associated sub-brands thereof, including Baby Milo, Milo Stores, BAPY, BAPE Black, and Mr. Bathing Ape) (the “**Brand Operations**”) and the other operations (including all the other operations of the Group other than the Brand Operations prior to completion of the Restructuring) (the “**Other Operations**”).

The unaudited figure of the Other Operations set out below (“**Profit Estimate**”) is extracted from the section headed “Financial Information of the Other Operations” in the Letter from the Board on page 36 of the Scheme Document:

	Twelve months ended 31 December 2020 HK\$’000
EBITDA of Other Operations*	454,546

* Represents the earnings before income tax, share of losses of joint ventures, share of profit of an associate, finance income and costs, impairment of goodwill, property, furniture and equipment and right-of-use assets, depreciation and amortisation of the Other Operations.

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company (the “**Directors**”) based on the unaudited management accounts of the Group for the 12 months ended 31 December 2020.

The Directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Estimate in accordance with the bases adopted by the Directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out on page 36 of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the directors of the Offeror were Mr. Sham Kar Wai and Mr. Yann Jiang.

The directors of the Offeror 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 CVC Network) 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 CVC Network) 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.

As at the Latest Practicable Date, the Executive Directors of the Company were Mr. Sham Kar Wai, Mr. Sham Kin Wai, and Mr. Chan Wai Kwan; and the Independent Non-Executive Directors were Mr. Francis Goutenmacher, Dr. Wong Tin Yau, Kelvin, JP and Mr. Tsang Hin Fun, Anthony.

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 Group, the Founder Group and the CVC Network) 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 Group, the Founder Group and the CVC Network) 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.

As at the Latest Practicable Date, the directors of Founder Holdco were Mr. Sham Kar Wai and Ms. Sham Sau Han.

The directors of Founder Holdco 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 Group, the Group and the CVC Network) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror Group, the Group and the CVC Network) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the director of CVC Holdco was Mr. Yann Jiang.

As at the Latest Practicable Date, the directors of CVC Capital Partners Asia V Limited were Mr. Marc George Ledingham Rachman, Mr. Carl John Hansen, Ms. Victoria Emma Cabot and Mr. John Fredric Maxey.

The directors of CVC Holdco and CVC Capital Partners Asia V Limited 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 Group, the Group and the Founder Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror Group, 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 statement in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$300,000,000 divided into 3,000,000,000 Shares;
- (b) the issued and paid-up share capital of the Company comprised 1,195,797,307 Shares;
- (c) all of the Shares currently in issue ranked pari passu in all respects including as to return of capital, dividends and voting;
- (d) no new Shares had been issued by the Company since 29 February 2020 (being the end of the last financial year of the Company); and
- (e) there were no outstanding options, warrants or conversion rights affecting the Shares.

3. MARKET PRICE

- (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:

	Closing price per Share HK\$
30 June 2020	1.13
31 July 2020	1.00
31 August 2020	1.06
30 September 2020	1.01
31 October 2020	1.07
30 November 2020 (Last Trading Date)	1.94
31 December 2020	2.79
29 January 2021	2.83
26 February 2021	2.80
19 March 2021 (Latest Practicable Date)	2.79

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$2.87 per Share as quoted on the Stock Exchange on 2 February and 4 February 2021 and the lowest closing price of the Shares was HK\$0.96 as quoted on the Stock Exchange on 10 August 2020, 7 September 2020 and 8 September 2020.
- (c) The Cancellation Price of HK\$3 per Non-Founder Scheme Share represents a premium of approximately 54.6% over the closing price of HK\$1.940 per Share as quoted on the Stock Exchange on the Last Trading Date and a premium of approximately 7.5% over the closing price of HK\$2.790 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

(a) Interests of directors and chief executives in shares of the Company

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), or which are required to be disclosed under the Takeovers Code were as follows:

Director	Number of Shares			Approximate percentage of the issued share capital of the Company ^(Note 2)
	Beneficiary of a trust ^(Note 1)	Beneficial owner	Total	
Mr. Sham Kar Wai	698,564,441	6,834,000	705,398,441	58.99%
Mr. Sham Kin Wai	698,564,441	6,834,000	705,398,441	58.99%
Mr. Chan Wai Kwan	–	501,249	501,249	0.04%

Notes:

- (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of the ABS 2000 Trust, which is an irrevocable discretionary trust of which HSBCITL is the trustee. Amongst the ABS 2000 Trust Holding Companies, Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by HSBCITL as a trustee of the ABS 2000 Trust (on trust for the benefit of its beneficiaries). Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the ABS 2000 Trust Holdings Companies in the Company.
- (2) The issued share capital of the Company comprised 1,195,797,307 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of the Offeror in the shares of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Offeror, its directors and any party acting in concert with them (other than the interest disclosed above in respect of the Directors) (i) had an interest in the Shares; or (ii) owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares:

Name	Number of Shares interested	Approximate percentage of the issued share capital of the Company ^(Note 3)
Ms. Sham Sau Han ^(Note 1)	39,743,941	3.32%
Ms. Sham Sau Wai ^(Note 1)	7,692,985	0.64%
Mr. Fung Yuk Hung ^(Note 1)	930,197	0.08%
ABS 2000 Trust ^(Note 2)	698,564,441	58.42%

Notes:

- (1) Ms. Sham Sau Han and Ms. Sham Sau Wai are sisters to Mr. Sham Kar Wai and, therefore, deemed to be parties acting in concert with the Offeror. Mr. Fung Yuk Hung is the brother-in-law to Mr. Sham Kar Wai and, therefore, also deemed to be a party acting in concert with the Offeror.
- (2) Mr. Sham Kar Wai, Mr. Sham Kin Wai, their spouses and family members are beneficiaries of the ABS 2000 Trust, which is an irrevocable discretionary trust of which HSBCITL is the trustee. The ABS 2000 Trust is, therefore, deemed to be a party acting in concert with the Offeror. Amongst the ABS 2000 Trust Holding Companies, Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by HSBCITL as a trustee of the ABS 2000 Trust (on trust for the benefit of its beneficiaries).
- (3) The issued share capital of the Company comprised 1,195,797,307 Shares as at the Latest Practicable Date.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and parties acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(c) Dealings in the relevant securities of the Company

- (1) During the Relevant Period, none of the Offeror, its directors or the parties acting in concert with them had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (2) During the Relevant Period, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

(3) During the Offer Period and up to the Latest Practicable Date:

- (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is 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 or with any person 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 any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iii) no fund managers connected with the Company who managed funds on a discretionary basis (other than exempt fund managers) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

(d) Interest and dealings in the securities of the Offeror

- (1) As at the Latest Practicable Date, save as disclosed in the section headed “*Information on the Offeror Group*” in the Explanatory Statement in Part VII of this Scheme Document, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.
- (2) During the Relevant Period, none of the Company or any of the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(e) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (1) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his or her loss of office or otherwise in connection with the Proposal;
- (2) other than the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement, the Founder Irrevocable Undertakings and the Implementation Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;

- (3) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme;
- (4) 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; and
- (5) other than the Proposal, the Scheme and the Joint Offeror Cooperation Arrangement, the Founder Irrevocable Undertakings and the Implementation Agreement, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of EquityCo or the Offeror or the Shares which might be material to the Proposal.

(f) Other interests

As at the Latest Practicable Date:

- (1) no Shares or any convertible securities, warrants, options or derivatives issued by the Company were owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or by an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (2) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (3) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers);
- (4) other than the Joint Offeror Cooperation Arrangement, the Founder Irrevocable Undertakings and the Implementation Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (5) save for the Joint Offeror Cooperation Arrangement, the Founder Irrevocable Undertakings and the Implementation Agreement, no material contracts had been entered into by the Offeror in which any Director had a material personal interest; and
- (6) none of the Company and the Directors had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against the Group.

6. MATERIAL CONTRACTS

Save for the Implementation Agreement, no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the Group within the two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and were or might be material.

7. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six (6) months preceding the commencement of the Offer Period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract that has more than 12 months to run irrespective of the notice period:

Name of Director	Expiry date	Amount of remuneration
Mr. Sham Kar Wai	18 October 2022	An annual package (which includes basic salary and housing allowance) of HK\$10,325,900, or such other amount as the Board (or its remuneration committee as the Board designated) may from time to time determine, with an annual bonus of such amount as the Board may from time to time determine.
Mr. Sham Kin Wai	18 October 2022	An annual package (which includes basic salary and housing allowance) of HK\$7,467,563, or such other amount as the Board (or its remuneration committee as the Board designated) may from time to time determine, with an annual bonus of such amount as the Board may from time to time determine.
Mr. Chan Wai Kwan	31 March 2022	An annual package (which includes basic salary and housing allowance) of an amount equivalent to HK\$5,307,120, or such other amount as the Board (or its remuneration committee as the Board designated) may from time to time determine, with an annual bonus of such amount as the Board may from time to time determine.

Save as disclosed above, there is no variable remuneration for each of Mr. Sham Kar Wai, Mr. Sham Kin Wai and Mr. Chan Wai Kwan under their respective service contracts.

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts (the “**Experts**”) who have been named in this Scheme Document or have given opinion or advice which are contained in this Scheme Document:

Name	Qualification
Challenge Capital	A corporation licensed by the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
China Tonghai	A corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	An independent professional valuer
PricewaterhouseCoopers	Certified Public Accountant and Registered Public Interest Entity Auditor

Each of the Experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of the Experts had any shareholdings in the Company.

9. MISCELLANEOUS

- (i) The directors of the Offeror are Mr. Sham Kar Wai and Mr. Yann Jiang.
- (ii) The registered office of the Offeror is situated at Maurant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands. The correspondence address of the Offeror is at Suite 2009-11, ICBC Tower, 3 Garden Road, Central, Hong Kong.
- (iii) The registered office of EquityCo is situated at Maurant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.
- (iv) The registered office of the CVC Holdco is situated at Suite 2009-11, ICBC Tower 3 Garden Road, Central, Hong Kong.
- (v) The registered office of each the Founder Holdco, Effective Convey Limited, Fine Honour Limited, Sure Elite Limited, Fresh Start Holdings Limited, and Fortune Symbol Limited is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

- (vi) CVC Funds acts through its general partner CVC Capital Partners Asia V Limited. The registered office of CVC Capital Partners Asia V Limited is situated at Level 1, IFC1, Esplanade, St Helier Jersey JE2 3BX. The directors of CVC Capital Partners Asia V Limited are Mr. Marc George Ledingham Rachman, Mr. Carl John Hansen, Ms. Victoria Emma Cabot and Mr. John Fredric Maxey.
- (vii) The correspondence address of the Chairman and the CCO is 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong.
- (viii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong of the Company is at 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong.
- (ix) The company secretary of the Company is Ms. Ho Suk Han Sophia, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).
- (x) The principal share registrar of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (xi) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (xii) The principal place of business of Morgan Stanley is at Level 46 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (xiii) The principal place of business of Challenge Capital is at 3/F, Kailey Tower, 16 Stanley Street, Central, Hong Kong.
- (xiv) The principal place of business of China Tonghai is at 18/F-19/F, China Building, 29 Queen's Road Central, Hong Kong.
- (xv) The principal place of business of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is at 7/F, One Taikoo Place, 979 King's Road, Hong Kong.
- (xvi) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 31/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong from 9:00 a.m. to 5:00 p.m. (except Saturday, Sunday and public holidays) and on the website of the Company at www.ithk.com and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until (a) the Effective Date; or (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum of association and bye-laws of the Company;
- (iii) the annual reports of the Company for the years ended 28 February 2018, 28 February 2019 and 29 February 2020, respectively;
- (iv) the interim report of the Company for the six months ended 31 August 2020;
- (v) the letter from the Board, the text of which is set out on Part IV of this Scheme Document;
- (vi) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from the Joint Independent Financial Advisers, the text of which is set out in Part VI of this Scheme Document;
- (viii) the valuation report of the Other Operations prepared by the Valuer, the text of which is set out in Appendix II to this Scheme Document;
- (ix) the letter from the Joint Independent Financial Advisers in connection with the valuation of the Other Operations, the text of which is set out in Appendix II to this Scheme Document;
- (x) the letter from the Joint Independent Financial Advisers in connection with the unaudited financial information of the Other Operations, the text of which is set out in Appendix III to this Scheme Document;
- (xi) the letter from the auditor of the Company in connection with the unaudited financial information of the Other Operations, the text of which is set out in Appendix III to this Scheme Document;
- (xii) the material contract as set out in the section headed “6. *Material contracts*” in this Appendix;
- (xiii) the service contracts referred to in the section headed “7. *Service contracts*” in this Appendix;
- (xiv) the written consents issued by the Experts referred to in the section headed “8. *Consents and qualifications of Experts*” in this Appendix;
- (xv) the Founder Irrevocable Undertakings;

- (xvi) the Consortium Agreement;
- (xvii) the Shareholders' Agreement (including the deed of amendment related to the Shareholders' Agreement);
- (xviii) the Restructuring Term Sheet (which has been terminated and superseded by the Framework Agreement);
- (xix) the Framework Agreement (including (a) agreed form intellectual property master deed of assignment, asset purchase agreement, share transfer agreement, each intended to implement the transfers of intellectual properties, assets and shares pursuant to the Framework Agreement; (b) annexures of agreed lists of identified entities, assets, transferred contracts, transferred and split leases, employees, data and intellectual property rights; and (c) schedules setting out the scope and material terms of the transitional services and long-term services);
- (xx) the debt commitment letter dated 6 December 2020 issued by BNP Paribas and Standard Chartered Bank (Hong Kong) Limited to the Offeror; and
- (xxi) this Scheme Document

IN THE SUPREME COURT OF BERMUDA**CIVIL JURISDICTION****COMMERCIAL COURT****2021: No. 19****IN THE MATTER OF****I.T LIMITED****AND****SECTION 99 OF THE COMPANIES ACT 1981**

SCHEME OF ARRANGEMENT**BETWEEN****I.T LIMITED****AND****THE SCHEME SHAREHOLDERS
(as hereinafter defined)**

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

“ABS 2000 Trust”	an irrevocable discretionary trust of which HSBCITL is the trustee, and Chairman (in his personal capacity), CCO (in his personal capacity), their respective spouses and family members are the beneficiaries
“ABS 2000 Trust Holding Companies”	Effective Convey Limited, Fine Honour Limited, Sure Elite Limited, Fresh Start Holdings Limited and Fortune Symbol Limited, which are directly wholly owned by HSBCITL (on trust for the benefits of Chairman (in his personal capacity), CCO (in his personal capacity), their spouses and family members) and which are the direct holders of the Shares owned by the ABS 2000 Trust
“Board”	the board of Directors
“business day”	a day on which the Stock Exchange is open for the transaction of business

“Cancellation Price”	the cancellation price of HK\$3 per Non-Founder Scheme Share
“CCO”	Mr. Sham Kin Wai, an executive Director and the chief creative officer of the Company
“Chairman”	Mr. Sham Kar Wai, an executive Director, the chairman of the Board and the chief executive officer of the Company
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	I.T 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: 999)
“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
“Court”	the Supreme Court of Bermuda
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“EquityCo”	Brooklyn Company Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme as set out in the Scheme Document in compliance with section 100 of the Companies Act
“Founder Cancellation Consideration”	the consideration to be received by members of the Founder Group holding Founder Scheme Shares for the cancellation of their Founder Scheme Shares under the Scheme, being the crediting of all of the unpaid EquityCo shares held by Founder Holdco (and approximately 13% of unpaid EquityCo shares that Founder Holdco has directed EquityCo to issue to CVC Holdco directly as part of the Joint Offeror Cooperation Arrangement) as being fully paid in an amount equivalent to the aggregate amount of the Cancellation Price per Scheme Share with respect to all the Founder Scheme Shares pursuant to the Joint Offeror Cooperation Arrangement
“Founder Group”	(a) Chairman (in his personal capacity); (b) CCO (in his personal capacity);

	(c) Ms. Sham Sau Han;
	(d) Ms. Sham Sau Wai;
	(e) Mr. Fung Yuk Hung;
	(f) the ABS 2000 Trust Holding Companies; and
	(g) Founder Holdco
“Founder Holdco”	3WH (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, and a member of the Founder Group
“Founder Scheme Shares”	the Scheme Shares held by the Founder Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBCITL”	HSBC International Trustee Limited, a company incorporated in the Cayman Islands with limited liability
“Latest Practicable Date”	19 March 2021, 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 August 2021 (or any other date as may be agreed by the Offeror and the Company and as permitted by the Executive)
“Non-Founder Scheme Shares”	the Scheme Shares which are not held by the Founder Group
“Offeror”	Brooklyn Investment 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”	Wednesday, 28 April 2021, or such other date to be announced to the Shareholders, being the record date for the purposes of determining the entitlements of the Non-Founder Scheme Shareholders to the Cancellation Price under the Scheme (whereas the members of the Founder Group holding Founder Scheme Shares will receive the Founder Cancellation Consideration under the Scheme pursuant to the Joint Offeror Cooperation Arrangement)
“Registrar of Companies”	the Registrar of Companies in Bermuda

- “Scheme” the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act 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, among other things, further details of the Proposal and the Scheme), the accompanying proxy forms and notices of the Scheme Meeting and the SGM, despatched by the Offeror and the Company to all Shareholders as required by the Takeovers Code
- “Scheme Meeting” a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
- “Scheme Shareholders” the registered holders of the Non-Founder Scheme Shares and the Founder Scheme Shares as at the Record Date
- “Scheme Shares” the Shares in issue on the Record Date
- “SGM” a special general meeting of the Company to be convened for the purposes of passing all necessary resolutions for, among other things, the implementation of the Scheme or any adjournment thereof
- “Share(s)” the ordinary share(s) of HK\$0.10 each in the share capital of the Company
- “Shareholder(s)” the registered holder(s) of the Shares
- “Stock Exchange” The Stock Exchange of Hong Kong Limited
- “Takeovers Code” the Hong Kong Code on Takeovers and Mergers
- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 18 October 2004. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$300,000,000 divided into 3,000,000,000 Shares of which 1,195,797,307 Shares had been issued fully paid or credited as fully paid.
- (C) Each of the Offeror and the members of the Founder Group 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 for the purpose of giving effect to this Scheme.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme. The primary purpose of the Scheme is to cancel all of the Scheme Shares and to issue new Shares to the Offeror such that the Company will become wholly-owned by the Offeror.

THE SCHEME**PART I****CANCELLATION OF THE SCHEME SHARES**

1. On the Effective Date:
 - (a) all of the Scheme Shares will be cancelled; and
 - (b) contemporaneously with the cancellation of the Scheme Shares, the Company will issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled such that the issued share capital of the Company will be maintained at the amount in issue immediately prior to the cancellation of the Scheme Shares. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid.

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 pursuant to the Joint Offeror Cooperation Arrangement.

PART III**GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to Scheme Shareholders (other than the members of the Founder Group) 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 following 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 payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, 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 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.

Dated: 22 March 2021

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



(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

**UNAUDITED FY20/21 THIRD QUARTER TRADING UPDATE
FOR THE THREE MONTHS ENDED 30 NOVEMBER 2020**

This announcement is made by I.T Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) is pleased to present the selected unaudited financial information of the Company and its subsidiaries (the “**Group**”) for the three months ended 30 November 2020 (the “**Third Quarter**”) and nine months ended 30 November 2020:

Same-store-sales-growth (in their respective local currencies) – key operating markets:

3 months ended 30 November 2020	YOY change
Hong Kong & Macau	-23.5%
Mainland China	+5.1%
Japan & the USA	-36.8%

9 months ended 30 November 2020	YOY change
Hong Kong & Macau	-42.0%
Mainland China	-3.9%
Japan & the USA	-48.0%

Gross profit margin (Note) – key operating markets:

	3 months ended 30 November 2020	YOY change
Hong Kong & Macau	56.4%	-2.2%pt
Mainland China	61.7%	+0.2%pt
Japan & the USA	62.8%	-6.7%pt
Group	61.1%	-1.2%pt

	9 months ended 30 November 2020	YOY change
Hong Kong & Macau	50.8%	-7.9%pt
Mainland China	57.8%	-3.6%pt
Japan & the USA	61.5%	-8.9%pt
Group	57.1%	-5.1%pt

Note: Gross profit margin represents gross profit divided by revenue for the respective periods.

Our sales performance was severely affected by the COVID-19 situation over the period. The decline in same-store-sales-growth in most markets was primarily a result of COVID-19 related restrictions and decline in inbound tourism. Our Mainland China region has seen positive same-store-sales growth in the Third Quarter after a gradual recovery from the public health crisis during the period.

Gross profit margins decreased in the Third Quarter when compared with the corresponding period in 2019 but improved compared with the first two quarters of this financial year (other than the gross profit margin for the Japan & the USA segment which deteriorated). The year-on-year decrease in gross profit margins was principally due to the extra discount-related promotions that we have offered during the period to boost sales.

As a result of the overall market conditions caused by the COVID-19 pandemic and its continuous adverse impact on the short-term to long-term economy, the Group recognised non-cash impairment of non-financial assets of HK\$119.8 million for the Hong Kong and Macau segment in its unaudited consolidated management accounts for the Third Quarter. Together with the non-cash impairment of non-financial assets of HK\$200.7 million recognised during the six months ended 31 August 2020, the Group recognised non-cash impairment of non-financial assets of HK\$320.5 million in total during the nine months ended 30 November 2020. No such impairments were recognised during the three months ended 30 November 2019.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Reference is made to the announcement jointly issued by Brooklyn Investment Limited (the “**Offeror**”) and the Company dated 6 December 2020 (the “**Rule 3.5 Announcement**”) in relation to, among other things, the proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Rule 3.5 Announcement.

This announcement is made after the commencement of the offer period (as defined under the Takeovers Code) in respect of the Proposal. Pursuant to Rule 10 of the Takeovers Code, the unaudited gross profit margins for the three months and nine months ended 30 November 2020 as stated in this announcement constitute a profit estimate (the “**Profit Estimate**”) which must be reported on by the Company’s financial adviser and its auditors or consultant accountants in accordance with the Takeovers Code.

The Profit Estimate has been reported on by PricewaterhouseCoopers, the auditor of the Company, and Challenge Capital Management Limited and China Tonghai Capital Limited, the joint independent financial advisers (the “**Joint Independent Financial Advisers**”) to the Independent Board Committee.

PricewaterhouseCoopers has reported that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020. PricewaterhouseCoopers has conducted their engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA.

The Joint Independent Financial Advisers have reviewed the Profit Estimate and discussed the bases of the Profit Estimate with the senior management of the Company, and are of the opinion that the Profit Estimate has been made with due care and consideration.

The letters issued by PricewaterhouseCoopers and the Joint Independent Financial Advisers are set out in Appendix I and Appendix II to this announcement, respectively.

Each of PricewaterhouseCoopers and the Joint Independent Financial Advisers has given and has not withdrawn their consent to the issue of this announcement with the inclusion of its letter and references to use its name in the form and context in which they appear in this announcement.

BASIS OF PREPARATION

The Profit Estimate was prepared based on the unaudited consolidated management accounts of the Group for the nine months ended 30 November 2020 and the three months ended 30 November 2020, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020. No assumptions were involved in the making of the Profit Estimate as the Profit Estimate relates to periods which have already ended.

WARNINGS

The Board would like to remind Shareholders and potential investors that the above trading update is compiled based on the Company's internal records and management accounts for the three months and nine months ended 30 November 2020, which have not been reviewed or audited by the auditor of the Company. The Profit Estimate has been reported on in accordance with Rule 10 of the Takeovers Code but has not been audited by the auditor of the Company. **Shareholders and potential investors are advised to 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.**

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 26 February 2021

As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai, Mr. SHAM Kin Wai and Mr. CHAN Wai Kwan as Executive Directors and Mr. Francis GOUTENMACHER, Dr. WONG Tin Yau, Kelvin, JP and Mr. Tsang Hin Fun, Anthony as Independent Non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

APPENDIX I – LETTER ISSUED BY PRICEWATERHOUSECOOPERS



羅兵咸永道

The Board of Directors
I.T Limited
31/F, Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

26 February 2021

Dear Sirs,

I.T Limited (the “Company”)

Profit Estimate for the Three Months and Nine Months Ended 30 November 2020

We refer to the following profit estimate set out in the announcement dated 26 February 2021 (the “**Announcement**”) issued by the Company in connection with the unaudited third quarter trading update for the three months and nine months ended 30 November 2020.

The unaudited figure of the Company and its subsidiaries (collectively referred to as the “**Group**”) set out below (the “**Trading Update Profit Estimate**”) is extracted from the Announcement:

Gross profit margin – key operating markets:

	3 months ended 30 November 2020
Hong Kong & Macau	56.4%
Mainland China	61.7%
Japan & the USA	62.8%
Group	61.1%

	9 months ended 30 November 2020
Hong Kong & Macau	50.8%
Mainland China	57.8%
Japan & the USA	61.5%
Group	57.1%

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibilities

The Trading Update Profit Estimate has been prepared by the directors of the Company (the “**Directors**”) based on the unaudited management accounts of the Group for the three months and nine months ended 30 November 2020.

The Directors are solely responsible for the Trading Update Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Trading Update Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Trading Update Profit Estimate in accordance with the bases adopted by the Directors and as to whether the Trading Update Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Trading Update Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out in the Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER ISSUED BY THE JOINT INDEPENDENT FINANCIAL ADVISERS



The Board of Directors
I.T Limited
31/F, Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

26 February 2021

Dear Sirs,

I.T Limited (the “Company”)

We refer to the information in relation to the Trading Update Profit Estimate (as defined below) set out in the announcement dated 26 February 2021 (the “**Announcement**”) issued by the Company in connection with the unaudited third quarter trading update for the three months and nine months ended 30 November 2020. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The unaudited gross profit margins for the three months and nine months ended 30 November 2020 as extracted from the Announcement are set out below:

Gross profit margin – key operating markets:

	3 months ended 30 November 2020
Hong Kong & Macau	56.4%
Mainland China	61.7%
Japan & the USA	62.8%
Group	61.1%

	9 months ended 30 November 2020
Hong Kong & Macau	50.8%
Mainland China	57.8%
Japan & the USA	61.5%
Group	57.1%

The aforesaid unaudited gross profit margins are regarded as a profit estimate (the “**Trading Update Profit Estimate**”) under Rule 10 of the Takeovers Code and, therefore, is required to be reported on by the Company’s financial adviser and its auditors or consultant accountants. This letter is issued in compliance with the requirement under Rule 10 of the Takeovers Code.

The Directors are solely responsible for the Trading Update Profit Estimate. The Trading Update Profit Estimate has been prepared based on the unaudited consolidated management accounts of the Group for the three months and nine months ended 30 November 2020. We have reviewed the Trading Update Profit Estimate and discussed the bases of the Trading Update Profit Estimate with the senior management of the Company. Furthermore, we have considered, and relied upon, the letter addressed to the Board of Directors dated 26 February 2021 from PricewaterhouseCoopers, the reporting accountant of the Company, regarding the accounting policies and calculations upon which the Trading Update Profit Estimate has been made which states that, so far as the accounting policies and calculations are concerned, the Trading Update Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 29 February 2020 and the unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2020.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the senior management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company, its subsidiaries, associates and/or joint ventures. Save as provided in this letter, we do not express any other opinion or views on the Trading Update Profit Estimate. The Directors remain solely responsible for the Trading Update Profit Estimate. This letter is provided to the Board solely for the purpose of complying with Rule 10 of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

On the basis of the foregoing, we are of the opinion that the Trading Update Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,

For and on behalf of
Challenge Capital Management Limited

Jackson Woo
Managing Director

For and on behalf of
China Tonghai Capital Limited

Benny Chung
Chief Executive Officer

Noelle Hung
Managing Director

NOTICE OF SCHEME MEETING

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2021: No. 19

IN THE MATTER OF

I.T LIMITED

AND

SECTION 99 OF THE COMPANIES ACT 1981

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 4 March 2021 made in the above matter, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Scheme Meeting**”) of the Scheme Shareholders (as defined in the Scheme hereinafter mentioned) to be convened 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 I.T Limited (the “**Company**”) and the Scheme Shareholders and that the Scheme Meeting will be held at Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 16 April 2021 at 10:00 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of an explanatory statement required by section 100 of the Companies Act 1981 explaining, amongst other things, the effect of the Scheme are incorporated in the composite scheme document of which this notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Scheme Meeting or they may appoint another person, whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Scheme Meeting (or any adjournment thereof) is enclosed with the composite scheme document. The completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Scheme Meeting, or any adjournment thereof, if he/she so wishes and in such event, the **pink** form of proxy previously submitted will be revoked by operation of law.

In the case of joint holders of a Scheme Share (as defined in the Scheme), any one of such joint holders may vote at the Scheme Meeting, either in person or by proxy, in respect of the Shares (as defined in the Scheme) registered in their joint names as if he/she was solely entitled thereto. However, if more than one of such joint holders is present at the Scheme Meeting in person or by proxy, the vote of

NOTICE OF SCHEME MEETING

the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding of the Shares.

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 Scheme 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.

It is requested that the **pink** form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 10:00 a.m. on Wednesday, 14 April 2021, but if the **pink** form of proxy is not so lodged, it may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting before the taking of the poll and the chairman of the Scheme Meeting shall have absolute discretion as to whether or not to accept it. Please note that Friday, 2 April 2021 to Tuesday, 6 April 2021 are not working days in Hong Kong and the offices of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of the **pink** forms of proxy.

By the Order, the Court has appointed Sham Kar Wai, a director of the Company, or failing him any other director of the Company or the secretary of the Company as at the date of the Scheme Meeting, to act as the chairman of the Scheme Meeting and has directed the chairman of the Scheme Meeting to report the proceedings of and voting at the Scheme Meeting to the Court.

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

Dated: 22 March 2021

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

Notes:

1. Voting at the Scheme Meeting will be determined by way of a poll.
2. Any shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Scheme Meeting, the register of members of the Company will be closed from Tuesday, 13 April 2021 to Friday, 16 April 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the right to attend and vote at the Scheme Meeting, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 12 April 2021.

NOTICE OF SCHEME MEETING

4. Given the ever-evolving COVID-19 pandemic and the importance of safeguarding the health and safety of the Shareholders and attendees of the Scheme Meeting, the Company will implement precautionary measures at the venue of the Scheme Meeting which include but are not limited to:
- (i) All shareholders, proxies and other attendees are subject to compulsory body temperature check at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius or has any flu-like symptoms or is otherwise unwell will not be permitted to enter into the venue.
 - (ii) All attending shareholders, proxies and other attendees are required to submit at the entrance of the venue a completed health declaration form (a copy can be downloaded from the Company's website at www.ithk.com). Any shareholder, proxy and other attendee who has travelled to areas outside of Hong Kong at any time in the preceding 14 days of the Scheme Meeting, or is subject to any compulsory quarantine prescribed by Department of Health of Hong Kong, or has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s), or lives with or has close contact with any person under home quarantine or self-quarantine in relation to COVID-19 will be denied entry into the venue.
 - (iii) All shareholders, proxies and other attendees are required to clean their hands with alcohol-based hand sanitizer before entering the venue. All participants must wear a surgical mask and observe good personal hygiene throughout the Scheme Meeting.
 - (iv) Appropriate distance and space will be maintained in the seating plan. As the meeting room is of limited capacity, the Company may have other alternative arrangement at the venue as may be necessary.
 - (v) The Company will not provide refreshments and will not distribute corporate gifts.
 - (vi) If any participant declines to comply with any of the abovementioned measures, the Company reserves the right to deny such person to enter into the venue or to request him/her to leave the venue.
 - (vii) The Company shall follow the latest directions under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation and implement further precautionary measures as and when necessary.

The Company strongly advises Scheme Shareholders to appoint the Chairman of the Scheme Meeting as their proxy to vote on the resolution as an alternative to attending and voting at the Scheme Meeting in person.

As at the date of this notice, the Executive Directors of the Company are Mr. Sham Kar Wai, Mr. Sham Kin Wai, and Mr. Chan Wai Kwan; and the Independent Non-Executive Directors are Mr. Francis Goutenmacher, Dr. Wong Tin Yau, Kelvin, JP and Mr. Tsang Hin Fun, Anthony.

NOTICE OF SGM

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



(Incorporated in Bermuda with limited liability)
(Stock Code: 999)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of I.T Limited (the “Company”) will be held at Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 16 April 2021 at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Scheme Meeting), for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the scheme document of the Company dated 22 March 2021 of which this notice forms part.

SPECIAL RESOLUTION

1. “**THAT**, for the purpose of giving effect to the Scheme between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Scheme Meeting, on the Effective Date, any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares be and is hereby approved.”

ORDINARY RESOLUTIONS

2. “**THAT**:
 - (A) subject to and contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained by the allotment and issue to the Offeror of such number of new shares of the Company (the “**New Shares**”), credited as fully paid, as is equal to the number of the Scheme Shares cancelled;
 - (B) the Company shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par the New Shares; and
 - (C) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company from the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of the issued share capital of the Company; (iii) the allotment and issuance of the New Shares to the Offeror 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 Court may see fit to impose.”

NOTICE OF SGM

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

By order of the Board
I.T Limited
Sham Kar Wai
Chairman

Hong Kong, 22 March 2021

Notes:

1. Each of the resolutions set out in the above notice will be put to the vote by way of a poll.
2. Any shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A **white** form of proxy for use at the SGM (or any adjournment thereof) is enclosed with the Scheme Document. In order to be valid, the **white** form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Please note that Friday, 2 April 2021 to Tuesday, 6 April 2021 are not working days in Hong Kong and the offices of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of the **white** forms of proxy. The completion and return of the **white** form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM or any adjournment thereof and, in such event, the **white** form of proxy will be revoked by operation of law.
5. For the purpose of determining the entitlements of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 13 April 2021 to Friday, 16 April 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the right to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 12 April 2021.
6. Given the ever-evolving COVID-19 pandemic and the importance of safeguarding the health and safety of the Shareholders and attendees of the SGM, the Company will implement precautionary measures at the venue of the SGM which include but are not limited to:
 - (i) All shareholders, proxies and other attendees are subject to compulsory body temperature check at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius or has any flu-like symptoms or is otherwise unwell will not be permitted to enter into the venue.
 - (ii) All attending shareholders, proxies and other attendees are required to submit at the entrance of the venue a completed health declaration form (a copy can be downloaded from the Company’s website at www.ithk.com). Any shareholder, proxy and other attendee who has travelled to areas outside of Hong Kong at any time in the preceding 14 days of the SGM, or is subject to any compulsory quarantine prescribed by Department of Health of Hong Kong, or has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s), or lives with or has close contact with any person under home quarantine or self-quarantine in relation to COVID-19 will be denied entry into the venue.

NOTICE OF SGM

- (iii) All shareholders, proxies and other attendees are required to clean their hands with alcohol-based hand sanitizer before entering the venue. All participants must wear a surgical mask and observe good personal hygiene throughout the SGM.
- (iv) Appropriate distance and space will be maintained in the seating plan. As the meeting room is of limited capacity, the Company may have other alternative arrangement at the venue as may be necessary.
- (v) The Company will not provide refreshments and will not distribute corporate gifts.
- (vi) If any participant declines to comply with any of the abovementioned measures, the Company reserves the right to deny such person to enter into the venue or to request him/her to leave the venue.
- (vii) The Company shall follow the latest directions under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation and implement further precautionary measures as and when necessary.

The Company strongly advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote on the resolution as an alternative to attending and voting at the SGM in person.

As at the date of this notice, the Executive Directors of the Company are Mr. Sham Kar Wai, Mr. Sham Kin Wai, and Mr. Chan Wai Kwan; and the Independent Non-Executive Directors are Mr. Francis Goutenmacher, Dr. Wong Tin Yau, Kelvin, JP and Mr. Tsang Hin Fun, Anthony.