

I.T 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
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Registered office:

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Principal Place of Business:

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11 Yip Hing Street
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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- (d) the listing of the Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.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.

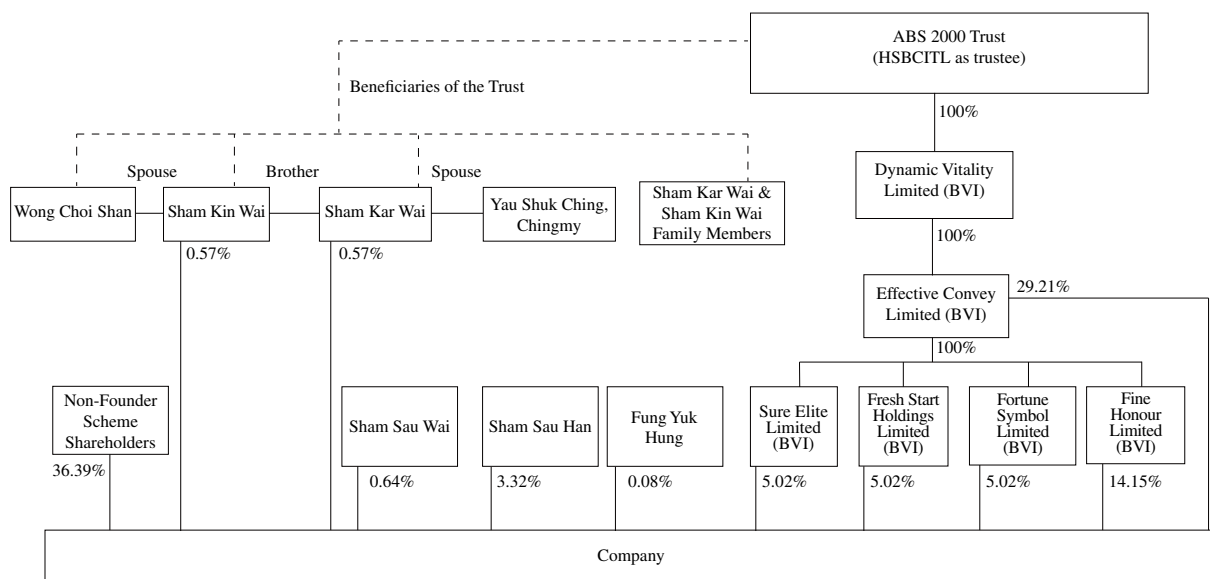
Note (3): Mr. Sham Kin Wai is an executive Director and the chief creative officer of the Company.

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.

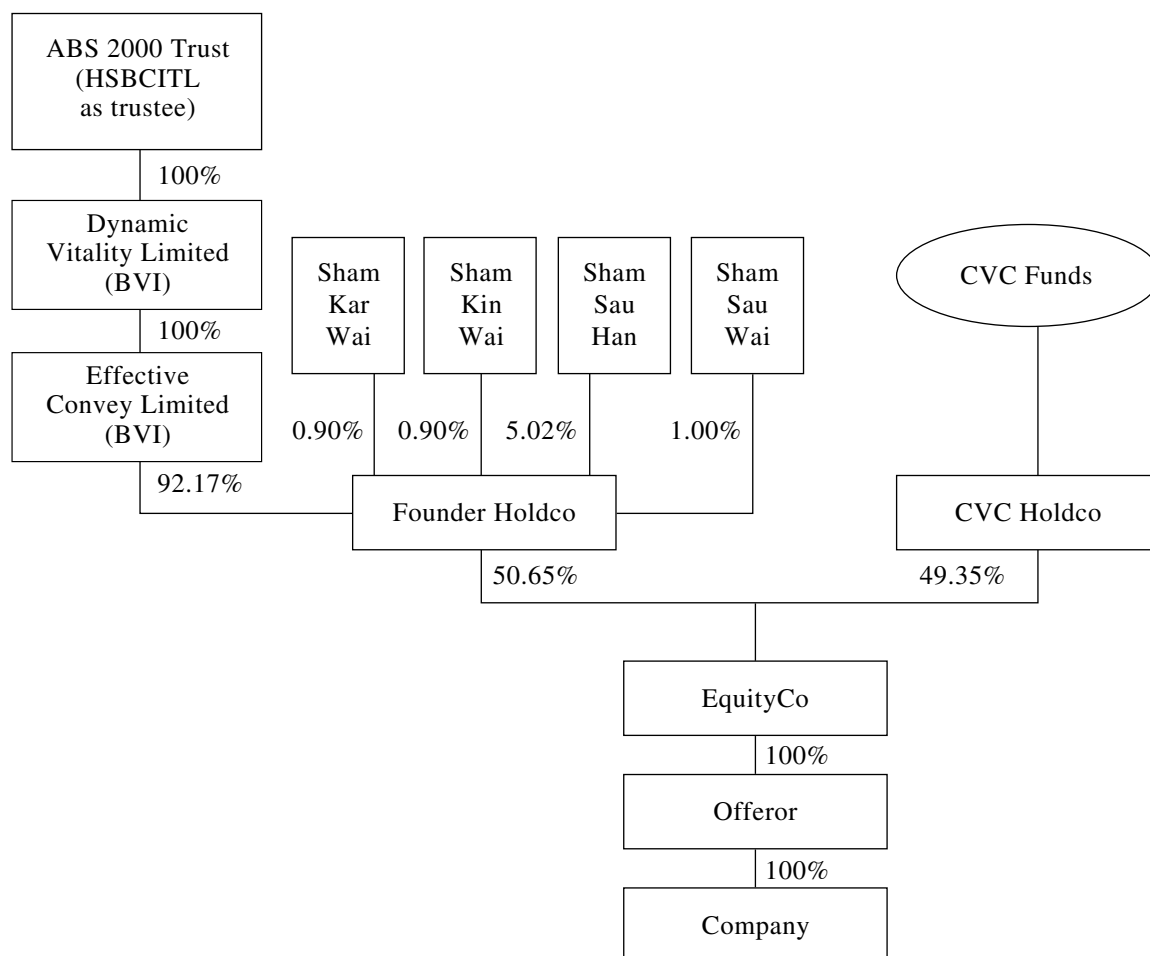
Note (5): Morgan Stanley is the financial adviser to the Offeror in relation to the Proposal. Accordingly, Morgan Stanley and relevant members of the Morgan Stanley group which hold Shares on their own account or on a discretionary managed basis are presumed to be acting in concert with the Offeror in 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.

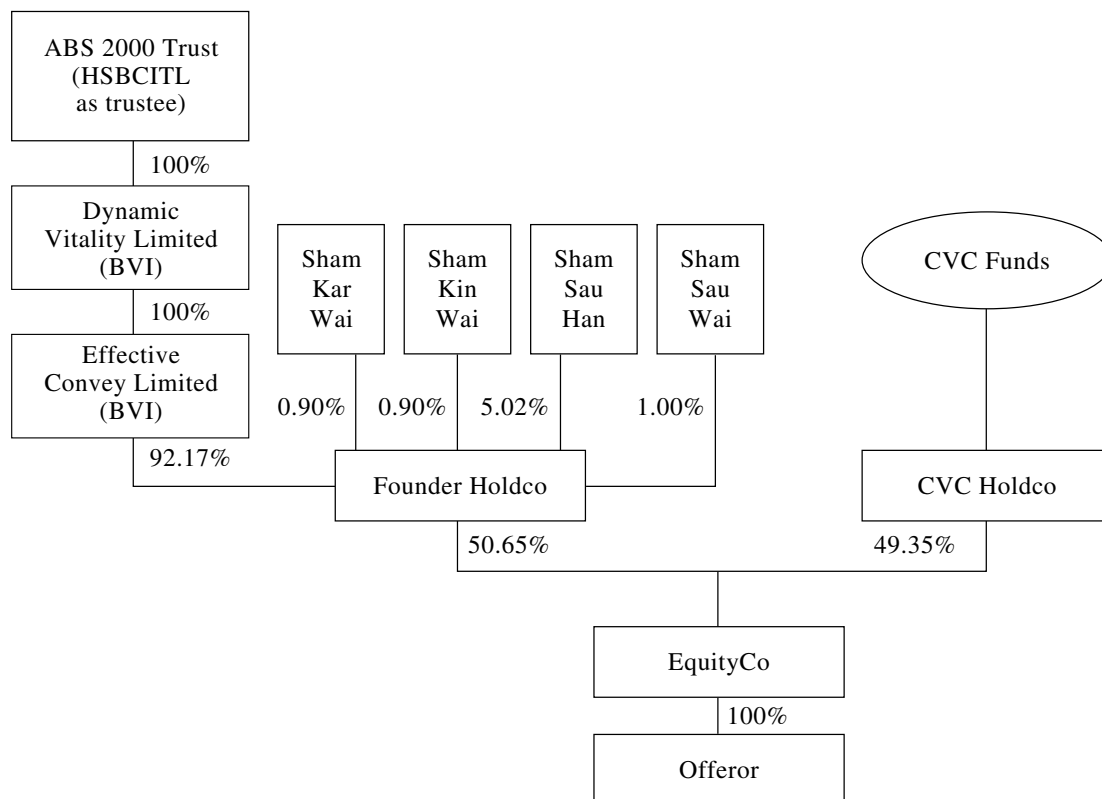
For EquityCo’s share capital structure immediately upon completion of the Restructuring, please refer to the section headed “*Restructuring*” above.

- (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

Yours faithfully,
By order of the Board of
I.T Limited

A handwritten signature in black ink, consisting of a stylized 'S' followed by a long, sweeping horizontal stroke that extends to the right.

Sham Kar Wai
Chairman