

TIL

Notice of Meeting & Scheme booklet

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NEW ZEALAND LIMITED

For a scheme of arrangement between Trilogy International Limited (TIL) and its shareholders in relation to the proposed acquisition of all of the fully paid ordinary shares in TIL at a price of NZ\$2.90 per share by TIL NZ Rose Investment Limited, a wholly-owned subsidiary of CITIC Capital China Partners III, L.P.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL.



The special meeting will be held at:

TIME: 10 a.m. (New Zealand time)

SCHEDULED DATE: Wednesday, 14 March 2018

PLACE: The Maritime Room, Princess Wharf, Corner Quay and Hobson Street, Auckland, New Zealand

IMPORTANT

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to any aspect of the Scheme, you should seek advice from your financial, taxation or legal adviser.

If you have sold all of your shares in TIL to which this offer applies, you should immediately hand this offer document and the accompanying acceptance form to the purchaser or the agent (e.g. the broker) through whom the sale was made, to be passed onto the purchaser.

An Independent Adviser's report on the merits of the Scheme accompanies this Scheme Booklet and should be read carefully.



trilogy SENSITIVE
Very Gentle Hydra-Mask
with maqui berry, SyriCalm®, sweet almond
e 60ml/2.1oz US

trilogy SENSITIVE
Very Gentle Moisturising Cream
with maqui berry, SyriCalm®, calendula
e 60ml/2.1oz US

trilogy SENSITIVE
Very Gentle Restoring Oil
with maqui berry, apricot, sea buckthorn
e 30ml/1.01fl.oz US

trilogy SENSITIVE
Very Gentle Cleansing Cream
with maqui berry, SyriCalm®, camellia
e 200ml/6.9fl.oz US

Important Information

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- provide you with information about the proposed acquisition of TIL by CITIC;
- explain the terms and effect of the Scheme;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether or not to vote in favour of the Scheme; and
- communicate the information required by the Takeovers Panel in relation to the Scheme.

This Scheme Booklet is not a product disclosure statement.

Your decision

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser before making any decision regarding the Scheme.

Not an offer

This Scheme Booklet does not constitute an offer to Shareholders (or any other person), or a solicitation of an offer from Shareholders (or any other person), in any jurisdiction.

Laws of New Zealand

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information in it may not be the same as might have been disclosed had the Scheme Booklet been prepared in accordance with the laws and regulations of another jurisdiction.

Forward looking statements

This Scheme Booklet contains certain forward looking statements which are subject to risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of TIL to be materially different.

Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Neither TIL nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

Privacy and personal information

TIL and CITIC may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist TIL

and CITIC to conduct the Scheme Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Computershare, print and mail service providers, proxy solicitation firms, Related Companies of TIL and CITIC and TIL's and CITIC's service providers and advisers. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Computershare in the first instance, if you wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, TIL:

- the CITIC Information has been prepared by, and is the responsibility of, CITIC. TIL and its Directors, officers and employees have not been involved in preparing or verifying any of the CITIC Information and will not assume any responsibility for the accuracy or completeness of the CITIC information. The CITIC Group and its respective officers and employees do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet other than the CITIC Information, and
- the Independent Adviser's Report set out in Annexure C has been prepared by, and is the responsibility of, the Independent Adviser. TIL and its Directors, officers, employees and advisers have not been involved in the preparation of the Independent Adviser's Report, otherwise than to provide information to, or answer questions from, the Independent Adviser.

To the maximum extent permitted by law, TIL and its Directors, officers, employees and advisers do not assume any responsibility for the contents of any website referenced in this Scheme Booklet.

Role of Takeovers Panel and High Court

The fact that the Takeovers Panel has provided a letter indicating that it does not intend to object to the Scheme, or that the High Court has ordered that a meeting be convened, does not mean that the Panel or the High Court:

- has formed any view as to the merits of the proposed Scheme or as to how shareholders should vote – on this matter, shareholders must reach their own decision, or
- has prepared, or is responsible for the content of, the Scheme Booklet or any other material.

Notice of the Final Court Hearing

If you wish to oppose the Scheme at the Final Court Hearing (which will take place after the Scheme Meeting), you must file by 21 March 2018 a notice of appearance or a notice of opposition together with supporting documents at the High Court and at the offices of Chapman Tripp, Level 35, 23 Albert Street, Auckland 1010, NZ (attention Edward Scorgie).

Further information available

Further information is available at <http://investors.tilbrands.com/investor-centre/?page=scheme>.

Defined terms

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in Section 6.

Date of this Scheme Booklet

This Scheme Booklet is dated 22 February 2018.

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Indicative Timetable

<i>Event</i>	<i>Indicative date/time</i>
Proxy Forms return Date	10.00 a.m., 12 March 2018
Voting Eligibility Date	7:00pm, 12 March 2018
Scheme Meeting held	10.00 a.m., Wednesday 14 March 2018 at The Maritime Room, Princess Wharf, Corner Quay and Hobson Street, Auckland, New Zealand
Last date for filing objection for the Final Court Hearing	21 March 2018
Final Court Hearing Date	28 March 2018 (or such later date as the High Court directs)
Last day of trading in TIL Shares	11 April 2018 (TIL Shares are expected to be suspended from trading on both the NZX Main Board and ASX from close of trading on this date)
Scheme Record Date	7:00pm, 13 April 2018
Implementation Date	20 April 2018 (the date on which the Scheme Shareholders are paid)
End Date	31 May 2018 (or such later date as TIL and CITIC may agree)

All dates in the table above are indicative only (except for the End Date), and, among other things, are subject to the satisfaction or waiver of all Conditions and to obtaining necessary approvals from the High Court.

Any changes to the above timetable will be announced to the NZX (at <https://www.nzx.com>) and ASX (at <https://www.asx.com.au>) and notified on TIL's website at <http://investors.tilbrands.com/investor-centre/?page=scheme>.

If the Conditions to the Scheme have not been satisfied or waived (if capable of waiver) by the End Date, the Scheme may not proceed unless TIL and CITIC agree to extend the End Date.

Section 1: Chairman's letter



22 February 2018

Dear Shareholder,

On behalf of the TIL Board, I am pleased to provide you with this Scheme Booklet, which contains all the information you should need regarding the proposed acquisition of your TIL shares by TIL NZ Rose Investment Limited, a wholly owned subsidiary of CITIC.

The proposed acquisition is to be completed via a Scheme of Arrangement. If the proposed Scheme is approved and all conditions are satisfied, Shareholders will receive NZ\$2.90 in cash for each TIL Share. This is expected to be paid to Shareholders on 20 April 2018. This Scheme Booklet has been prepared to help you assess the merits of the Scheme before you vote.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR

In the absence of a Superior Proposal arising, your Directors unanimously recommend that you **VOTE IN FAVOUR** of the Scheme of Arrangement. Your Directors intend to vote **IN FAVOUR** with regard to all the TIL Shares that they own or control, subject to the same condition.

Your Directors have carefully considered the advantages and disadvantages of CITIC's proposal. In recommending the Scheme, your Directors have taken into account the following:

- *The Scheme provides an attractive opportunity for Shareholders to realise the value of their TIL Shares in cash now*
 - The Directors are confident the Scheme represents a strong offer, including when considering recent trading performance and growth in the markets for TIL's products, as well as the execution risks associated with further growth.
- *Shareholders are able to realise value for their TIL Shares at a material premium to the market price prior to the proposal*
 - The Scheme Consideration of NZ\$2.90 represents:
 - a premium of 27.8% to TIL's closing share price on the NZX Main Board on 14 December 2017, the last trading day prior to the announcement of TIL's entry into the Scheme Implementation Agreement with CITIC; and
 - a premium of 28.1% to TIL's volume weighted average share price for the three months ended 14 December 2017.
- *NZ\$2.90 is at the upper end of the Independent Adviser's valuation range*
 - The Independent Adviser, Grant Samuel & Associates Limited, has assessed the value of TIL shares to be in the range of NZ\$2.59 to NZ\$2.94 per share.

- *TIL's largest shareholder intends to vote in favour of the Scheme*
 - The Business Bakery, which holds 31.2% of TIL Shares, intends to vote all of its TIL Shares in favour of the Scheme, on the condition that no Superior Proposal arises.
- *CIDSUR, a 3.59% shareholder in TIL has appointed TIL as its attorney to vote its TIL Shares in favour of the Scheme.*
 - CIDSUR is required to vote in a separate interest class because the legal effect of the Scheme for CIDSUR is different to all other Shareholders, as CIDSUR's TIL Shares will not be sold under the Scheme but will be transferred to TIL and cancelled by 30 March 2018 (whereas all other Shareholders will be paid the Scheme Consideration for their Shares). CIDSUR has appointed TIL as its attorney and directed it to vote the TIL Shares in favour of the Scheme. See Note 2 to the Notice of Meeting or Section 3.11 for further detail.
- *No Superior Proposal has emerged that the Directors believe will result in Shareholders realising equivalent or higher value for their shares.*
- *You will not pay any brokerage on the transfer of your TIL Shares to CITIC under the Scheme.*

YOUR ACTION IS REQUIRED

Your vote is very important, regardless of how many TIL Shares you own. I strongly encourage you to exercise your right to vote on this important transaction.

Please read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You may also wish to seek independent legal, financial, taxation or other professional advice.

If you are unable to attend the meeting in person, please exercise your right to vote by appointing a proxy to attend and vote on your behalf. A personalised Voting/Proxy Form accompanies this Scheme Booklet. Alternatively, you can appoint a proxy online at www.investorvote.co.nz.

On behalf of the Directors, I would like to reiterate our support for the Scheme. We encourage you to vote, and **IN FAVOUR** of the Scheme.

I look forward to your participation at the Special Meeting at 10.00 a.m. on Wednesday, 14 March 2018.

Yours sincerely



Grant Baker
Chairman

22 February 2018

Section 2: Notice of Meeting

Notice is given that a Scheme Meeting of Shareholders of Trilogy International Limited will be held:

Date: Wednesday, 14 March 2018

Time: 10.00 a.m. (New Zealand time)

Where: The Maritime Room, Princess Wharf, Corner Quay and Hobson Street, Auckland, New Zealand



Agenda

Scheme Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution:

That the Scheme (the terms of which are described in the Scheme Booklet) be approved.

Note the Scheme Resolution will be put as a single resolution for the purposes of confirming the approvals of each interest class and a simple majority of the votes of all Shareholders.

Voting will be by a poll and Computershare and TIL's auditor will confirm whether or not each of the relevant voting thresholds have been met in respect of the Scheme Resolution (see the explanatory notes below).

By order of the Board of Directors

Stephen Sinclair
Acting Company Secretary

22 February 2018

Notes

1. The Scheme Booklet (which includes this Notice of Meeting) provides information in relation to the Scheme Resolution and the Scheme, how the Scheme will be implemented and the reasons for proposing the Scheme. A Proxy Form accompanies this Scheme Booklet.
2. For the Scheme to be approved by the Shareholders, the votes cast in favour of the Scheme Resolution at the Scheme Meeting must represent:
 - 75% or more of the votes cast by the Shareholders in each interest class entitled to vote and voting on the Scheme Resolution (there are two separate interest classes; one is comprised solely of CIDSUR and the other is comprised of all of the other Shareholders); and
 - more than 50% of the votes of all Shareholders entitled to vote on the Scheme Resolution. This resolution applies in respect of the total number of TIL Shares on issue, rather than by each interest class separately.
3. Each of the voting thresholds set out in note 2 above must be met for the Scheme Resolution to be approved. TIL only has one class of shares, all of which are fully paid up, ordinary shares, with identical voting rights. However, CIDSUR is required to vote in a separate interest class because the legal effect of the Scheme for CIDSUR is different to all other Shareholders. CIDSUR currently holds 3.59% in TIL, and those shares will not be sold under the Scheme but will be transferred to TIL and cancelled by 30 March 2018 (whereas all other Shareholders will be paid the Scheme Consideration for their Shares). Under a support agreement dated 24 January 2018, CIDSUR has appointed TIL as its attorney and directs it to vote the TIL Shares in favour of the Scheme. See Section 3.11 for further detail. For this reason, TIL will vote CIDSUR's TIL Shares as a separate interest class for the purpose of the 75% majority vote. TIL is still entitled to vote CIDSUR's TIL Shares (and have its vote counted) in the simple majority vote because there is no division of interest classes required under the Companies Act in respect of that vote.

If you are in favour of the Scheme, it is very important that you cast your vote.

4. The persons who will be entitled to vote at the Scheme Meeting are those persons (or their proxies or representatives) whose name is recorded in the Register at the Voting Eligibility Date.
5. Shareholders who are eligible to vote can vote:
 - **in person** – by attending the Scheme Meeting and bringing your personalised admission card (which accompanies this Scheme Booklet);
 - **by proxy** – by completing, signing and lodging the Proxy Form in accordance with the instructions on that form; or
 - **by corporate representative** – a company which is a Shareholder may appoint a person to attend the Scheme Meeting on its behalf in the same manner as that in which it could appoint a proxy.

6. To appoint a proxy, completed Proxy Forms must be received by Computershare by no later than 10.00 a.m. (New Zealand time) on 12 March 2018. Completed Proxy Forms can be submitted:
- online: www.investorvote.co.nz
 - by mail: by sending to:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

or

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne Vic 3000,
Australia
 - by fax: +64 9 488 8787
7. A proxy need not be a Shareholder. You may, if you wish, appoint the Chairman (or any other Director) as your proxy. The Chairman and all other Directors intend to vote proxies in favour of the Scheme at the Scheme Meeting unless otherwise instructed.
8. If, in appointing a proxy, you have not named a person to be your proxy (either online or on the enclosed Proxy Form), or your named proxy does not attend the Scheme Meeting, the Chairman of the meeting will be your proxy and will vote in accordance with your express direction. If you have not included an express direction (either online or in the enclosed Proxy Form), then the Chairman will exercise your vote in favour of the Scheme.
9. Capitalised terms used in this Notice of Meeting have the meanings given to them in Section 6 (*Glossary*) of the Scheme Booklet.

Section 3: Information about the Scheme

3.1 Summary of the Scheme

The Scheme is the proposed transaction under which CITIC would acquire all of the shares in TIL for NZ\$2.90 cash per share. CITIC is registered as an exempted limited partnership registered on 1 December 2015 under the Exempted Limited Partnership Law 2014 of the Cayman Islands, whose general partner is CCP III GP Limited.

For the Scheme to be implemented, it needs to be approved by Shareholders and certain regulatory authorities. Approval from the New Zealand High Court is also required.

The Scheme follows confidential discussions between CITIC and the TIL Board and a period of due diligence. Upon conclusion of the negotiations TIL and CITIC entered into the Scheme Implementation Agreement.

Under the Scheme Implementation Agreement, TIL agreed to propose a Scheme of Arrangement between TIL, CITIC and Shareholders, the effect of which will be that all TIL Shares will be transferred to CITIC and CITIC will provide or procure the provision of the Scheme Consideration to Shareholders.

A summary of the break fee arrangements in the Scheme Implementation Agreement is set out below.

A break fee of NZ\$1 million plus GST (if any) is payable by CITIC to TIL in the following circumstances:

- if the Scheme Implementation Agreement is terminated because any of the Regulatory Conditions have not been satisfied or waived by the End Date; or
- the Scheme Implementation Agreement is terminated otherwise than above and TIL was (at the time of such termination) entitled to terminate the Scheme Implementation Agreement because any of the Regulatory Conditions for its benefit were not satisfied.

A break fee of NZ\$2 million plus GST (if any) is payable by TIL to CITIC under the Scheme Implementation Agreement in any one of the following circumstances:

- a Competing Proposal (or a potential Competing Proposal) is announced and the person or its associated entities making the Competing Proposal (or Potential Competing Proposal) completes in all material respects a transaction in relation to that Competing Proposal; or
- any TIL Director fails to
 - recommend that Shareholders vote in favour of the Scheme; or
 - undertake to vote or procure the voting of all the Shares held or controlled by him or her in favour of the Scheme, or changes, qualifies or withdraws that recommendation or undertaking or makes any statement inconsistent with that recommendation or undertaking; or
- CITIC terminates the Scheme Implementation Agreement due to a Prescribed Occurrence occurring on or after 14 December 2017 (but not where CITIC terminates the Scheme Implementation Agreement due to a Material Adverse Change).

However a break fee is not payable by TIL merely if the relevant shareholder voting thresholds are not achieved.

In addition, TIL, CIDSUR, and Forestal Casino have agreed some variations to the arrangements currently in place in relation to Forestal Casino. See Section 3.11 below for more detail.

A copy of the Scheme Implementation Agreement between TIL and CITIC is available at

<http://investors.tilbrands.com/investor-centre/?page=scheme>.

3.2 Rationale for the Scheme

TIL has entered into the Scheme with CITIC as the Directors believe it provides an attractive opportunity for Shareholders to realise the value of their TIL shares in cash now. The Scheme provides Shareholders the opportunity to determine the future of their investment in TIL through exercising their right to vote.

CITIC can also assist in accelerating the growth of TIL in international markets. In particular, CITIC's strong relationships in the Asian and US markets provide an opportunity to unlock the potential of the TIL brands, and achieve faster growth globally.

CITIC intends to retain TIL's Auckland head office and its current high quality senior management team and provide them with global support.

3.3 Reasons you may vote in favour of the Scheme

- a) *Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal*

Your Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution required to implement the Scheme, at the Special Meeting to be held on Wednesday 14 March 2018. In reaching their recommendation to vote in favour of the Scheme, your Directors have considered the merits of the Scheme, the Scheme Consideration in relation to the Independent Adviser's valuation range, as well as the outlook for TIL's businesses and broader market conditions.

All Directors that hold or control TIL Shares intend to vote all of the TIL Shares held or controlled by him or her in favour of the Scheme, in the absence of a Superior Proposal. The interests of your Directors are set out in Sections 5.2, 5.4, 5.5 and 5.9.

- b) *NZ\$2.90 is at the upper end of the Independent Adviser's valuation range of NZ\$2.59 to NZ\$2.94 per TIL Share*

Grant Samuel has been appointed as the Independent Adviser to prepare an Independent Adviser's Report on the merits of the Scheme.

Grant Samuel has assessed the value of TIL (including a premium for control) to be in the range of NZ\$2.59 to NZ\$2.94 per TIL Share. The Scheme Consideration of NZ\$2.90 cash per TIL Share is at the upper end of this range.

- c) *The Scheme provides an attractive opportunity for Shareholders to realise the value of their TIL Shares now for 100% cash consideration*

Your Directors are confident that TIL is well positioned to deliver growth across each of its four businesses in the long term. However, these initiatives will take time to implement and carry execution risks. Given this, your Directors recognise that the Scheme Consideration of 100% cash provides Shareholders an attractive opportunity to realise some of this future value now.

The Directors are confident the Scheme represents a strong offer, including when considering recent trading performance and growth in the markets for TIL's products, as well as the execution risks associated with further growth.

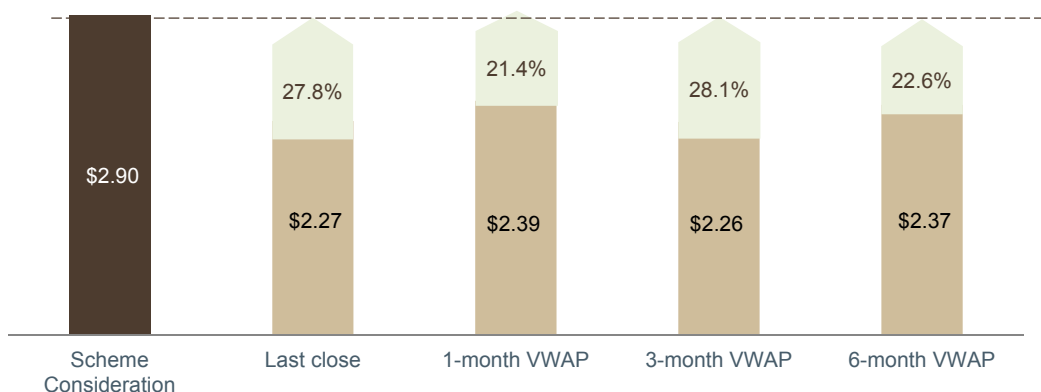
If the Scheme does not proceed, the amount which you will be able to realise for your investment in TIL by selling Shares on market or by receiving dividends, will be uncertain. You will continue to be subject to the benefits and risks associated with TIL's business and other general benefits and risks relating to any investment in a publicly listed company. Among other things, these benefits and risks include the performance of TIL's businesses, general economic conditions and movements in the share market.

The Scheme will remove these uncertainties for you by providing you with the ability to sell your shareholding in TIL at an attractive price.

- d) *The Scheme Consideration of NZ\$2.90 cash per share represents a material premium to the recent TIL share price on a variety of measures:*

- 27.8% premium to TIL's closing price on the NZX Main Board on 14 December 2017, the last trading day prior to the announcement of TIL's entry into the Scheme Implementation Agreement with CITIC;
- 21.4% premium to TIL's one-month volume weighted average price (VWAP) ending 14 December 2017;
- 28.1% premium to TIL's three-month VWAP ending 14 December 2017; and
- 22.6% premium to TIL's six-month VWAP ending 14 December 2017.

Offer price premium to recent TIL Share price



- e) *TIL's largest shareholder intends to vote its shares in favour of CITIC's proposal*

The Business Bakery, which holds 31.2% of TIL Shares, intends to vote all of its shares in favour of the Scheme, on the condition that no Superior Proposal arises.

- f) *The price at which TIL Shares trade may be less than the Scheme Consideration if the Scheme is not implemented and no Superior Proposal emerges*

Your Directors are unable to predict the price at which TIL Shares will trade in the future, but believe that if the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which your TIL Shares trade is likely to be below the Scheme Consideration being offered by CITIC.

The closing market price of TIL Shares on the NZX Main Board on 14 December 2017, the last trading day prior to the announcement of CITIC's proposal, was NZ\$2.27. Since market close on 14 December 2017, TIL's share price has increased 24%, up to NZ\$2.82 on 21 February 2018, being the last practicable date before the date of this Scheme Booklet.

In addition, the future trading price of TIL Shares will continue to be subject to any market volatility versus the certainty of value of the cash payment of the Scheme Consideration of NZ\$2.90 cash for each Scheme Share under the Scheme.

- g) *No Superior Proposal has emerged since the Scheme was announced*

Since the announcement of CITIC's proposal on 15 December 2017, and up to the date of this Scheme Booklet, no Superior Proposal has emerged. Your Directors believe that a Superior Proposal is not likely to be forthcoming.

- h) *No brokerage costs will be charged on the transfer of your TIL Shares to CITIC if the Scheme proceeds*

This is in contrast to selling your TIL Shares on the NZX Main Board or ASX where you may incur brokerage charges.

3.4 Reasons you may vote against the Scheme

- a) *You may consider that the Scheme is not in your best interests and disagree with your Directors' unanimous recommendation or the Independent Adviser's valuation range*

Despite the view of your Directors and the valuation range provided by the Independent Adviser, you may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.

- b) *You may wish to maintain an investment in a publicly listed company with the specific characteristics of TIL in terms of industry, operations, profile, size, capital structure and potential dividend stream*

If the Scheme is approved and implemented, you will be paid 100% cash consideration and cease to be a Shareholder. As such, you will no longer be able to participate in TIL's future financial performance or the future prospects of its on-going business. However, there is no guarantee as to TIL's future performance, as with all investments in listed securities.

- c) *You may consider that there is a possibility that a Superior Proposal could emerge*

However, note that your Directors have no basis to believe an alternative proposal will be received, given that:

- no Superior Proposal has emerged since the announcement of CITIC's proposal on 15 December 2017; and
- the Directors have not received any approaches since the announcement of CITIC's proposal on 15 December 2017.

- d) *You may consider that TIL has greater value over the longer term than you will receive under the Scheme*

If the Scheme is approved and implemented, it is expected to complete by 20 April 2018. This timeframe may not be consistent with your investment objectives and you may consider that your TIL Shares have greater value over the longer term.

You may consider that TIL has stronger long term growth potential and that the Scheme Consideration does not fully reflect your views on long term value. You may therefore prefer to retain your listed TIL Shares and realise the value of them over the longer term.

- e) *The tax implications of the Scheme may not suit your current financial position*

If the Scheme is approved and implemented, it will potentially result in tax implications for you, which may arise earlier than may otherwise have been the case.

- f) *You may consider that the Scheme is subject to conditions that you consider unacceptable*

The Scheme is subject to a number of Conditions, including Shareholder approval, High Court approval, no Material Adverse Change or no TIL Prescribed Occurrence arising.

All of the outstanding Conditions are summarised in Section 3.10. If these Conditions are not satisfied or waived (where capable of waiver) by 31 May 2018 (or such later date that TIL and CITIC may agree), the Scheme will not proceed (even if it

has been approved by Shareholders) and you will not receive the Scheme Consideration as contemplated by the Scheme, unless TIL and CITIC agree to extend this timeframe.

3.5 Additional matters for you to consider

- a) *You may sell your TIL Shares on the NZX Main Board or ASX at any time prior to suspension of TIL Shares from trading*

You should take into account that you may be able to sell your TIL Shares on the NZX Main Board or ASX at any time prior to the close of trading on the date which is two Business Days before the Scheme Record Date if you do not wish to hold them and participate in the Scheme. However, you should be aware that you may not receive consideration equivalent to the Scheme Consideration of NZ\$2.90 cash per share, and may incur brokerage charges on the sale. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to do so.

- b) *The Scheme may be implemented even if you do not vote at the Special Meeting or you vote against the Scheme*

Regardless of whether you vote for or against the Scheme, abstain or do not vote at all, the Scheme may still be implemented if it is approved by Shareholders and the High Court, and the other Conditions are satisfied or waived. If this occurs, your TIL Shares will be transferred to CITIC and you will receive the Scheme Consideration.

- c) *If the Scheme is implemented TIL will be delisted from the NZX and ASX*

If the Scheme is implemented, on a date to be determined by CITIC, TIL will apply:

- for termination of the official quotation of TIL Shares on the NZX Main Board and ASX; and
- to be removed from the NZX Main Board and the official list of the ASX from close of trading on the Implementation Date.

- d) *A break fee may be payable in some circumstances*

Depending on the reasons why the Scheme does not proceed, either TIL or CITIC may be liable to pay the break fee to the other party. However a break fee is not payable by TIL merely if the relevant shareholder voting thresholds are not achieved.

Further information on the break fee is set out in Section 3.1

- e) *By voting for the Scheme, you are authorising TIL to enforce the Scheme on your behalf*

If the Scheme is approved, you authorise TIL to enforce the Scheme on your behalf against CITIC.

- f) *An Independent Adviser's Report has been prepared in respect of the Scheme Consideration. A copy of that report is included in Annexure C.*

- g) *This Scheme Booklet has been sent because CITIC expects to have satisfied all Regulatory Conditions by the indicative Implementation Date.*

3.6 What happens if the Scheme is not approved ?

If the Scheme is not approved by Shareholders, or the High Court, or the other Conditions are not satisfied or waived:

- you will not receive the Scheme Consideration;
- your TIL Shares will not be transferred to CITIC (they will be retained by you);
- TIL will continue to operate as a stand-alone entity;
- you will continue to be exposed to the benefits and risks associated with an investment in TIL and other general benefits and risks relating to any investment in a publicly listed company; and
- the TIL share price may fall.

3.7 What you will receive under the Scheme

If the Scheme is implemented, Scheme Shareholders will receive NZ\$2.90 cash per share from CITIC for each TIL Share held as at the Scheme Record Date (estimated to be 13 April 2018). The NZ\$2.90 cash per share may be reduced by the per share amount of any dividend the record date for which falls on or between the date of the Scheme Implementation Agreement and the Implementation Date, although TIL has agreed under the SIA not to pay any further dividends while the Scheme remains conditional. No further dividends will be paid to you if the Scheme is implemented.

3.8 Tax implications of the Scheme

The tax implications of the Scheme will depend on the specific circumstances of each Shareholder.

For most New Zealand and Australian resident Shareholders that are not in the business of dealing in shares (or otherwise hold their shares on "revenue account") it is expected that the Scheme Consideration should not be taxable income.

For Australian resident Shareholders, capital gains tax may be payable depending on their own circumstances.

Each Shareholder should seek their own professional tax advice in relation to their personal tax position.

3.9 Your Directors' recommendation

As at the date of this Scheme Booklet, TIL has not received, and does not expect to receive, any other offer to purchase TIL. TIL does not expect to receive any offer for a higher price than that offered by CITIC under the Scheme.

Your Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.

Your Directors remain of the view that the Scheme presents the best way forward for TIL at this time, given the substantial premium to TIL's share price and the certainty provided by the Scheme.

Each of your Directors intends to vote all TIL Shares they hold or control, and all proxies (unless directed otherwise by the relevant Shareholder), in favour of the Scheme.

3.10 Status of Conditions

As at the date of this Scheme Booklet the following Conditions remain outstanding:

- receipt of relevant regulatory approvals (including approvals required from the Overseas Investment Office, Takeovers Panel, NZX and ASX) required to implement the Scheme;
- Shareholder approval of the Scheme by the requisite majorities;
- no restraining order or injunction being ordered by the court on the application of any Government Agency at 5:00pm on the Business Day before the Implementation Date that prohibits or restricts the implementation of the Scheme;
- no Material Adverse Change occurs between 14 December 2017 and 5:00pm on the Business Day before the Implementation Date (this covers a matter, event, condition or change in circumstances which is reasonably likely to reduce (by 15% or more) consolidated net tangible assets or the consolidated EBITDA of the TIL Group and is not an Excluded Event);
- no TIL Prescribed Occurrence occurring prior to 5:00pm on the Business Day before the Implementation Date (this covers matters such as changes to TIL's capital structure or business, insolvency events and various other prescribed events);
- no material breach of the TIL Undertakings up to 5:00pm on the Business Day before the Implementation Date and TIL Warranties are true and correct in all material respects as at 5:00pm on the Business Day before the Implementation Date;
- TIL having acquired and cancelled the 2,615,181 TIL Shares held by CIDSUR (as described in section 3.11, this is scheduled to occur on or before 30 March 2018);
- High Court approval of the Scheme.

TIL has no reason to believe that the Conditions will not be satisfied by the Implementation Date. However, if these Conditions are not satisfied or waived (where capable of waiver) by the End Date (being 31 May 2018 or such later date as TIL and CITIC may agree) the Scheme may not proceed (even if it has been approved by Shareholders) and you may not receive the Scheme Consideration. The High Court also has the power to order that the Scheme is subject to other terms and conditions as it sees fit, which may impact the implementation of the Scheme.

TIL intends to announce on the NZX and ASX the satisfaction or waiver of the Conditions as they occur, including the results of the Scheme Meeting.

Implementation of the Scheme will occur if the Scheme is approved by the requisite majorities of Shareholders, the High Court gives approval (and any conditions of that approval are satisfied) and the other Conditions are satisfied or waived (where capable of waiver). If this occurs, and you are a Shareholder as at the Scheme Record Date, your TIL Shares will be transferred to CITIC and you will receive the Scheme Consideration.

3.11 Variations to Forestal Casino arrangements and buy back of shares in TIL

Pursuant to the Scheme Implementation Agreement and the Scheme, TIL has agreed with CITIC to acquire and cancel the 2,615,181 TIL Shares held by CIDSUR prior to the Scheme being implemented, and in return, for TIL to transfer its 25% shareholding in Forestal Casino to CIDSUR. TIL and CIDSUR have unconditionally agreed to proceed with that transaction. This transaction will not impact the Scheme Consideration payable to Scheme Shareholders.

TIL's wholly-owned subsidiary, Trilogy Natural Products Limited, and Forestal Casino have also agreed several amendments to strengthen the long-term rosehip oil supply agreement between them, and to improve the day to day operational workings on the relationship. These amendments are intended to provide Trilogy Natural Products Limited with on-going and reliable access to Forestal Casino rosehip oil.

TIL has agreed with CIDSUR that it will make the changes described above on or before 30 March 2018. In the event that the Scheme is not implemented, the Forestal Casino changes would still proceed. In the meantime CIDSUR has appointed TIL as its attorney to vote its shares in favour of the Scheme at the meeting and as a separate interest class.

The changes will have a non-cash impact to TIL's consolidated net profit after tax for the FY18 period, but will not adversely affect its underlying trading financial performance

To give to give effect to these matters, on 22 January 2018, the Board of TIL resolved:

- i. that the acquisition of the CIDSUR TIL Shares is of benefit to the remaining Shareholders; and
- ii. that the terms of the acquisition and the consideration offered for the CIDSUR TIL Shares are fair and reasonable to the remaining Shareholders.

The reasons for the resolutions passed included that:

- (a) Given that Trilogy Natural Products Limited has secured suitable variations to the Rosehip Oil Supply Agreement with Forestal Casino, and the parties' relationship has strengthened, the acquisition of the shares held by CIDSUR is in TIL's best interests and beneficial to remaining shareholders.
- (b) The consideration for the acquisition of the Shares does not require any cash payment to be made the Company.
- (c) TIL has previously announced the Scheme with CITIC. As at the date of the resolutions, TIL complied with its continuous disclosure obligations, and there was no material "excluded information" (being material information that has not been disclosed to the market under the NZX Main Board Listing Rules).

The shares held by CIDSUR will be cancelled on acquisition. No director of TIL has any relevant interest in the shares to be acquired and cancelled, although the cancellation will have the consequential effect of increasing slightly the percentage of shares held by all other TIL shareholders.

After passing the board resolutions described above, and entry into binding agreements, on 31 January 2018 TIL advised NZX and ASX, that TIL had reached binding agreements with CIDSUR/Forestal Casino on these matters.

3.12 High Court approval of the Scheme

As the Scheme is to be implemented by a High Court approved scheme of arrangement under Part 15 of the Companies Act, the High Court is empowered to make orders binding on TIL, the Shareholders, CITIC and any other affected parties. Initial Court Orders were granted by the High Court on 22 February 2018. These Initial Court Orders require TIL to convene the Scheme Meeting. Provided that the Scheme Resolution is passed by the requisite majorities at the Scheme Meeting (refer below) and the other steps required to implement the Scheme (as set out in this Scheme Booklet) are realised, TIL will seek the Final Orders from the High Court, which will make the Scheme binding on TIL, the Shareholders (regardless of how or if individual Shareholders vote on the Scheme Resolution) and CITIC.

3.13 Voting requirements to approve the Scheme

For the Scheme to be approved by the Shareholders, the votes cast in favour of the Scheme Resolution at the Scheme Meeting must represent:

- 75% or more of the votes cast by the Shareholders in each interest class **entitled to vote and voting** on the Scheme Resolution (there are two separate interest classes; one is comprised solely of CIDSUR and the other is comprised of all of the other Shareholders); and
- more than 50% of the votes of all Shareholders **entitled to vote** on the Scheme Resolution. This resolution applies in respect of the total number of TIL Shares on issue, rather than by each interest class separately.

In addition, CITIC must approve the Scheme and it has already agreed to do so under the terms of the Deed Poll contained in Annexure B of this Scheme Booklet.

3.14 Takeovers Panel's no objection statement

TIL has applied for a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making the final orders to approve the Scheme.

3.15 Shareholder warranties

Each Scheme Shareholder is deemed to have warranted to CITIC that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme to CITIC will, at the time of transfer, vest in CITIC free from all encumbrances and interests of third parties of any kind.

3.16 Payment of Scheme Consideration

The Scheme Consideration will be paid in New Zealand dollars **unless** you were paid the most recent dividend from TIL in the currency of your country of residence (if not New Zealand), or if you have otherwise provided sufficient details to meet the requirements of TIL and Computershare for foreign currency payment).

If you have agreed that payments may be made to you in a foreign currency, TIL may procure that the payment is made to you in the applicable currency (with any foreign currency conversion undertaken in a manner determined by Computershare), provided however that this will be a matter between TIL and the applicable Scheme Shareholder. Neither CITIC or TIL NZ Rose Investment Limited will have any responsibility for foreign currency payments.

Payment will be made to you by direct credit if Computershare has your bank account details recorded for you. If Computershare does not have bank account details sufficiently recorded for you, payment will be made by cheque, which will be sent to your registered address. If you have not previously provided bank account details and want to be paid by electronic transaction please contact Computershare directly by the Scheme Record Date on 13 April 2018.

Payment of the Scheme Consideration will be made on the Implementation Date, currently expected to be 20 April 2018 (subject to the timing of satisfying the Regulatory Conditions).

If a Shareholder does not have a registered address, or TIL considers the Shareholder is not known at its registered address and no bank account has been nominated, payment due to the Shareholder will be held by TIL until claimed or applied under TIL's constitution and the relevant laws dealing with unclaimed money (and otherwise in accordance with the Scheme set out in Annexure A).

3.17 Treatment of unlisted TIL share options

As at the date of this document TIL has issued 720,000 unlisted share options to certain employees of TIL:

- 200,000 of the options are unvested and exercisable for 60 cents each; 100,000 of these options expire on 10 March 2020, and 100,000 expire on 10 March 2021.
- 520,000 options are exercisable for 85 cents each, with 190,000 of those options having vested with an expiry date of 10 March 2019, and 165,000 unvested options having an expiry date of 10 March 2020 and 165,000 unvested options having an expiry date of 10 March 2021.

Pursuant to the terms of TIL's share option scheme, the board has resolved to accelerate the vesting date for the 530,000 of the 720,000 (in aggregate) unlisted options currently on issue, to enable them to be exercised before the Scheme Record Date. TIL is writing to its employee holders of options to advise them of acceleration of the options, and expects all options to be exercised prior to the Scheme Record Date.

TIL may allow employee holders to exercise their options on a "net settled basis", which means they would not need to pay the cash exercise price, and would instead be issued fewer shares (less than 720,000 in total) depending on the extent to which holders choose to do so. For example, an employee with 10,000 options exercisable at 85 cents would be issued 7,069 shares, rather than 10,000 shares, if she elects net-settlement ($(\$2.90 \text{ less } \$0.85) \text{ divided by } \$2.90 \text{ per option exercised multiplied by } 10,000$).

3.18 If you are not in favour of the Scheme

If you are not in favour of the Scheme, you can vote against it at the Scheme Meeting. As a Shareholder, you also have the right to appear and be heard at the Final Court Hearing, provided you have filed by 21 March 2018 a notice of appearance or a notice of opposition (together with any supporting documents you may wish to rely on) or make an objection to the Takeovers Panel.

If you do not want to participate in the Scheme, you may sell your TIL Shares on the NZX Main Board or ASX at any time up to close of trading two Business Days before the Scheme Record Date. After this point, TIL intends to apply to the NZX and ASX for trading in TIL Shares to be suspended from official quotation on the NZX Main Board and ASX. You will not be able to sell your TIL Shares on market after this time.

You should note that if you opt to sell your TIL Shares outside of the Scheme you may not receive the NZ\$2.90 cash per share offered under the Scheme, and may incur brokerage charges on the sale. You should seek independent professional advice to determine if your individual financial or taxation circumstances would be better served by selling your TIL Shares outside the Scheme.

Section 4: Information equivalent to Schedule 1 of the Takeovers Code

The information in this Section contains information, to the extent applicable, equivalent to the information that would be provided by CITIC in a takeover offer document in accordance with Schedule 1 of the Takeovers Code.

The information set out in this Section has been prepared by CITIC. CITIC is responsible for information contained in this Section.

4.1 TIL NZ Rose Investment Limited and its directors

The name and address of the offeror is TIL NZ Rose Investment Limited, c/- MinterEllisonRuddWatts, 88 Shortland Street, Auckland, 1010, New Zealand.

The directors of TIL NZ Rose Investment Limited are:

- Kai Kong Chan;
- Rikizo Matsukawa;
- Boon Lian Chew; and
- John Thorman.

4.2 Ownership of equity securities of TIL

None of the following persons hold or control any equity securities of any class of TIL (or derivatives over such equity securities) as at the date of this Scheme Booklet:

- (a) TIL NZ Rose Investment Limited;
- (b) any Related Company of TIL NZ Rose Investment Limited;
- (c) any person acting jointly or in concert with TIL NZ Rose Investment Limited; and
- (d) any director of any of the persons described in paragraphs (a) to (c) above.

Information about the persons who hold or control 5% or more of any class of equity securities in TIL is set out in Section 5.3.

4.3 Trading in TIL equity securities

None of the persons referred to in (a) to (d) under the heading "Ownership of equity securities of TIL" have, during the six month period ending on the date of this Scheme Booklet, acquired or disposed of any equity securities of TIL.

4.4 Agreements to vote in favour of Scheme

Other than:

- the Directors of TIL who have recorded in this Scheme Booklet their intention to vote all TIL Shares held or controlled by them in favour of the Scheme; and
- The Business Bakery LP, the majority shareholder of TIL, who has recorded in the announcement on 15 December 2017 its intention to vote all TIL Shares held or controlled by them in favour of the Scheme; and
- CIDSUR, which has entered into a support agreement with TIL under which CIDSUR has appointed TIL as its attorney and directs TIL to vote CIDSUR's TIL Shares in favour of any shareholder, or interest class, approval required to approve the Scheme (the details of this agreement are set out in note 3 to the Notice of Meeting and Section 3.11),

no person has provided any agreement to vote in favour of the Scheme.

4.5 Arrangements to pay consideration

CITIC confirms that resources will be available to it sufficient to meet the total Scheme Consideration to be provided to Scheme Shareholders if the Scheme becomes Effective. CITIC will execute the Deed Poll, on the terms attached as Annexure B to this Scheme Booklet, pursuant to which CITIC has:

- undertaken in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00pm on the Business Day before the Implementation Date an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the trust account to be held and dealt with in accordance with clauses 3 and 4 of the Scheme Plan; and
- irrevocably acknowledged and agreed that the Scheme Consideration deposited into the trust account referred to above must be applied to Scheme Shareholders in satisfaction of their respective entitlements to receive the Scheme Consideration under the Scheme in accordance with the Scheme Plan, provided that the Scheme Shares are transferred to TIL NZ Rose Investment Limited.

4.6 Arrangements between TIL and CITIC

Except as set out below, as at the date of this Scheme Booklet, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between CITIC or any of its Associates and TIL or any Related Company of TIL, in connection with, in anticipation of, or in response to, the Scheme:

- TIL and CITIC entered into a Confidentiality Agreement dated 27 February 2017 setting out the terms on which the parties exchange confidential information relating to the Scheme. Under that Confidentiality Agreement, each of CITIC and TIL agreed to keep each other's confidential information disclosed to the other confidential and only to disclose such information in limited circumstances.
- CITIC and TIL entered into the Scheme Implementation Agreement dated 14 December 2017. Under the Scheme Implementation Agreement, TIL agreed to propose a Scheme of Arrangement between TIL, CITIC and the Shareholders, the effect of which will be that all TIL Shares will be transferred to CITIC and CITIC will provide or procure the provision of the Scheme Consideration to Shareholders. A copy of the agreement is at <http://investors.tilbrands.com/investor-centre/?page=scheme>.
- The Business Bakery and its representatives on the Board have undertaken to assist TIL comply with its obligations under the Scheme Implementation Agreement, including not to commence litigation against third parties without CITIC's approval.

4.7 Arrangements between CITIC and directors and senior managers of TIL

Except as set out below, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between CITIC or any Associates of CITIC, and any Director or Senior Manager of TIL (as set out in Section 5) or any of TIL's Related Companies (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to the Scheme:

- Grant Baker, Geoff Ross, Stephen Sinclair and the Business Bakery have agreed to assist to ensure that TIL complies with its obligations under the Scheme Implementation Agreement
- TIL, Grant Baker, Geoff Ross, Stephen Sinclair and the Business Bakery have agreed not to commence litigation against third parties without CITIC's approval.
- Although not formalised, at the date of this Scheme Booklet, TIL wishes to enter into consultancy agreements with Steve Sinclair and Grant Baker. CITIC has suggested that TIL pay the same amount of director fees and consultancy fees as previously paid to the Business Bakery as management fees, including potential for renegotiation. In the financial year ended 31 March 2017 the Business Bakery was paid \$330,000 in management fees.

4.8 Financial assistance

No agreement or arrangement has been made, or is proposed to be made, under which TIL or any of its Related Companies will give financial assistance for the purpose of or in connection with the Scheme.

4.9 Intentions about Material Changes to TIL

CITIC's intentions for TIL in relation to acceleration of its growth, head office and management, are described in Section 3.2.

4.10 Pre-emption clauses in TIL's constitution

There is no restriction on the right to transfer equity securities to which the Scheme relates contained in the constitution of TIL which has the effect of requiring the holders of the securities to offer the securities for purchase to Shareholders of TIL or to any other person before transferring the securities.

4.11 No escalation clause

There is no agreement or arrangement (whether legally enforceable or not) under which any existing holder of equity securities in TIL will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit from CITIC or any of its Associates over and above the Scheme Consideration, or any prior holder of equity securities in TIL will or may receive any consideration or other benefit from CITIC or any of its Associates as a consequence of the Scheme.

4.12 No independent adviser report required

No report equivalent to the report required under rule 22 of the Takeovers Code has been prepared as there are no separate classes of shares.

Section 5: Information equivalent to Schedule 2 of the Takeovers Code

This Section contains the applicable information that would be provided by TIL in a target company statement under Schedule 2 of the Takeovers Code.

5.1 Directors of TIL

The Directors of TIL are:

- Grant Baker, Chairman
- Jack Matthews (Independent Director)
- Geoff Ross
- Mandy Sigaloff (Independent Director), and
- Stephen Sinclair.

5.2 Ownership of equity securities of TIL

The table below sets out the number and the percentage of TIL Shares held or controlled by each Director or Senior Manager of TIL or their Associates.

No other Director or Senior Manager¹ or their Associates holds or controls any equity securities of TIL.

Name	Number of TIL Shares held or controlled	Percentage of total TIL Shares
Grant Baker (Director)	22,700,636	31.196%
Jack Matthews (Independent Director)	282,584	0.388%
Geoff Ross (Director)	22,723,136	31.227%
Mandy Sigaloff (Independent Director)	298,727	0.411%
Stephen Sinclair (Executive Director)	22,729,418	31.236%
Angela Buglass (Chief Executive Officer)	104,054	0.143%
Name	Number of TIL unlisted options held	Exercise price
Angela Buglass (Chief Executive Officer)	200,000	60 cents each

Notes:

1. This information is taken from information provided by the Directors and Senior Managers.
2. Percentages have been rounded to three decimal places.
3. The Shares held by Geoff Ross, Grant Baker and Stephen Sinclair include the shares held by the Business Bakery.
4. Pursuant to the terms of TIL's share option scheme, the board has accelerated the vesting date for the 720,000 (in aggregate) unlisted options to enable them to be exercised before the Scheme becomes effective.

5.3 Ownership interests of substantial product holders of TIL

The table below sets out the number and the percentage of TIL Shares held or controlled by any other person holding or controlling 5% or more of the TIL Shares, to the knowledge of TIL.

Name	Number of TIL Shares held or controlled	Percentage of total TIL Shares
The Business Bakery LP	22,700,636	31.20%
National Nominees Ltd ACF Australian Ethical Investment Limited	7,862,148	10.80%
Credit Suisse Group AG and its related bodies corporate	3,820,398	5.25%
Morgan Stanley & Co. International Plc	6,279,755	8.630%

Notes:

1. This information is based on information known to TIL at 21 February 2018 (being the latest practicable date before the date of this Scheme Booklet).
2. Percentages have been rounded to two decimal places.

To TIL's knowledge no other person holds or controls more than 5% of a class of equity securities of TIL.

¹ The Senior Manager of TIL for the purposes of this Scheme Booklet is Angela Buglass (Chief Executive Officer). TIL does not currently have an employed Chief Financial Officer, following the resignation of the employee previously performing that role with effect from late December 2017. Director Stephen Sinclair is currently performing that role.

5.4 Issues of equity securities

The following equity securities of TIL have, during the two year period ending on the date of this Scheme Booklet, been issued to Directors or Senior Managers or their Associates:

Name	Position	Number of TIL Shares Issued	Reason for issue	Consideration per share (NZ\$)	Date of transaction
Mandy Sigaloff	Independent Director	8,595	In satisfaction of director fees	\$2.91	10 June 2016
Jack Matthews	Independent Director	5,759	In satisfaction of director fees	\$2.91	10 June 2016
Stephen Sinclair	Executive Director	9,531	Participation of children in rights issue	\$3.70	13 July 2016
Mandy Sigaloff	Independent Director	200,000	On exercise of unlisted share options	\$0.80	22 September 2016
Mandy Sigaloff	Independent Director	6,023	In satisfaction of director fees	\$4.15	2 December 2016
Jack Matthews	Independent Director	4,036	In satisfaction of director fees	\$4.15	2 December 2016
Jack Matthews	Independent Director	200,000	On exercise of unlisted share options	\$0.80	4 May 2017
Angela Buglass	Chief Executive Officer	100,000	On exercise of unlisted share options	\$0.60	14 June 2017
Jack Matthews	Independent Director	7,095	In satisfaction of director fees	\$2.83	14 June 2017
Mandy Sigaloff	Independent Director	10,588	In satisfaction of director fees	\$2.83	14 June 2017
Mandy Sigaloff	Independent Director	12,142	In satisfaction of director fees	\$2.26	4 December 2017
Jack Matthews	Independent Director	8,135	In satisfaction of director fees	\$2.27	4 December 2017

5.5 Trading by Directors and Senior Managers of TIL

The table below sets out details of any TIL Shares acquired or disposed of during the six month period before 21 February 2018 (being the latest practicable date before the date of this Scheme Booklet) by Directors, Senior Managers or their Associates.

Name	Description	Acquisition or disposal	Number of TIL Shares	Consideration per TIL Share (NZ\$)	Date of transaction
Mandy Sigaloff	Independent Director	Disposal	74,700	\$2.762	12 January 2018

5.6 Trading by substantial product holders of TIL

The table below sets out details of any TIL Shares acquired or disposed of during the six month period before 21 February 2018 (being the latest practicable date before the date of this Scheme Booklet) by any person holding or controlling 5% or more of the TIL Shares.

Name	Description	Acquisition or disposal	Number of TIL Shares	Consideration per TIL Share (NZ\$) / Weighted average consideration per TIL Share (NZ\$)	Week commencing
National Nominees Ltd ACF Australian Ethical Investment Limited	Acquisition of TIL Shares	Acquisition	1,450,000	\$2.154	25 September 2017
Morgan Stanley Australia Securities Limited	Acquisition of TIL Shares	Acquisition	1,925	AUS\$2.060	25 September 2017*
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	141	AUS\$2.117	16 October 2017*
Morgan Stanley Australia Securities Limited	Acquisition of TIL Shares	Acquisition	25	AUS\$2.020	23 October 2017*
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	51	AUS\$2.021	23 October 2017

Name	Description	Acquisition or disposal	Number of TIL Shares	Consideration per TIL Share (NZ\$) / Weighted average consideration per TIL Share (NZ\$)	Week commencing
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	309	AUS\$2.145	30 October 2017
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	248	AUS\$2.200	06 November 2017
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	427	AUS\$2.370	20 November 2017*
Morgan Stanley Australia Securities Limited	Acquisition of TIL Shares	Acquisition	15	AUS\$2.090	27 November 2017
Morgan Stanley Australia Securities Limited	Acquisition of TIL Shares	Acquisition	72	AUS\$2.050	4 December 2017
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	192	AUS\$2.050	4 December 2017
Morgan Stanley Australia Securities Limited	Acquisition of TIL Shares	Acquisition	38	AUS\$2.100	11 December 2017
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	5,000	\$2.765	11 December 2017
Credit Suisse Securities (Australia) Limited	Acquisition of TIL Shares	Acquisition	97,975	AUS\$2.552	11 December 2017*
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	700,085	\$2.796	18 December 2017
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	36	AUS\$2.550	18 December 2017
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	80,000	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	18 December 2017
National Nominees Ltd ACF Australian Ethical Investment Limited	Acquisition of TIL Shares	Acquisition	350,000	\$2.807	18 December 2017
Credit Suisse Securities (Europe) Limited	Acquisition of TIL Shares	Acquisition	287,178	\$2.794	18 December 2017
Credit Suisse Securities (Australia) Limited	Acquisition of TIL Shares	Acquisition	1,006,142	AUS\$2.559	18 December 2017
Credit Suisse Securities (Australia) Limited	Acquisition of TIL Shares	Acquisition	12,124	AUS\$2.553	25 December 2017
Credit Suisse Securities (Europe) Limited	Acquisition of TIL Shares	Acquisition	10,900	\$2.810	25 December 2017
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	72,304	\$2.820	25 December 2017
Credit Suisse Securities (Europe) Limited	Acquisition of TIL Shares	Acquisition	2,295,178	\$2.822	1 January 2017
Credit Suisse Securities (Australia) Limited	Acquisition of TIL Shares	Acquisition	110,900	AUS\$2.562	1 January 2017
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	927,696	\$2.826	1 January 2018
National Nominees Ltd ACF Australian Ethical Investment Limited	Acquisition of TIL Shares	Acquisition	550,000	\$2.825	1 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	302,625	\$2.826	8 January 2018

Name	Description	Acquisition or disposal	Number of TIL Shares	Consideration per TIL Share (NZ\$) / Weighted average consideration per TIL Share (NZ\$)	Week commencing
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	136	AUS\$2.520	8 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	10,500	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	8 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	16,177	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	8 January 2018
National Nominees Ltd ACF Australian Ethical Investment Limited	Acquisition of TIL Shares	Acquisition	119,458	\$2.816	8 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	255,419	\$2.825	15 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	905,178	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	15 January 2018
Morgan Stanley & Co. International Plc	Disposal of TIL Shares	Disposal	11,853	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	15 January 2018
Morgan Stanley & Co. International Plc	Disposal of TIL Shares	Disposal	2	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	15 January 2018
National Nominees Ltd ACF Australian Ethical Investment Limited	Acquisition of TIL Shares	Acquisition	30,542	\$2.816	15 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	343,879	\$2.826	22 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	100,000	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	22 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	248,375	\$2.825	29 January 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	485,776	\$2.813	05 February 2018
Morgan Stanley Australia Securities Limited	Disposal of TIL Shares	Disposal	60	AUS\$2.545	05 February 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	811,357	\$2.791	05 February 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	24,672	\$2.783	12 February 2018
Morgan Stanley & Co. International Plc	Acquisition of TIL Shares	Acquisition	1,000,000	N/A (agreement giving Morgan Stanley & Co. International Plc the right to rehypothecate)	12 February 2018

Notes:

1. This information is based on information known to TIL as at 21 February 2018 (being the latest practicable date before the date of this Scheme Booklet).
2. In the case of multiple acquisitions or disposals in any given week, the total number of securities, and the weighted average consideration per security, acquired or disposed of in that week have been provided.
3. The dates marked with a * relate to single transactions that occurred during that week.

5.7 Intentions to vote in favour of the Scheme

The table below sets out, as at the date of this Scheme Booklet, the name of every Director or Senior Manager or Associate of a Director who has advised TIL that he or she intends to vote in favour of the Scheme, and the number of TIL Shares in respect of which the person intends to vote.

Name	Number of TIL Shares intended to be voted in favour of the Scheme
Grant Baker (Director)	22,700,636 (the Business Bakery)
Jack Matthews (Independent Director)	282,584
Geoff Ross (Director)	22,700,636 (the Business Bakery) 22,500 (other) 22,723,136 (total)
Mandy Sigaloff (Independent Director)	298,727
Stephen Sinclair (Executive Director)	22,700,636 (the Business Bakery) 28,782 (other) 22,729,418 (total)
Angela Buglass (Chief Executive Officer)	104,054
The Business Bakery LP (as an associate of Geoff Ross, Grant Baker and Stephen Sinclair)	22,700,636

Notes:

1. This information is taken from information provided by the Directors.
2. For the avoidance of doubt, the 22,700,636 shares held by the Business Bakery, noted under each of Geoff Ross, Grant Baker and Stephen Sinclair will only be voted in favour of the Scheme once.

5.8 Ownership of equity securities of CITIC

Neither TIL, nor any Director, Senior Manager or any of their Associates, holds or controls any equity securities of CITIC.

5.9 Trading in equity securities of CITIC

Neither TIL, nor any Director, Senior Manager or any of their Associates, has acquired or disposed of any equity securities of CITIC during the six-month period before 21 February 2018 (being the latest practicable date before the date of this Scheme Booklet).

5.10 Arrangements between CITIC and TIL

Except in relation to the confidentiality agreement, Scheme Implementation Agreement and the agreement by TIL (and its directors) described in Section 4.6 above, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between CITIC or any Associates of CITIC and TIL or any Related Company of TIL, in connection with, in anticipation of, or in response to, the Scheme.

5.11 Relationship between CITIC and Directors and Senior Managers of TIL

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between CITIC and any Associates of CITIC, and any Director or Senior Manager of TIL or any Related Company of TIL in connection with, in anticipation of, or in response to, the Scheme other than as described in Section 4.7 above.

None of the Directors or Senior Managers of TIL is also a director or senior manager of CITIC (or any Related Company of CITIC).

5.12 Agreement between TIL and its Directors and Senior Managers

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between TIL or any Related Company of TIL and any Directors, Senior Managers or their Associates of TIL or its Related Companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Scheme. However, TIL wishes to enter into the consultancy agreements with Grant Baker and Stephen Sinclair as mentioned in Section 4.7 above.

5.13 Executive and Management Long Term Incentive plans

There are currently no long term incentive plans in place for TIL executives. TIL has a legacy employee option scheme, which is further described in section 3.17.

5.14 Interests of Directors and Senior Managers of TIL in contracts of CITIC or its related companies

No Director or Senior Manager or their Associates has an interest in any contract to which CITIC, or any related company of CITIC, is a party.

5.15 Interests of TIL's substantial security holders in material contracts of CITIC or its related companies

No person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of TIL, has an interest in any material contract to which CITIC or any Related Company of CITIC is a party.

5.16 Additional information

In the opinion of the Directors, no additional information, to the knowledge of TIL, is required to make the Information in this Scheme Booklet correct or not misleading.

5.17 Actions of TIL

Except for the arrangements summarised in Sections 4.6 and 4.7, there are no material agreements or arrangements (whether legally enforceable or not) of TIL or any Related Company of TIL entered into as a consequence of, in response to, or in connection with, the Scheme.

There are no negotiations underway as a consequence of, in response to, or in connection with the Scheme that relate to or could result in

- (a) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving TIL or any of its related companies; or
- (b) the acquisition or disposition of material assets by TIL or any of its related companies; or
- (c) an acquisition of equity securities by, or of, TIL or any related company of TIL; or
- (d) any material change in the equity securities on issue, or policy relating to distributions, of TIL.

5.18 Equity securities of TIL

TIL has 72,766,907 TIL Shares on issue. All TIL Shares are fully paid.

Subject to certain conditions in the constitution of TIL and the NZX Listing Rules and ASX Listing Rules, each TIL Share confers upon the holder the right to:

- an equal share in dividends authorised by the TIL Board;
- an equal share in the distribution of surplus assets on liquidation of TIL;
- participate in certain further issues of equity securities by TIL; and
- cast one vote on a show of hands or cast one vote per share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:
 - appoint or remove a director or auditor;
 - alter TIL's constitution;
 - approve a major transaction;
 - approve an amalgamation involving TIL; and
 - put TIL into liquidation.

In addition, as at the date of this document TIL has issued 720,000 unlisted share options to certain employees of TIL:

- 200,000 of the options are unvested and exercisable for 60 cents each; 100,000 of these options expire on 10 March 2020 and 100,000 expire on 10 March 2021; and
- 520,000 options are exercisable for 85 cents each, with 190,000 of those options having vested with an expiry date of 10 March 2020 and 165,000 unvested options having an expiry date of 10 March 2021.

Pursuant to the terms of TIL's share option scheme, the board has accelerated the vesting date for 530,000 of the 720,000 (in aggregate) unlisted options currently on issue, to enable them to be exercised before the Scheme Record Date.

5.19 Financial information

A copy of TIL's most recent annual report (for the year ended 31 March 2017) and its half year report (for the 6 months ended 30 September 2017) are available on TIL's website at <http://investors.tilbrands.com/investor-centre>.

Each person who is eligible to vote on the Scheme is also entitled to obtain from TIL a copy of TIL's most recent annual report or half year report by making a written request to:

Level 6, Chelsea House
85 Fort Street
Auckland Central 1010
New Zealand

There have not been any material changes in the financial or trading position, or prospects, of TIL since the annual report was prepared and sent to Shareholders, other than as disclosed in TIL's most recent annual meeting presentation, its half year report and its earnings guidance released to NZX, also available at <https://www.nzx.com/companies/TIL/announcements>.

5.20 Asset valuations

No information provided in this Scheme Booklet refers to a valuation of any asset of TIL.

5.21 Prospective financial information

The Independent Adviser's Report contains prospective financial information in relation to TIL. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any other prospective financial information about TIL.

5.22 Sales of unquoted equity securities under the Scheme

There are no unquoted equity securities that are subject to the Scheme.

5.23 Market prices for quoted equity securities

The TIL Shares are quoted on the NZX Main Board and ASX.

The closing price on NZX Main Board and ASX of TIL Shares on:

- 14 December 2017, being the last day on which NZX and ASX were open for business before the date on which TIL announced that it had entered into the Scheme Implementation Agreement, was NZ\$2.27 on NZX Main Board and A\$2.14 on ASX; and
- 21 February 2018, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was NZ\$2.82 on the NZX Main Board and A\$2.61 on ASX.

The highest and lowest closing market prices of TIL Shares on NZX Main Board and ASX (and the relevant dates) during the six months before 14 December 2017 (being the last day on which NZX and ASX were open for business before the date on which TIL announced that it entered into the Scheme Implementation Agreement), were as follows:

- the highest closing market price was NZ\$2.85 per share on NZX Main Board and A\$3.00 per share on ASX (on 4 August 2017) and
- the lowest closing market price was NZ\$2.05 per share on NZX Main Board (on 28 June 2017) and A\$1.95 per share on ASX (on 23 June 2017 to 7 July 2018).

5.24 Other information

The Directors are not aware of any additional information, which is not required to be disclosed elsewhere in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

5.25 Board approval of TIL Information

The contents of the Scheme Booklet have been approved by the TIL Board, other than:

- the CITIC Information, which CITIC has approved; and
- the Independent Advisers Report, which has been prepared by the Independent Adviser.

Section 6: Glossary

The meaning of terms used in this Scheme Booklet are set out below:

Associate	has the same meaning as in section 4 of the Takeovers Code
ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires
Business Day	means any day (other than a Saturday, Sunday or public holiday) on which trading banks are generally open in Auckland New Zealand, Hong Kong and the Cayman Islands for normal business
Business Bakery	means The Business Bakery LP
CIDSUR	means Compañía de Inversiones y Desarrollo Sur Limitada
CITIC	means CITIC Capital China Partners III, L.P. or a nominee
CITIC Group	means CITIC and each of its Related Companies and a reference to a CITIC Group Member or a member of the CITIC Group is to CITIC or any of its Related Companies
CITIC Information	means such information regarding the CITIC Group that is provided or approved by the CITIC Group or any of its advisers and is contained in Section 4
Companies Act	means the Companies Act 1993 (New Zealand)
Computershare	means Computershare Investor Services Limited, TIL's share registrar
Competing Proposal	<p>means:</p> <ul style="list-style-type: none"> a) any takeover (whether a full or partial takeover under the Takeovers Code) in respect of TIL; b) any scheme of arrangement in respect of TIL; c) any transfer or issuance of financial products of TIL requiring shareholders' approval under the Takeovers Code; and d) any sale of assets or financial products constituting a material part of the TIL Group's business, which includes the sale of any one or more of: <ul style="list-style-type: none"> i) the TIL Group's operating segments as disclosed in its annual report for the period ending 31 March 2017; and ii) the business operated by Lanocorp New Zealand Limited, Lanocorp Pacific Limited, LTM Holdings Limited, Canterbury Cosmetics Limited, Lanocorp UK Limited, Lanocorp Pacific Pty Limited, Lanocorp USA Inc and Tiaki UK Limited, <p>for the purposes of the definition of Competing Proposal, paragraphs (c) and (d) above, include any agreement (within the meaning of section 6 of the FMCA) whereby such a transaction is effected through a series of linked or related transactions which if conducted as a single transaction would constitute a Competing Proposal within the meaning of either of paragraphs (c) or (d).</p>
Conditions	<p>means broadly:</p> <ul style="list-style-type: none"> a) receipt of relevant regulatory approvals (including approvals required from the Overseas Investment Office, Treasurer of the Commonwealth of Australia, Takeovers Panel, NZX and ASX) required to implement the Scheme; b) High Court approval of the Scheme; c) Shareholder approval of the Scheme by the requisite majorities; d) no restraining order or injunction being ordered by the court on the application of any Government Agency that prohibits or restricts the implementation of the Scheme; e) no Material Adverse Change occurs between 14 December 2017 and 5:00pm on the Business Day before the Implementation Date;

- f) no TIL Prescribed Occurrence occurring prior to 5:00pm on the Business Day before the Implementation Date (this covers matters such as changes to TIL's capital structure or business, insolvency events and various other prescribed events);
- g) no material breach of the TIL Undertakings up to 5:00pm on the Business Day before the Implementation Date and TIL Warranties are true and correct in all material respects as at 5:00pm on the Business Day before the Implementation Date;
- h) CITIC and Forestal Casino agreeing to amend the Rosehip Oil Supply Agreement on terms reasonably satisfactory to CITIC acting reasonably and TIL having cancelled the FC Shares; and
- i) TIL obtaining any consent required from Noel Walton and Timothy Mclver under the Lanocorp Shareholders Agreement:
 - i. so that the Lanocorp Companies can provide guarantees and security in favour of any financier of CITIC or its Related Companies (CITIC Financiers) promptly following completion of the Transaction; and
 - ii. so that security over the shares in the Lanocorp Companies (other than the shares held by Noel Allan Walton and Timothy Robert Mclver) may be granted in favour of any CITIC Financier including a waiver of any pre-emptive rights should the CITIC Financier exercise its security over those shares.

Directors or Director	means a member or members of the TIL Board
EBITDA	means earnings before interest, tax, depreciation and amortisation
Effective	when used in relation to the Scheme, means the coming into effect, under section 236(3) of the Companies Act, of the order of the High Court made under section 236(1) of the Companies Act in relation to the Scheme and all conditions to the implementation of the Scheme having been satisfied or waived in accordance with the Scheme Implementation Agreement and the Scheme
End Date	means 31 May 2018, or such later date as agreed in writing between TIL and CITIC
Excluded Shares	means any Shares nominated in writing by CITIC to TIL not less than two Business Days prior to the Scheme Record Date which are held or controlled by TIL NZ Rose Investment Limited or any of its Associates at 5.00pm on the Scheme Record Date
Forestal Casino	means Sociedad Agricola y Forestal Casino SpA
Final Orders	means on application of TIL, orders that the Scheme shall be binding on TIL, CITIC, Scheme Shareholders and/or such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act
Final Court Hearing	means the final hearing of the High Court in respect of the Scheme, which is expected to take place at 10.00 a.m. on 28 March 2018, or such later date as the High Court directs
Government Agency	means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity
High Court or Court	means the High Court of New Zealand, Auckland Registry
Implementation Date	means the date on which the Scheme is to be implemented, being five Business Days after the Scheme Record Date, or such other date as agreed in writing by TIL and CITIC
Independent Adviser or Grant Samuel	means Grant Samuel & Associates Limited, an independent advisory firm appointed by TIL as independent adviser to prepare the Independent Adviser's Report and approved by the Takeovers Panel

Independent Adviser's Report	means the Independent Adviser's report prepared by the Independent Adviser in relation to the Scheme as amended or updated from time to time and including any supplementary or replacement report, stating its opinion on the merits of the Transaction
Initial Court Orders	means the initial court orders of the High Court relating to the Scheme dated 22 February 2018
Lanocorp Companies	Means Lanocorp New Zealand Limited, Lanocorp Pacific Limited, LTM Holdings Limited, Canterbury Cosmetics Limited and Lanocorp Pacific Pty Limited
Lanocorp Shareholders Agreement	means the shareholders agreement relating to the Lanocorp Companies, between the Lanocorp Companies, Noel Allan Walton, Timothy Robert McIver and Kanara Holdings Limited, dated 7 July 2017
Material Adverse Change	<p>means any matter, event, condition or change in circumstances or thing which occurs or is announced, and which is not an Excluded Event as defined in the Scheme Implementation Agreement, (each a <i>Specified Event</i>) and which individually, or when aggregated with all other Specified Events, reduces or is reasonably likely to reduce:</p> <ul style="list-style-type: none"> a) the consolidated net tangible assets of the TIL Group as at 30 September 2017 by 15% or more; or b) the consolidated EBITDA (including non-recurring items) of the TIL Group over the 12 months ending on the month immediately preceding the Specified Event, by 15% or more, <p>provided that such event, condition, matter, or change in circumstances is not the result of:</p> <ul style="list-style-type: none"> a) general changes to the market for products of the TIL Group in the markets in which the business operates or trades which are not specific to the TIL Group; b) any change in exchange rates or interest rates, general economic, financial, regulatory, legal or political conditions or requirements generally affecting businesses in the industry in which the TIL Group operates or the markets in which the TIL Group operates or trades; c) any event, change, matter, or circumstance disclosed in the Data Room Information (as defined in the Scheme Implementation Agreement) to, or known by, CITIC or its Representatives (as defined in the Scheme Implementation Agreement) before the date of the Scheme Implementation Agreement; d) any change in accounting policy required by law; e) any event, change, matter, or circumstance required by the Scheme Implementation Agreement, the Scheme or the transactions contemplated by them; or f) an event, change, matter, or circumstance previously approved in writing by CITIC
Notice of Meeting	means the notice of meeting relating to the Scheme Meeting, which is set out in Section 2 of this Scheme Booklet
Prescribed Occurrence	means an occurrence set out in Schedule 1 of the Scheme Implementation Agreement including matters such as changes to TIL's capital structure or business, insolvency events and various other prescribed events.
Proxy Form	means the voting and proxy form which accompanies this Scheme Booklet
Register	means the share register of TIL

Regulatory Conditions	<p>means:</p> <ul style="list-style-type: none"> • the approvals of the Scheme obtained from the Overseas Investment Office, NZX, and ASX; • the no-objection statements obtained under the Foreign Acquisitions and Takeovers Act 1975 (Cth) and from the Takeovers Panel; and • no judgement, order, restraint, or prohibition enforced or issued by any Government Agency before the Implementation Date that prohibits, prevents or materially restricts the implementation of the Scheme
Related Company	<p>in relation to a company, has the meaning given to that expression in section 2(3) of the Companies Act read as if a reference to a company was a reference to any company or body corporate wherever incorporated</p>
Rosehip Oil Supply Agreement	<p>means the supply agreement for rosehip oil between Forestal Casino and Trilogy Natural Products Limited, dated 25 May 2016</p>
Scheme or Scheme of Arrangement	<p>means a scheme of arrangement under Part 15 of the Companies Act under which all of the TIL Shares held by Scheme Shareholders will be transferred to CITIC and the Scheme Shareholders will be entitled to receive the Scheme Consideration, in accordance with the scheme plan set out in Annexure A, subject to any amendment or modification made pursuant to section 236(2) of the Companies Act</p>
Scheme Booklet	<p>means this document together with its annexures</p>
Scheme Consideration	<p>means NZ\$2.90 cash in respect of each Share held by a Scheme Shareholder on the Scheme Record Date (as reduced by the per share amount or value of any dividend the record date for which falls before the Implementation Date)</p>
Scheme Implementation Agreement	<p>means the scheme implementation agreement between TIL and CITIC dated 14 December 2017</p>
Scheme Meeting	<p>means the meeting of Shareholders ordered by the High Court to be convened in respect of the Scheme and includes any adjournment of that meeting</p>
Scheme Plan	<p>means the scheme plan attached as Annexure A to this Scheme Booklet, subject to any alterations or conditions approved by CITIC and TIL in writing and which are disclosed to the Court prior to the Court making the Final Orders</p>
Scheme Record Date	<p>means 7.00pm (New Zealand time) on the fifth Business Day after the later of:</p> <ul style="list-style-type: none"> • the Final Orders date; and • the date on which the last of the Regulatory Conditions (except the condition set out in clause 3.1(f) of the Scheme Implementation Agreement) are satisfied or, if capable of waiver, waived in accordance with the Scheme Implementation Agreement, or such other date as agreed in writing by TIL and CITIC
Scheme Resolution	<p>means the special resolution set out in the Notice of Meeting to approve the Scheme by the requisite majorities required under the Companies Act</p>
Scheme Shares	<p>means all of the TIL Shares on issue as at 7:00pm on the Scheme Record Date except for the Excluded Shares</p>
Scheme Shareholder	<p>means each person who is a Shareholder as at the Scheme Record Date, except CIDSUR</p>
Shareholder	<p>means each person registered in the Register as a holder of TIL Shares</p>

Superior Proposal	means a written bona fide Competing Proposal received after 14 December 2017 that the TIL Board determines, acting in good faith and after having taken advice from its external financial and legal advisers: a) does not result from a breach by TIL or by any member of the TIL Group or its Representatives, of any of its obligations under clause 12 of the Scheme Implementation Agreement which, if done by TIL, would constitute a breach of clause 12 of the Scheme Implementation Agreement by TIL; b) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions precedent; and c) is more favourable to Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal and the Scheme;
Takeovers Code	means the Takeovers Code recorded in the Takeovers Code Approval Order 2000 (SR2000/210) (New Zealand), as amended
Transaction	means the acquisition of all of the TIL Shares by CITIC through implementation of the Scheme
TIL Board or Board	means the board of directors of TIL
TIL Group	means TIL and each of its Related Companies and a reference to a TIL Group Member or a member of the TIL Group is to TIL or any of its Related Companies
TIL Information	means the information contained in this Scheme Booklet, other than the CITIC Information and the copy of the Independent Adviser's Report
TIL Share	means a fully paid ordinary share of TIL
TIL Undertakings	means the undertakings set out in Part 2 of Schedule 2 of the Scheme Implementation Agreement
TIL Warranties	means the statements set out in Part 1 of Schedule 2 of the Scheme Implementation Agreement
Voting Eligibility Date	means the time for determining eligibility to vote at the Scheme Meeting, expected to be 7 p.m. on 12 March 2018 or, if the Scheme Meeting is adjourned, being 7 p.m. on the day which is 48 hours before the adjourned meeting time for the Scheme Meeting

Annexure A: Scheme Plan

Date 22 February 2018

Parties

Name	Trilogy International Limited (Company No. 2090514)
Short form name	(TIL)
Notice details	Address: Level 6, Chelsea House, 85 Fort Street, Auckland Central, 1010, New Zealand
Name	TIL NZ Rose Investment Limited (Company No. 6665833)
Short form name	(BidCo)
Notice details	Address: CITIC Capital China Partners III, L.P., c/- MinterEllisonRuddWatts, Level 20, Lumley Centre, 88 Shortland Street, Auckland 1010, New Zealand
Name	CITIC Capital China Partners III, L.P. registered as an exempted limited partnership registered on 1 December 2015 under the Exempted Limited Partnership Law 2014 of the Cayman Islands
Short form name	(Bidder)
Notice details	Address: CITIC Capital China Partners III, L.P., c/- MinterEllisonRuddWatts, Level 20, Lumley Centre, 88 Shortland Street, Auckland 1010, New Zealand
Name	Each registered holder of ordinary shares in the capital of Trilogy International Limited on issue as at the Scheme Record Date
Short form name	(Scheme Shareholders)

1. Definitions and interpretation

1.1 Definitions

In this Scheme Plan:

ASX means ASX Limited or the Australian Securities Exchange, as the context requires;

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Auckland, New Zealand, Hong Kong and the Cayman Islands;

CIDSUR means Compañía de Inversiones y Desarrollo Sur Limitada;

Companies Act means the Companies Act 1993 (New Zealand);

Computershare means Computershare Investor Services Limited;

Conditions means:

- (a) the conditions set out in clause 3.1 of the Scheme Implementation Agreement; and
- (b) such other conditions made or required by the Court under section 236(1) of the Companies Act;

Court means the High Court of New Zealand, Auckland Registry;

Deed Poll means the deed poll to be entered into by BidCo and Bidder in favour of the Scheme Shareholders;

End Date means 31 May 2018, or such later date as TIL and Bidder agree in writing;

Excluded Shares means any Shares nominated in writing by Bidder to TIL not less than two Business Days prior to the Scheme Record Date which are held or controlled by BidCo or any of its associates (as that term is defined in the Takeovers Code) at 7.00pm on the Scheme Record Date;

FC Shares means the 2,615,181 TIL Shares held by CIDSUR at the date of this Scheme Plan, but which TIL and CIDSUR have agreed will be cancelled on or before 30 March 2018;

Final Orders Date means the date on which final orders of the Court made under section 236(1) (and section 237, if applicable) of the Companies Act are granted;

Government Authority means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity;

Implementation Date means the day on which the Scheme is to be implemented, being the date 5 Business Days after the Scheme Record Date, or such other date as Bidder and TIL agree in writing;

NZX means NZX Limited or the main board financial market that it operates, as the context requires;

Register means the register of TIL Shares maintained by Computershare on behalf of TIL;

Registered Address means, in relation to a TIL Shareholder, the address shown in the Register as at the Scheme Record Date;

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under Part 15 of the Companies Act and approved by Bidder and TIL in writing;

Scheme Booklet means the notice of meeting (including proxy form) and scheme booklet dated 22 February 2018 prepared by TIL in relation to the Scheme;

Scheme Consideration means NZ\$2.90 in cash in respect of each TIL Share held by a Scheme Shareholder, as reduced by the per share amount of any dividend the record date for which falls on or between the date of the Scheme Implementation Agreement and the Implementation Date;

Scheme Implementation Agreement means the scheme implementation agreement dated 14 December 2017 between Bidder and TIL;

Scheme Record Date means the date which is 5 Business Days after the later of:

- (a) the Final Orders Date; and
- (b) the date on which the last of the conditions set out in clauses 3.1(a), (b) and (c) of the Scheme Implementation Agreement are satisfied or, if capable of waiver, waived in accordance with clause 3.5 of that agreement,

or such other date agreed between Bidder and TIL in writing;

Scheme Shareholder means a person who is registered in the Register as the holder of one or more Scheme Shares as at the Scheme Record Date;

Scheme Shares means all of the TIL Shares on issue at 7:00pm on the Scheme Record Date, other than Excluded Shares;

Special Meeting means the special meeting of TIL Shareholders ordered by the Court to be convened pursuant to section 236(2)(b) of the Companies Act in respect of the Scheme and including any meeting convened following any adjournment or postponement of that meeting;

TIL Share means an ordinary share in the capital of TIL;

TIL Shareholder means a person who is registered in the Register as the holder of one or more TIL Shares from time to time; and

Unconditional means the coming into effect pursuant to section 236(3) of the Companies Act of the order of the Court made under section 236(1) of the Companies Act in relation to the Scheme and the satisfaction or waiver (as the case may be) of all conditions of the Scheme.

1.2 Interpretation

In this Scheme Plan:

- (a) headings are for convenience only and do not affect the interpretation of this Scheme Plan;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Authority, as well as an individual;
- (e) a reference to a clause, is a reference to a clause of this Scheme Plan;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Authority with legal power to do so);
- (g) a reference to a document (including this Scheme Plan) includes all amendments or supplements to, or replacements or novations of, that document;
- (h) the word 'includes' in any form is not a word of limitation;
- (i) a reference to '\$', 'NZ\$' or 'dollar' is to New Zealand currency, unless denominated otherwise;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Auckland, New Zealand;
- (k) a reference to a party to a document includes that party's successors and permitted assignees; and
- (l) no provision of this Scheme Plan will be construed adversely to a party because that party was responsible for the preparation of this Scheme Plan or that provision.

1.3 Business Day

Where the day on, or by which, any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day, unless otherwise indicated.

2. Conditions

The implementation of the Scheme is conditional in all respects on:

- (a) all of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Implementation Date;
- (b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 8.00am on the Implementation Date;
- (c) TIL having acquired and cancelled the FC Shares (which is scheduled to occur on or before 30 March 2018);
- (d) such other conditions made or required by the Court under section 236(1) and 237 of the Companies Act and agreed to by TIL and Bidder having been satisfied or waived; and
- (e) the orders of the Court made under subsection 236(1) of the Companies Act approving this Scheme Plan coming into effect, pursuant to subsection 236(3) of the Companies Act on or before the End Date.

3. Scheme Consideration into trust account

3.1 Obligation to pay into trust account

BidCo must, by no later than 5.00pm on the Business Day before the Implementation Date, subject to the Scheme having become Unconditional, deposit (or procure the deposit of) in immediately available cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders in a New Zealand dollar denominated trust account operated by Computershare (**Funds**).

3.2 Details of trust account

- (a) Subject to clause 3.2(b), the trust account will be held and operated by Computershare on the basis that the Funds are held on trust for BidCo and to its order, such that only BidCo may direct how the Funds will be paid from the trust account.
- (b) Clause 3.2(a) is subject to a standing direction from BidCo to TIL and Computershare to make payment of the Scheme Consideration to the Scheme Shareholders upon transfer of the Scheme Shares to BidCo under clause 4(a).
- (c) The details of the trust account will be provided to BidCo by Computershare not less than 6 Business Days before the Implementation Date.

3.3 Interest

Any interest earned on the amount deposited will be payable to BidCo by Computershare as directed by BidCo.

3.4 Scheme not implemented

Should the implementation of the Scheme not occur by 3.00pm on the Implementation Date for any reason, Computershare will immediately repay such monies to BidCo to such New Zealand dollar denominated account(s) instructed to Computershare by BidCo.

4. Implementation

Subject to the conditions set out in clause 2 being satisfied and the Scheme Consideration having been deposited in accordance with clause 3.1, commencing at 9.00am on the Implementation Date and in the following order:

- (a) without any further act or formality, all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to BidCo and TIL must enter, or procure the entry of, the name of BidCo in the Register in respect of all of the Scheme Shares; and then
- (b) in accordance with the instructions in clause 3.2(a) and subject to compliance in full with clauses 3.1 and 4(a), TIL must instruct Computershare to pay or procure the payment from the trust account referred to in clause 3 of the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Register on the Scheme Record Date.

5. Payment of the Scheme Consideration

5.1 Method of payment

- (a) The payment obligations of TIL under clause 4(b) will be satisfied by:
 - (i) (where a Scheme Shareholder has, before the Scheme Record Date, provided sufficient details to meet the requirements of the TIL and Computershare to receive payments from TIL by electronic funds transfer to a bank account nominated by that Scheme Shareholder), paying the relevant amount by electronic transfer (unless the TIL in its absolute discretion elects to make the payment in accordance with clause 5.1(a)(ii) ; or
 - (ii) otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (b) For the purposes of clause 5.1(a), where a Scheme Shareholder has agreed that distributions may be made to them in a currency other than New Zealand dollars, then TIL may procure that the payment pursuant clause 5.1 can be made in the applicable currency, provided however that this will be a matter between TIL and the applicable Scheme Shareholder. BidCo will satisfy its obligation by complying with clause 3.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1, the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme Plan will be made payable to the joint holders and sent to either, at the sole discretion of TIL, the holder whose name appears first in the Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme Plan, will be forwarded to either, at the sole discretion of TIL, the holder whose name appears first in the Register as at the Scheme Record Date or to the joint holders.

5.3 Surplus in trust account

To the extent that, following satisfaction of the obligations under clause 4(b), there is a surplus in the trust account referred to in clause 3, that surplus may be retained by TIL.

5.4 Unclaimed monies

- (a) TIL may cancel a cheque issued under clause 5.1(a)(ii) if the cheque is returned to TIL or has not been presented for payment within one year after the Implementation Date.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to TIL, TIL must reissue, or procure the reissue of, a cheque that was previously cancelled under clause 5.4(a).

5.5 Orders of a court or Government Authority

Notwithstanding any other provision of this Scheme Plan, if written notice is given to TIL prior to the Scheme Record Date of an order or direction made by a court of competent jurisdiction or a Government Authority that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by TIL in accordance with clause 4(b), TIL will be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents the consideration from being provided to any particular Scheme Shareholder in accordance with clause 4(b), or the payment or issuance of such consideration is otherwise prohibited by applicable law, the payment (equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration) will be retained in the trust account referred to in clause 3 until such time as provision of the consideration to the Scheme Shareholder in accordance with clause 4(b) is permitted by that order or direction or otherwise by law. Any amount so retained under this clause 5.5(b) may be held by TIL or any of TIL's related companies, provided that BidCo procures that such company complies with the obligations under this clause to pay such consideration to any applicable Scheme Shareholders,

and such provision or retention (as the case may be) will constitute the full discharge of BidCo's and TIL's obligations under clause 4(b) with respect to the amount so provided or retained.

6. Dealing in TIL Shares

6.1 Recognition of dealings

To establish the identity of the Scheme Shareholders:

- (a) dealings in TIL Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected through NZX's clearing and settlement system or CHES on ASX, the transferee is registered in the Register as the holder of the relevant TIL Shares as at the Scheme Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received on or before 7.00pm on the Scheme Record Date at the place where the Register is kept; and
- (b) TIL must not accept for registration, nor recognise for any purpose (except a transfer to BidCo pursuant to this Scheme Plan and any subsequent transfer by BidCo or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable forms.

6.2 Register

- (a) TIL must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(a)(ii) on or before 7.00pm on the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires TIL to register a transfer that:
 - (i) relates to a transfer of TIL Shares on which TIL has a lien; or
 - (ii) would result in a TIL Shareholder holding a parcel of TIL Shares that is less than a 'minimum holding' (for the purposes of this clause 6.2(a) 'minimum holding' has the meaning given in the NZX Main Board Listing Rules).
- (b) A holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them, on or after the Scheme Record Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and TIL and BidCo shall be entitled to disregard any such disposal.

- (c) For the purpose of determining entitlements to the Scheme Consideration, TIL must maintain the Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) From 7.00pm on the Scheme Record Date, each entry that is current on the Register (other than entries on the Register in respect of BidCo) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of TIL Shares relating to that entry.
- (e) As soon as possible after 7.00pm on the Scheme Record Date and in any event by 5.00pm on the first Business Day after the Scheme Record Date, TIL must make available to BidCo in the form BidCo reasonably requires, details of the names, Registered Addresses and holdings of TIL Shares for each Scheme Shareholder as shown in the Register on the Scheme Record Date.

7. General provisions

7.1 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to BidCo will, at the time of transfer of them to BidCo, vest in BidCo free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Each Scheme Shareholder is taken to have warranted to BidCo on the Implementation Date that all of their Scheme Shares, (including any rights and entitlements attaching to those shares) which are transferred under this Scheme Plan will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their TIL Shares to BidCo together with any rights and entitlements attaching to those shares.

7.2 Authority given to TIL

Each Scheme Shareholder, without the need for any further act:

- (a) on the date which is the later of:
 - (i) the Final Orders Date; and
 - (ii) the date on which TIL announces to NZX and ASX that the last of the conditions set out in clauses 3.1(a), (b) and (c) of the Scheme Implementation Agreement has been satisfied or waived in accordance with clause 3.5 of that agreement,
 irrevocably appoints TIL and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Bidder and BidCo (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and
- (b) on the Implementation Date, irrevocably appoints TIL and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and TIL, for itself and on behalf of each of its directors, accepts each such appointment. Each such attorney and agent, may sub-delegate its functions, authorities or powers under this clause 7.2 to one or more of TIL's officers.

7.3 Binding effect of Scheme

- (a) The Scheme binds:
 - (i) TIL;
 - (ii) Bidder;
 - (iii) BidCo; and
 - (iv) all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on the Scheme, did not vote at the Scheme Meeting, or voted against the Scheme at the Scheme Meeting).
- (b) In the event of any inconsistency, this Scheme Plan overrides the constitution of TIL.

7.4 End Date

The Scheme will become void and be of no further force or effect if it does not become Unconditional on or before the End Date (other than any provision of the Scheme or this Scheme Plan relating to the repayment to BidCo of any Funds deposited in accordance with clause 3 and the interest thereon (less bank fees and other third party charges directly in connection with the account)).

7.5 TIL Obligations

To the extent that any provision of the Scheme or this Scheme Plan imposes any obligation on TIL that continues or arises after the implementation of the Scheme, such obligation may instead be performed by any successor or related company of TIL in which case the obligation will be satisfied as if performed by TIL.

7.6 Bidder guarantee

- (a) Bidder guarantees, as primary obligor and not merely as surety, the due and punctual performance by BidCo of all of its obligations under this Scheme Plan.
- (b) Clauses 18.4 to 18.8 of the Scheme Implementation Agreement will apply *mutatis mutandis* to Bidder's guarantee under clause 7.6(a) as if set out in full in this Scheme Plan.

7.7 Governing law

- (a) This Scheme Plan is governed by the laws of New Zealand.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New Zealand in respect of any proceedings arising out of or in connection with this Scheme Plan. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

Annexure B: Terms of Deed Poll

Date _____

Parties

Name	TIL NZ Rose Investment Limited
Short form name	BidCo
Notice details	Address: c/- CITIC Capital China Partners III, L.P. c/- MinterEllisonRuddWatts, Level 20, Lumley Centre, 88 Shortland Street, Auckland, New Zealand Email: yangshi@citiccapi.com Attention: Yang Shi

Name	CITIC Capital China Partners III, L.P.
Short form name	Bidder
Notice details	Address: CITIC Capital China Partners III, L.P. c/- MinterEllisonRuddWatts, Level 20, Lumley Centre, 88 Shortland Street, Auckland, New Zealand Email: yangshi@citiccapi.com Attention: Yang Shi

Name	Each registered holder of ordinary shares in the capital of Trilogy International Limited on issue as at the Scheme Record Date
Short form name	Scheme Shareholders

Background

- A Trilogy International Limited (**TIL**) and Bidder are parties to the Scheme Implementation Agreement.
- B TIL has agreed to propose a scheme of arrangement between TIL, BidCo, Bidder, and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred to BidCo and BidCo will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders.
- C BidCo is entering into this Deed Poll for the purpose of undertaking in favour of Scheme Shareholders to pay the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan. Bidder is entering into this Deed Poll for the purposes of undertaking in favour of Scheme Shareholders to guarantee BidCo's obligation to pay the Scheme Consideration to the Scheme Shareholders.

Agreed terms

1 Defined terms & interpretation

1.1 Defined terms

In this document:

Final Orders means orders under section 236(1) (and section 237, if applicable) of the Companies Act in respect of the Scheme;

Scheme Implementation Agreement means the scheme implementation agreement between TIL and Bidder, dated 14 December 2017 whereby TIL has agreed to propose a scheme of arrangement; and

Scheme Plan means the scheme plan attached as Annexure 1 to the Scheme Implementation Agreement (as amended by agreement between TIL and Bidder prior to the date of this Deed Poll), subject to any further alterations or conditions approved by Bidder and TIL in writing and which are disclosed to the Court prior to the Court making the Final Orders,

and words defined in the Scheme Plan which are not separately defined in this Deed Poll have the same meaning when used in this Deed Poll.

1.2 Interpretation

Clauses 1.2 and 1.3 of the Scheme Plan apply to the interpretation of this Deed Poll, except that references to "this Scheme Plan" are to be read as reference to "this Deed Poll".

2 Nature of this Deed Poll

2.1 Third party rights and appointment of attorney

BidCo and Bidder each acknowledge that:

- (c) this Deed Poll is intended to confer a benefit upon, and therefore be relied upon and enforced by, any Scheme Shareholder in accordance with its terms under the Contract and Commercial Law Act 2017 (but not otherwise), even though the Scheme Shareholders are not party to it; and
- (d) under the Scheme Plan each Scheme Shareholder appoints TIL and each of its directors (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against BidCo and Bidder on the date prescribed for such appointment in the Scheme Plan (but without limiting each Scheme Shareholder's right to itself enforce this Deed Poll).

Notwithstanding the foregoing, this Deed Poll may be varied by the parties to it in accordance with clause 8.2 without the approval of any Scheme Shareholder.

2.2 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until either:

- (a) BidCo and Bidder have fully performed their obligations under it; or
- (b) it is terminated under clause 3.2.

3 Conditions

3.1 Conditions

This Deed Poll, and the obligations of BidCo and Bidder under it, are conditional in all respects upon the Scheme becoming Unconditional.

3.2 Termination

The obligations of BidCo and Bidder under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no force or effect, if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Unconditional; or
- (b) the Scheme does not become Unconditional before the End Date,

unless Bidder and TIL otherwise agree in writing.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then BidCo and Bidder are released from their obligations to further perform this Deed Poll.

4 Scheme Consideration

Subject to clause 3, BidCo:

- (c) undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00pm on the Business Day before the Implementation Date an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the trust account to be held and dealt with in accordance with clauses 3 and 4 of the Scheme Plan; and
- (d) irrevocably acknowledges and agrees that, subject to compliance in full with clause 4(a) of the Scheme Plan, the Scheme Consideration deposited into the trust account referred to in clause 4(a) must be applied to Scheme Shareholders in satisfaction of their respective entitlements to receive the Scheme Consideration under the Scheme in accordance with the Scheme Plan.

5 Warranties

BidCo and Bidder each warrants in favour of each Scheme Shareholder that:

- (a) it is a company or other body corporate validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into, and perform its obligations under, this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken, or will take, all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (d) this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

6 Bidder guarantee

6.1 Guarantee

Bidder guarantees, as primary obligor and not merely as surety, the due and punctual performance by BidCo of all of its obligations under clause 4(a).

6.2 No discharge

Clauses 18.4 to 18.8 of the Scheme Implementation Agreement will apply *mutatis mutandis* to Bidder's guarantee under clause 6.1 as if set out in full in this Deed Poll.

7 Notices

7.1 Manner of giving notice

Any notice or other communication to be given under this Deed Poll must be in writing and may be delivered or sent by post or email to BidCo and Bidder as follows:

Address: CITIC Capital China Partners III, L.P. c/o MinterEllisonRuddWatts, Lumley Centre, 88 Shortland Street, Auckland, 1010, New Zealand

Email: yangshi@citicapital.com

For the attention of: Yang Shi

with a copy to:

Address: MinterEllisonRuddWatts, Lumley Centre, 88 Shortland Street, Auckland, 1010, New Zealand

Email: silvana.schenone@minterellison.co.nz

For the attention of: Silvana Schenone

Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

7.2 When notice given

Any notice or other communication is deemed to have been given:

- (a) if delivered, on the date of delivery; or
- (b) if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or
- (c) if sent by email, upon the generation of a receipt notice by the recipient's server or, if such notice is not so generated, upon delivery to the recipient's server,

but if the notice or other communication would otherwise be taken to be received after 5.00 pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00 am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

7.3 Proof of service

In proving service of a notice or other communication, it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the email was properly addressed and transmitted as the case may be.

8 General

8.1 Waiver

- (a) BidCo and Bidder may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right in respect of the Scheme unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) For the purposes of clause 7.7(a):
 - (i) conduct includes a delay in exercising a right;
 - (ii) right means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause; and
 - (iii) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.2 Variation

- (a) Subject to clauses 8.2(b) and 8.2(c), this Deed Poll may not be varied.

- (b) Before the date on which the Final Orders are made, this Deed Poll may be varied by agreement in writing between BidCo, Bidder and TIL, in which event BidCo and Bidder will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.
- (c) If the Court orders that it is a condition of the Scheme that Bidco and Bidder enter into a new deed poll which has the effect of reversing any variation under clause 7.7(b)8.2(b), then, if BidCo and Bidder so agree, BidCo and Bidder must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

8.3 Cumulative rights

The rights, powers and remedies of BidCo, Bidder and Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, power or remedies provided by law independently of this Deed Poll.

8.4 Assignment

The rights and obligations of BidCo, Bidder and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 8.4 is invalid.

8.5 Further assurance

Each of BidCo and Bidder must, at its own expense, do all things reasonably required of it to give full force and effect to this Deed Poll and the transactions contemplated by it.

8.6 Governing law and jurisdiction

- (a) This Deed Poll is governed by the laws in force in New Zealand.
- (b) BidCo and Bidder each irrevocably submit to the non-exclusive jurisdiction of the courts having jurisdiction in New Zealand in respect of any proceedings arising out of or in connection with any proceeding arising out of or in connection with this Deed Poll and irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.
- (c) Bidder appoints BidCo as its agent in New Zealand for service of process and other documents in any legal action or proceedings arising out of or in connection with this Deed Poll.

Annexure C: Independent Adviser's Report

Set out on the following pages is an Independent Adviser's Report prepared by Grant Samuel & Associated Limited.

In addition, certain technical appendices to the Independent Adviser Report are available at <http://investors.tilbrands.com/investor-centre/?page=scheme>.

A copy of the Independent Adviser Report, including these technical appendices, will be sent to any Shareholder on request.

The Independent Adviser's Report has been prepared by, and is the responsibility of, the Independent Adviser. TIL and its Directors, officers, employees and advisers have not been involved in the preparation of the Independent Adviser's Report, otherwise than to provide information to, or answer questions from, the Independent Adviser.



INDEPENDENT REPORT IN RELATION TO THE PROPOSED SCHEME OF ARRANGEMENT WITH CITIC CAPITAL

Grant Samuel confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

GRANT SAMUEL & ASSOCIATES LIMITED

FEBRUARY 2018

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GLOSSARY

TERM	DEFINITION
CBEC	Cross Border Ecommerce Distribution Platform
CIDSUR	Compania De Inversiones Y Desarrollo Sur Limitada
CITIC Capital	CITIC Capital China Partners III. LP. Where the context requires, CITIC Capital includes its wholly-owned subsidiary, TIL NZ Rose Investment Limited
Code	The Takeovers Code
Companies Act	Companies Act 1993
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Ecoya	Ecoya Limited
Forestal Casino	Sociedad Agricola y Forestal Casino SpA
FY14	Financial year ended 31 March 2014
FY15	Financial year ended 31 March 2015
FY16	Financial year ended 31 March 2016
FY17	Financial year ended 31 March 2017
FY18F	Forecast for the financial year ending 31 March 2018
Grant Samuel	Grant Samuel and Associates Limited
Lanocorp	Lanocorp New Zealand Limited, Lanocorp Pacific Limited, LTM Holdings Limited, Canterbury Cosmetics Limited, Lanocorp Pacific Pty Limited and Lanocorp Australia Pty Limited
OIO	Overseas Investment Office
Proposed Scheme	The Proposed Scheme of Arrangement between TIL, TIL NZ Rose Investment Limited, CITIC Capital and TIL's shareholders
Rosehip Oil Agreement	Agreement for the supply of rosehip oil between Forestal Casino and Trilogy Natural Products Limited
SIA	Scheme Implementation Agreement
Trilogy or TIL	Trilogy International Limited
<i>Trilogy</i> [®]	The Trilogy brand

1 Executive Summary

On 15 December 2017 Trilogy International Limited (**Trilogy**) announced that it had entered into a Scheme Implementation Agreement (**SIA**) with CITIC Capital China Partners III. LP (**CITIC Capital**) to acquire 100% of the issued capital of Trilogy for a cash consideration of \$2.90 cash per share (the **Proposed Scheme**). TIL NZ Rose Investment Limited, a wholly-owned subsidiary of CITIC Capital, is the acquirer under the Proposed Scheme. The Proposed Scheme is to be implemented through a scheme of arrangement under the Companies Act 1993 (**Companies Act**) between TIL, TIL NZ Rose Investment Limited, CITIC Capital and TIL's shareholders.

The Proposed Scheme is subject to several key conditions that are set out in the Scheme Booklet, including the approval of Trilogy shareholders.

Trilogy shareholders are being asked to vote to approve or reject the implementation of the Proposed Scheme. For the Proposed Scheme to be approved, more than 50% of the total number of voting securities in Trilogy must be voted in favour of the Scheme and a majority of at least 75% of the total votes cast in each interest class must be in favour of the resolution.

If the two tests are satisfied and the High Court approves the Scheme and the other conditions (including obtaining regulatory approvals) are satisfied, the Proposed Scheme will proceed and all the shares in Trilogy will be acquired.

The possible outcomes of the Proposed Scheme are:

- **The voting thresholds to approve the Proposed Scheme are not achieved.**

If either of the voting thresholds to approve the Proposed Scheme are not achieved, the Proposed Scheme will not proceed and no shares will be acquired by CITIC Capital. Trilogy will remain a listed company and will have no further obligation to CITIC Capital. No break fees will be payable by either CITIC Capital or Trilogy unless the terms of the SIA have been breached;

- **The voting thresholds to approve the Proposed Scheme are achieved.**

If the voting thresholds to approve the Proposed Scheme are achieved and all other conditions are satisfied, the Proposed Scheme will be implemented. In that circumstance all shareholders in Trilogy will have their shares acquired at \$2.90 per share and Trilogy will be delisted.; and

- **The voting thresholds to approve the Proposed Scheme are achieved but another condition is not satisfied**

If the voting thresholds to approve the Proposed Scheme are achieved but one of the conditions are not achieved, the Proposed Scheme will not proceed and no shares will be acquired by CITIC Capital. Trilogy will remain a listed company and will have no further obligation to CITIC Capital. No break fees will be payable by either CITIC Capital or Trilogy unless the terms of the SIA have been breached.

The outcome of the shareholder vote on the Proposed Scheme is binary – either the voting thresholds are achieved in which case the Proposed Scheme will be effected in its entirety (provided all other conditions are satisfied), or the voting thresholds are not achieved in which case the Proposed Scheme will not be implemented.

When considering the options outlined above, Trilogy shareholders should also consider the following:

- the Proposed Scheme price of \$2.90 per share is within Grant Samuel's assessed value range for Trilogy shares. In Grant Samuel's opinion the full underlying value of Trilogy shares is in the range of \$2.59 to \$2.94 per share. This value represents the value of 100% of the equity in Trilogy and therefore includes a premium for control;

- the Proposed Scheme price of \$2.90 per share implies a premium of 28% relative to the closing price of \$2.26 per share on 14 December 2017 - being the last trading day prior to the announcement of the Proposed Scheme, and a premium of 21% over the volume weighted average share price (**VWAP**) over the 30 trading days prior to the announcement. The premium for control is similar to the average premium for control generally observed in successful takeovers of other listed companies;
- the Proposed Scheme is being effected by a Scheme of Arrangement rather than a takeover, and Trilogy will continue as a listed entity until the Proposed Scheme is put to shareholders, with no trading restrictions on any of its shares. In the context of the Proposed Scheme there are no restrictions or deterrents to prevent a competing acquirer from making an alternative takeover or scheme of arrangement proposal to acquire Trilogy. At the date of this report no other offer or proposal to acquire Trilogy had been made. If Trilogy terminated the SIA with CITIC Capital due to a new bid it would be required to pay CITIC a break fee of \$2 million;
- if the voting thresholds are not achieved, theoretically CITIC Capital could elect to increase the price it is prepared to pay for Trilogy. Any price increase would require a revised scheme of arrangement proposal. However, there is no certainty that a revised proposal would be tabled. Unless a revised proposal from CITIC Capital or a competing takeover offer from another party is made, in the short-term Trilogy's shares are likely to trade at levels below the Proposed Scheme price of \$2.90 per share; and
- voting for or against the Proposed Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

A detailed assessment of the merits of the Proposed Scheme is outlined in section 6 of this report. Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

The report does not contain the following Appendices, however they are available online from Trilogy (<http://investors.tilbrands.com/investor-centre/?page=scheme>):

- Appendix B – Recent Transaction Evidence;
- Appendix C – Comparable Listed Companies;
- Appendix D – Valuation Methodology Descriptions; and
- Appendix E – Interpretation of Multiples.

A full copy of this report is available on request from Trilogy at Level 6, Chelsea House, 85 Fort Street, Auckland Central 1010, New Zealand.

2 Terms of the Proposed Scheme

2.1 Background

On 15 December 2017 Trilogy announced that it had entered into a SIA with CITIC Capital to acquire 100% of the issued capital of Trilogy for a cash consideration of \$2.90 cash per share. The Proposed Scheme is to be implemented through a scheme of arrangement under the Companies Act between Trilogy, TIL NZ Rose Investment Limited, CITIC Capital and TIL's shareholders.

The Proposed Scheme is subject to several key conditions that are set out in the Scheme Booklet, including:

- approval from the New Zealand Overseas Investment Office (**OIO**);
- Trilogy shareholder approval;
- approval of the Proposed Scheme by the New Zealand High Court; and
- the approval of the Australian Foreign Investment Review Board has been received.

The full list of conditions to the Proposed Scheme are set out in the Scheme Booklet.

2.2 Profile of CITIC Capital

CITIC Capital is a leading global alternative asset manager with approximately US\$22 billion of assets under management. The firm was founded in 2002 and has been one of the pioneers in cross-border investments. CITIC Capital manages investments through its multiple asset class platform covering private equity, real estate, structured investment and finance, and asset management. The firm has over 130 portfolio companies that span 11 sectors and employ over 820,000 people around the world. CITIC Capital employs approximately 280 staff and is headquartered in Hong Kong, with offices in Shanghai, Beijing, Shenzhen, Tokyo and New York.

CITIC Capital's private equity arm, CITIC Capital Partners, is focused on control buyout opportunities globally, and has completed over 50 investments in the past years in China, Japan, United States and Europe. The private equity arm currently manages US\$4.7 billion of committed capital.

CITIC Capital has investigated the potential acquisition of a number of other businesses in New Zealand and Australia. To date its only transaction in the region has been the purchase of the Sexual Wellness business unit of Ansell Limited, announced in May 2017.

TIL NZ Rose Investment Limited is a wholly-owned subsidiary of CITIC Capital, and is the acquirer under the Proposed Scheme.

3 Scope of the Report

3.1 Purpose of the Report

The Independent Directors of Trilogy have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Report to assess the Proposed Scheme. Grant Samuel is independent of Trilogy and CITIC Capital and has no involvement with, or interest in, the outcome of the Proposed Scheme. The Proposed Scheme is governed by the Companies Act and is required to be approved by the High Court of New Zealand in order to proceed. The High Court will not approve a scheme that affects the voting rights of a company unless:

- it is satisfied that the shareholders of the company will not be adversely affected by the use of a scheme rather than the Takeovers Code (**Code**) to achieve the desired outcome; or
- it is presented with a no-objection statement from the Takeovers Panel.

Trilogy is defined as a Code company under the Code. Although the provisions of the Code do not apply to schemes of arrangement, the practice of the Takeovers Panel (which is responsible for administering and enforcing the Code) is to conduct a review to establish whether it considers appropriate information is placed before a Code company's shareholders when they are being asked to consider a proposed scheme of arrangement. Although there is no legal requirement under the Companies Act or the Code for an Independent Adviser's Report as a result of the Proposed Scheme, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an Independent Adviser's Report similar to a Code Rule 21 report before it will consider issuing a final no-objection statement. Trilogy has requested that the Takeovers Panel issue a no-objection statement in relation to the Proposed Scheme to present to the High Court to assist with its deliberations.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on *the merits of an offer*. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", the Panel has interpreted the word "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Scheme Booklet to be sent to all Trilogy shareholders. This report is for the benefit of the shareholders of Trilogy. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Scheme. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix E.

This report has been prepared without taking into account the objectives, financial situation or needs of individual Trilogy shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Trilogy in relation to the Proposed Scheme.

Voting for or against the Proposed Scheme is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Trilogy. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Proposed Scheme. Shareholders should consult their own professional adviser in this regard.

3.2 Basis of Evaluation

Grant Samuel has evaluated the Proposed Scheme by reviewing the following factors:

- the terms of the Proposed Scheme;
- the potential impact of the Proposed Scheme on the ownership and control of Trilogy;
- the estimated value range of Trilogy and the price of the Proposed Scheme when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value for Trilogy shareholders;
- the likely market price and liquidity of Trilogy shares in the absence of the Proposed Scheme;
- any advantages or disadvantages for Trilogy shareholders of accepting or rejecting the Proposed Scheme;
- the current trading conditions for Trilogy;
- the timing and circumstances surrounding the Proposed Scheme; and
- the attractions and risks of Trilogy's business.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

3.3 Approach to Valuation

Grant Samuel has estimated the value range of Trilogy with reference to its full underlying value. In Grant Samuel's opinion the price to be paid in the context of a full takeover or a scheme of arrangement that may result in a change of control should reflect the full underlying value of the company. In the context of takeover offers (to which the Proposed Scheme is akin), the support for this opinion is twofold:

- the Code's compulsory acquisition provisions apply when a single shareholder or group of associated shareholders acquires 90% or more of the voting rights in a Code company.
- Where rule 57 of the Code requires the price payable on compulsory acquisition to be determined, the Code seeks to avoid issues of premiums or discounts for minority holdings by providing that a class of shares is to be valued as a whole with each share then being valued on a pro rata basis. In other words, a minority shareholder is allocated its share of the full underlying value. Grant Samuel believes that the appropriate test for fairness under a full or partial takeover offer where the offeror will gain control is the full underlying value, prorated across all shares. The rationale for this opinion is that it would be inconsistent for one group of minority shareholders, those selling under compulsory acquisition, to receive a different price under the same offer from those who accepted the offer earlier; and
- under the Code a single shareholder, or group of associated shareholders, can only acquire 20% or more of the voting rights in a Code company if an offer to acquire shares is made to all shareholders of the company or if non-associated shareholders give their approval to the acquisition by an ordinary resolution. As a result, a controlling shareholding (generally accepted to be no less than 40% of the voting rights) cannot be transferred to another owner without the acquirer making an offer on the same terms and conditions to all shareholders (unless non-associated shareholders pass on ordinary resolution approving the transfer). One of the core foundations of the Code is that all shareholders be treated equally. Any control premium that is implied by an offer is now available to all shareholders

under a takeover offer (in a scenario where an offeror will gain control), regardless of the size of their shareholding or the size of the offeror's shareholding at the time the offer is made.

Accordingly, Grant Samuel is of the opinion that not only because shares acquired under a compulsory acquisition scenario are required to be valued at a price equivalent to full underlying value, but because the control premium (if any) is available to all shareholders, the share price under either a full or partial takeover offer where the offeror will gain control should be within or exceed the prorated full underlying valuation range of the company.

In the context of the Proposed Scheme only two outcomes are possible:

- the Proposed Scheme is approved by Trilogy's shareholders and, if all other conditions are satisfied, the Proposed Scheme is then implemented and 100% of the shares in Trilogy would be acquired by CITIC Capital. Trilogy would be delisted in that circumstance; or
- the Proposed Scheme is rejected by Trilogy shareholders and the Proposed Scheme then collapses and CITIC Capital buys no shares in Trilogy. Trilogy will remain a listed company in that circumstance.

The Proposed Scheme therefore is similar to a full takeover in that it represents a potential change of control event. Consistent with the valuation principles applied to the assessment of a full takeover offer, any value assessment should be of the full underlying value of the company, assuming 100% of the company was available to be acquired and therefore includes a premium for control.

4 Overview of the natural skincare industry

4.1 Overview

The skincare market is the largest category in the global cosmetics industry. Over the past few years there has been a shift towards natural beauty products in preference to traditional skincare products that contain synthetic compounds including sulphates, parabens, phthalates, fragrances, preservatives and other artificial ingredients. The natural skincare movement is part of an increase in consumer awareness around health and wellness and environmental impacts, and a growing body of research linking certain chemical ingredients in skincare products with a range of health issues including reproductive problems, birth defects and cancer. Another key factor in the rising demand for natural skincare products is the increase in consumers' disposable income.

The wider skincare industry is undergoing a period of transition away from low-cost, traditionally formulated products towards niche and premium segments. This trend is expected to result in the continued growth in the use of organic and natural ingredients as consumers are prepared to pay a premium for products that have social and environmental benefits. IBISWorld notes:

*"Natural products are continuing to move into mass-market channels to form a second mainstream market, rather than being sold only in niche markets... In the short-to-medium term, trends favouring organic, local, eco-friendly and fair-trade products, all with more sustainable packaging, are expected to gather momentum."*¹

In keeping with this trend, large traditional cosmetics companies have developed or acquired natural skincare lines featuring organic and eco-friendly products and begun replacing potentially harmful ingredients in their existing products with natural ones.

The global organic personal care market is growing at a faster rate than the overall personal care industry and is expected to reach nearly US\$25 billion² by 2025. Large retailers including Sephora, Nordstrom and Mecca offer dedicated natural beauty sections.

Many consumers have begun shopping online for their skincare needs and social media is becoming an increasing influence on consumer trends. Manufacturers are increasingly selling products online direct to consumers, bypassing traditional retailers.

The industry is dynamic with new product development an ongoing feature. The introduction of probiotics and superfood ingredients (such as kale) are some of the innovations that have recently been adopted. Other trends include the use of more sustainable packaging to minimise the environmental impact of the product, and a trend towards multifunctional products that have both cosmetic and pharmaceutical application such as moisturising, tinting, SPF protection and acne or anti-aging treatments.

4.2 Competition

The natural skincare market is highly competitive and exhibits high levels of international trade. In Australia and New Zealand the import market is dominated by mass-market and premium brands produced by companies such as L'Oreal, Unilever, Beiersdorf and Procter & Gamble³. These companies account for more than half of industry revenue. Many Australian and New Zealand skincare manufacturers have developed niche premium products that have achieved some international market penetration as consumers increasingly demand high-quality eco-friendly products. Asian markets have provided a particularly strong export destination as affluent Asian consumers demand New Zealand and Australian eco-friendly products. Exports from Australia now account for more than half of industry revenue.

¹ IBISWorld "All dolled up: Australia's positive green image overseas is set to continue boosting exports", November 2015

² Grandview Research, November 2016

³ IBISWorld "Basking in the sun: Industry players have capitalised on demand for organic products", August 2017

The natural skincare manufacturing segment is highly fragmented with a large number of established brands worldwide. New Zealand and Australia have several worldwide recognised natural skincare brands including *Trilogy*[®], *Kora*, *Kosmea*, *Jurlique*, *Essano* and *Sukin*.

4.3 Distribution

Skincare products are distributed through a wide range of channels with convenience being a significant factor in consumer decision making. Natural skincare products are typically distributed through the following six channels:

- *Wholesalers*: provide a channel to various retail providers and typically represent multiple brands. CS&Co, which is owned by Trilogy, is New Zealand's leading multi-brand beauty distributor;
- *Supermarkets and Grocery Stores*: typically stock more mass-market and budget skincare products with only limited affordable luxury and natural skincare options available;
- *Department Stores*: such as Farmers and David Jones stock a wide range of products including premium and luxury skincare;
- *Pharmacies*: Pharmacies often retail a wide range of cosmetic and skincare products;
- *Specialist cosmetic retailers*: Such as Mecca and Sephora which frequently have dedicated natural skincare sections; and
- *Online*: either direct to consumer or via an online platform such as Strawberry.net. This is an increasingly critical channel due to the increase in online marketing of skincare products via social media (Facebook, Instagram, Snapchat and YouTube).

Many manufacturers opt for a multi-channel distribution model where products are sold through pharmacies, department stores and online.

4.4 The Cosmetics Sector

The growing presence of international cosmetic retailers and the rise of social media marketing of cosmetic products is driving continued growth in the sector in New Zealand. Imports represent more than 90% of all cosmetic products sold in New Zealand. The majority of cosmetic imports originate in Australia, with China, the US, France and Thailand also contributing significant volumes. Continued growth is anticipated as New Zealand's population ages, driving growth in anti-aging products (43% of New Zealand's population is expected to be aged 50 years or more by 2025), disposable income increases and changing demographics drive the stocking of new lines in retail stores that have typically been purchased online from overseas suppliers.

4.5 Regulation

The overall cosmetics industry is subject to a significant level of regulation including compliance with various product standards. Any products containing therapeutic ingredients or making therapeutic claims (such as anti-bacterial and acne treatment products) are also subject to the Medicines Act 1981 (in New Zealand) and regulated by Therapeutic Goods Administration in Australia. The most significant areas of regulation are the use of chemical ingredients and regulations governing cosmetics and skincare products containing an SPF factor.

4.6 Outlook

The outlook for the natural skincare industry is considered positive with revenue growth expected to outstrip growth in the overall skincare industry. In order to maintain market share and meet regulatory requirements however, additional costs are likely to be incurred by natural skincare manufacturers. To keep pace with

industry trends significant research and development expenditure is required. In addition, changes in regulation can be costly as governments review the use of certain chemicals as ingredients in skincare and environmental compliance costs increase. Consumers and organic skincare manufacturers are increasingly calling for standards to ensure that products making 'organic' and 'natural' claims meet minimum requirements. The cost of complying with any new standards governing the natural skincare market could be meaningful. Sourcing fresh botanical ingredients is challenging and costly. Organic farms tend to produce smaller harvests as they are unable to use chemical additives to enhance their yield. Consumers are seeking ingredients that can be harvested in a sustainable manner and traced throughout the supply chain back to source. In addition, there is a growing emphasis on sustainable packaging which can be more costly than traditional packaging.

5 Profile of Trilogy International

5.1 Overview

Trilogy has positioned itself as a cultivator of a portfolio of essential natural products and home fragrance brands: *Trilogy Natural Products*, *Ecoya*, *Goodness Natural Beauty Lab*, and *Lanocorp*. These brands are marketed and sold in New Zealand, Australia and international markets. Its subsidiary CS&Co distributes international cosmetics, fragrances, skincare and haircare brands in New Zealand, including the *Trilogy*[®] and *Goodness* product ranges.

5.2 Background and History

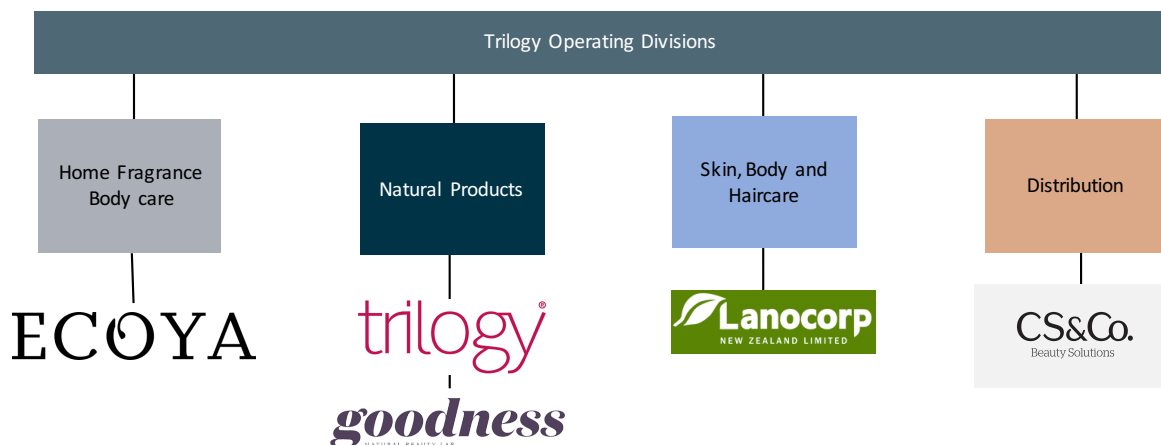
Trilogy was originally established in 2002 as a natural skincare company. The business was acquired by listed entity Ecoya Limited (**Ecoya**) in 2010 and subsequently changed its name to Trilogy International in 2013 to better reflect the business focus. At the time of the acquisition, Ecoya was a relatively small, publicly listed business involved in the manufacture and sale of scented candles. A summary of the evolution of Trilogy since 2004 is set out below:

TIMELINE OF KEY COMPANY EVENTS SINCE 2004

2004	- Ecoya founded
2008	- The Business Bakery Purchase an 83% stake in Ecoya
2010	- Ecoya lists on the NZ stock exchange - Ecoya acquires 100% of Trilogy
2013	- Ecoya renamed Trilogy International Limited
2015	- Trilogy launches <i>Goodness</i> skincare range - Trilogy acquires 100% of CS&Co
2016	- Trilogy acquires 25% of Forestal Casino, a rosehip tea manufacturer (and source of rosehip oil) in Chile - Trilogy dual lists on ASX as a Foreign Exempt Listing - Trilogy and the Business Bakery complete a \$50 million capital raising comprising a \$20 million placement and a \$30 million sell down by the Business Bakery at \$3.70 per share - Trilogy raises \$5 million via a share purchase plan
2017	- Trilogy acquires 80% of Lanocorp
2018	- Unwind of cross shareholding between Forestal Casino and Trilogy

5.3 Operating Divisions

Today, Trilogly has four operating divisions and a joint venture with Forestal Casino, its primary supplier of rosehip oil – the key ingredient in its *Trilogly*® natural products range.⁴



5.3.1 Home Fragrance and Bodycare

Trilogly's Home Fragrance and Bodycare division is primarily built around the *Ecoya* brand. *Ecoya* was established in 2004 as a specialist candle business, using 100% natural soy wax to seek to maximise burning time (as compared with paraffin, a bi-product of the petroleum industry). An *Ecoya* bodycare range was also developed to complement the candle product range. Today, *Ecoya* products are sold in more than 1,800 department, independent gift and homeware stores globally. *Ecoya* leads the New Zealand homecare fragrance market with an estimated 19% share, while capturing an estimated 6% share of the Australian market.

In 2017, Trilogly undertook an overhaul of the *Ecoya* product range which resulted in a reduction in the number of products. The repositioning of the product range has been done in conjunction with a brand refreshment programme and marketing initiative.

5.3.2 Natural Products

Trilogly's Natural Products division comprises:

- **Trilogly**® which was founded in 2002 to capitalise on the use of rosehip oil as a beneficial skin treatment. Rosehip oil is a bi-product from rosehip tea manufacturing and is obtained by cold pressing the rosehip seeds which are discarded when making tea. Trilogly produces a natural and organic skincare range with the core active ingredient being rosehip oil. The quality and profile of Trilogly's rosehip oil has enhanced the brand as a pioneer in the natural beauty oil category. Today, the *Trilogly*® range consists of over 40 skincare, haircare and bodycare products and is estimated to have a market share of approximately 28% in New Zealand and approximately 12% in Australia. The *Trilogly*® range is sold worldwide in more than 6,500 department, pharmacy and health stores, and online from specialist beauty websites and Trilogly's own websites. The *Trilogly*® range is produced by a third-party manufacturer based in Auckland. Distribution in New Zealand is undertaken through wholly owned CS&Co and in Australia through McPhersons. In the UK the *Trilogly*® range is distributed through Glorious Brands. In the US, Trilogly has an agreement with Whole Foods Markets and has appointed a master broker to service a number of other large retail chains. Trilogly has appointed Australian based QBID as its cross-border e-commerce (CBEC) distributor in China. Historically, Trilogly sold *Trilogly*® in China substantially through the "Daigou"

⁴ Excludes Lanocorp which was acquired in July 2017

market. Daigou is mandarin for 'buy on behalf of' trade where the product is purchased from retailers in New Zealand and Australia and supplied to China or taken in suitcases by visitors. The Daigou market was instrumental in establishing the *Trilogy*[®] brand in China. The distribution platform with QBID has been effective, with Trilogy's natural products now successfully sold through several ecommerce channels in Asia (e.g. Tmall, VIP, Kaola). This direct access into the China and Asian market is considered by Trilogy management to represent a significant opportunity. The potential change in regulatory policies associated with cross border sales in China makes the size and timing of this opportunity difficult to quantify; and

- **Goodness** which was launched in April 2015. The *Goodness* range is developed from Chia seeds which is a recognised superfood and source of Omega 3. The *Goodness* Natural skincare range targets the younger grocery consumer. Today, *Goodness* remains a relatively small product in the Trilogy stable of brands and is estimated to have a market share over 5% in New Zealand and 1% in Australia. The *Goodness* range is doing well in the grocery sector in New Zealand and is seeking to build critical mass in Australia.

5.3.3 Lanocorp

In July 2017 Trilogy acquired 80% of Lanocorp New Zealand Limited and the business and assets of Lanocorp Australia Pty Limited (collectively **Lanocorp**). Lanocorp was established 25 years ago as a specialist manufacturer and distributor of nature based themes of high quality skincare, bodycare and haircare brands which now include *Lanocrema*, *By Nature*, *Rata&Co* and *Tiaki*. Lanocorp manufactures its own products and has recently moved into a purpose-built facility in Christchurch. The remaining 20% of Lanocorp is owned by the original vendors Timothy Mclver and Noel Walton. The agreement includes a call option for Trilogy to acquire the remaining 20% of the Lanocorp business based on a predetermined calculation at either the third, fourth or fifth anniversary of the acquisition date.

While the *Trilogy*[®] range is primarily based on rosehip oil, the Lanocorp brand represents a more conventional skincare and bodycare range utilising unique New Zealand natural ingredients.

5.3.4 CS&Co

Trilogy acquired cosmetics importer and distributor CS&Co in August 2015 for \$37 million plus earnout payments. CS&Co is New Zealand's largest independent importer and distributor of fragrances, cosmetics and toiletries. The business currently represents more than 18 suppliers representing brands including *Marc Jacobs*, *Calvin Klein*, and *Gucci* together with cosmetics/beauty brands *Max Factor*, *Natio* and *OPI*. Major suppliers include global industry leaders such as Coty and LVMH. The channels to market include pharmacies, department stores, health and variety, spas, salons and grocery. CS&Co commenced distributing *Trilogy*[®] and *Goodness* products in July 2016 in New Zealand.

5.3.5 Forestal Casino

In June 2017, Trilogy acquired 25% of Forestal Casino, a Chilean based rosehip producer. Forestal Casino is one of the largest premium rosehip oil tea manufacturers in South America. The remaining 75% of Forestal Casino is owned by Compania De Inversiones Y Desarrollo Sur Limitada (**CIDSUR**), a Chilean company. As part of the acquisition, CIDSUR was issued with 2,615,181 shares in Trilogy and Forestal Casino granted Trilogy a long-term supply agreement for its rosehip oil, which is a core ingredient in a number of skincare products produced by Trilogy. The supply arrangement is set out in a formal Rosehip Oil Supply Agreement.

It has subsequently been agreed that CIDSUR will buy back the 25% shareholding in Forestal Casino held by Trilogy. The consideration for this 25% will be the return and cancellation of the 2,615,181 shares that Forestal Casino holds in Trilogy. These arrangements have been agreed to between Trilogy and CIDSUR. The Rosehip Oil Supply Agreement will remain in place whether the Proposed Scheme is implemented or not.

5.4 Trilogy Financial Performance

The historical financial performance of Trilogy for the years ended 31 March 2014 to 2017 (FY14 to FY17) and the forecast period to March 2018 (FY18F) is summarised below:

TRILOGY FINANCIAL PERFORMANCE (NZ\$ MILLIONS)

YEAR END 31 MARCH	FY14A	FY15A	FY16A	FY17A	FY18F
Revenue	29.8	36.6	83.1	103.7	117.9
<i>Total revenue growth %</i>		23%	127%	25%	14%
Cost of sales	(11.4)	(13.8)	(38.4)	(50.6)	(58.2)
Gross profit	18.4	22.8	44.7	53.1	59.7
<i>Gross margin %</i>	62%	62%	54%	51%	51%
Sales & marketing expenses	(10.4)	(10.7)	(17.9)	(20.8)	(23.8)
Administration expenses	(4.2)	(5.3)	(8.6)	(9.5)	(11.3)
Distribution expenses	(1.4)	(1.8)	(2.4)	(2.7)	(3.8)
Other income/(expenses)	(0.1)	0.2	0.4	(0.9)	(1.0)
Total expenses	(16.1)	(17.6)	(28.5)	(33.9)	(39.9)
Share of associate profit	-	-	-	0.2	0.2
EBITDA⁵	2.3	5.2	16.2	19.4	20.0
<i>EBITDA margin %</i>	7.2%	14.5%	19.7%	18.8%	17.0%
Depreciation and other amortisation	(0.6)	(0.4)	(0.4)	(0.8)	(1.5)
EBIT⁶	1.7	4.8	15.8	18.6	18.5
Net interest expense	(0.5)	(0.4)	(1.8)	(1.5)	(1.8)
Gains/(losses) on derivatives	0.2	-	(0.6)	0.1	-
Contingent consideration adjustments	-	-	(0.4)	0.6	0.5
Taxation expense	(0.2)	(0.1)	(3.7)	(5.2)	(4.9)
NPAT	1.4	4.3	9.3	12.5	12.3

Source: Trilogy and Grant Samuel analysis

Commentary in relation to historical financial information.

The following points are relevant when reviewing the table above:

- in FY16 Trilogy's EBITDA grew \$11.0 million, a threefold increase on the prior period. This increase is largely a consequence of the acquisition of CS&Co, supplemented by strong organic growth in Natural Products division – particularly the *Trilogy*[®] brand. The FY16 results included seven and a half months of trading contribution from CS&Co;
- total expenses also increased in FY16 and FY17 substantially as a consequence of the acquisition of CS&Co, as well as the continued investment in sales and marketing, brand development and administrative functions to support the actual and projected growth of the company;
- Trilogy takes out forward cover in respect of purchases of foreign currency supplier inputs, and forward cover to protect revenues received. These contracts have been recorded by Trilogy on a mark to market basis and changes in value reported below the EBIT line;

⁵ Earnings Before Interest, Tax, Depreciation and Amortisation

⁶ Earnings Before Interest and Tax

- the decline in gross margin from FY15 and FY16 also reflects, in part, the lower gross margin generated in CS&Co when compared with the gross margins enjoyed by the Natural Products and Home Fragrance and Bodycare divisions;
- the share of associate profit in FY17 relates to Trilogy's 25% shareholding in Forestal Casino; and
- the contingent consideration adjustment relates to the earn out payment mechanism associated with the acquisition of CS&Co.

Principal assumptions in relation to FY18F.

The forecasts for FY2018 are based on actual results to 31 December 2017 plus expected revenue, margin and costs for the remaining quarter of the year (Q4):

- Trilogy expects sales of \$12.7 million in Q4 with margins being maintained. Sales in New Zealand to the Daigou trade are forecast to decline but are offset by higher than expected sales in the US and China;
- Ecoya continues to trade below FY17 due largely to a temporary shortage in the supply of soy wax during the current financial year. Revenue is forecast to exceed \$5 million in Q4 but with improved margins as the supply of raw material normalises;
- CS&Co expects a stable performance in Q4 supported by performance of the core business and new agencies. The prestige fragrance brands are continuing to experience some margin pressure from parallel imports;
- Lanocorp is forecasting revenue of \$5.7 million in Q4 on increasing sales in the US from the ongoing partnership with Wal-Mart; and
- the forecasts exclude costs associated with implementing the Proposed Scheme with CITIC Capital and any non-cash impact of the winding up of the cross shareholding with Forestal Casino.

5.5 Operating Division Financial Performance

The historical financial performance for each division is summarised below:

5.5.1 Natural Products

The financial performance of the Natural Products division from FY14 to FY17 is summarised below:

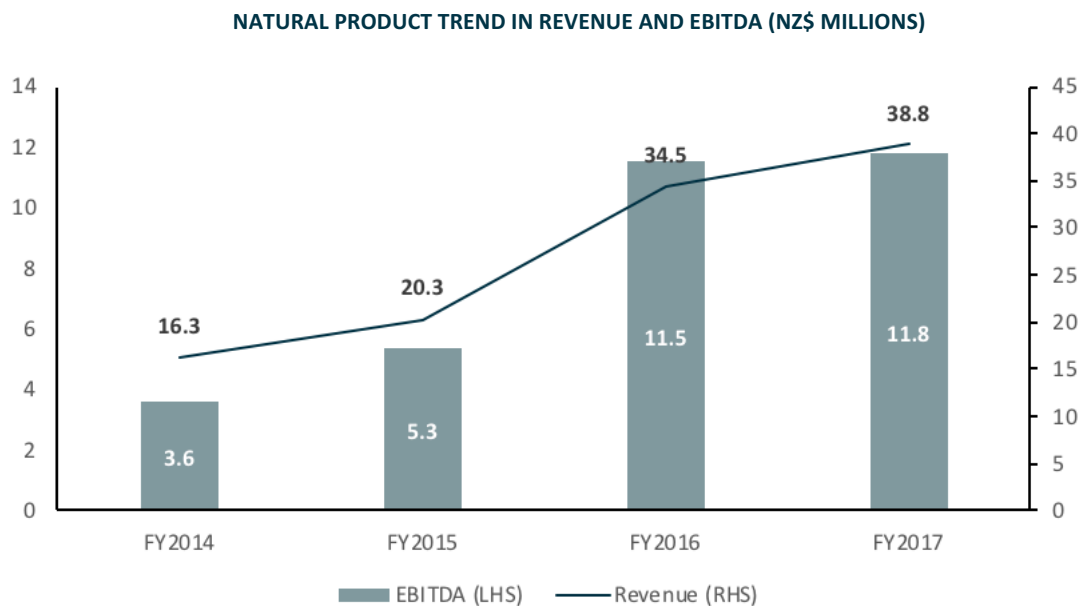
NATURAL PRODUCTS DIVISION PERFORMANCE (NZ\$ MILLIONS)

YEAR END 31 MARCH	FY14A	FY15A	FY16A	FY17A
Australia	4.6	7.2	10.5	15.2
New Zealand	5.9	6.5	13.3	12.6
UK & Ireland	2.2	2.2	3.1	3.1
United States	0.3	0.7	2.5	2.0
ROW & Other	3.2	3.7	5.0	6.0
Total revenue	16.3	20.3	34.4	38.8
<i>Total revenue growth %</i>		25%	69%	13%
Total expenses	(12.7)	(15.0)	(22.9)	(27.0)
EBITDA	3.6	5.3	11.5	11.8
<i>EBITDA margin %</i>	22.0%	26.3%	33.5%	30.4%
Depreciation and other amortisation	(0.2)	(0.2)	(0.1)	(0.3)
EBIT	3.4	5.1	11.4	11.5
Capex	0.1	0.2	0.6	1.3

- in FY16 Natural Products revenue increased by \$14.1 million. This revenue growth was largely due to:

- the *Goodness* brand, which was launched in FY15. *Goodness* initially exceeded forecast distribution targets in New Zealand and Australia;
 - a focus on increased distribution in Australasia and organic growth through key accounts; and
 - increased international distribution and growth in existing stores through range expansion. The growth in the United States revenue reflected the first year *Trilogy* had a nationwide presence through its distribution arrangement with Whole Foods Market;
- in FY17 Natural Products revenue increased by \$4.4 million. This revenue growth was largely due to:
 - growth in Australia due to the roll out of more products in that market and the full year benefit of previously launched products;
 - the launch of new *Trilogy*® and *Goodness* products, which led to organic growth through existing accounts; and
 - increased distribution with the addition of approximately 2,500 more stores globally and the establishment of new distribution partnerships in the UK and Korea;
 - New Zealand revenue declined in FY17 reflecting what management considers to be a softer, more competitive market and reduced demand from the Daigou markets; and
 - operating expenses increased in FY16 due to investment in sales and marketing, the relocation of head office and international expansion.

The following graph shows the trend in revenue and EBITDA for the Natural Products division:



5.5.2 Home Fragrance and Bodycare

The financial performance of the Home Fragrance & Bodycare division from FY14 to FY17 is summarised below:

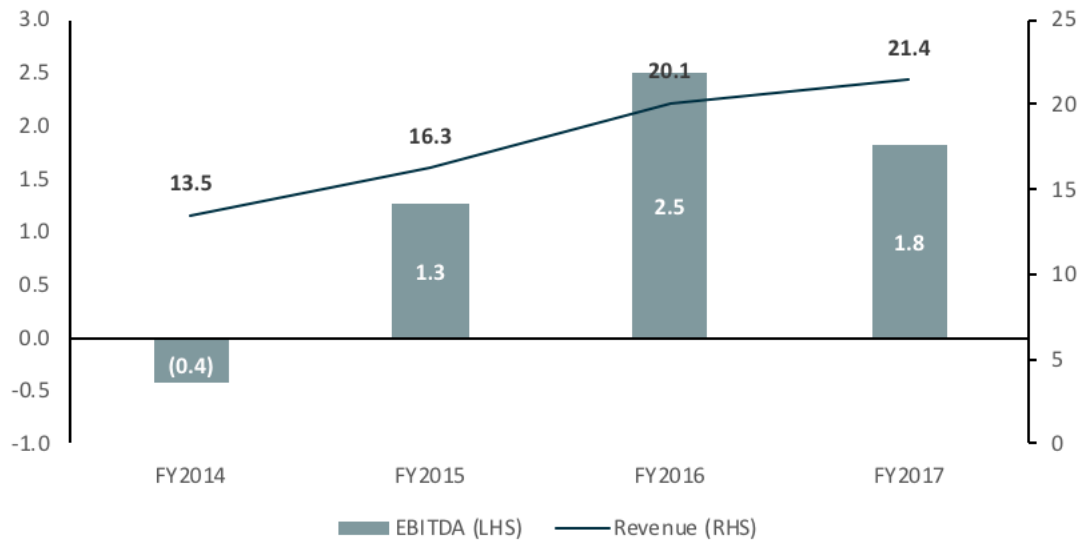
HOME FRAGRANCE & BODYCARE DIVISION PERFORMANCE (NZ\$ MILLIONS)

YEAR END 31 MARCH	FY14A	FY15A	FY16A	FY17A
Australia	8.4	10.8	12.7	14.0
New Zealand	3.0	3.8	5.0	5.8
Other markets	2.1	1.7	2.4	1.6
Total revenue	13.5	16.3	20.1	21.4
<i>Total revenue growth %</i>		20%	24%	7%
Total expenses	(13.9)	(15.0)	(17.6)	(19.6)
EBITDA	(0.4)	1.3	2.5	1.8
<i>EBITDA margin %</i>	<i>(3.1%)</i>	<i>7.7%</i>	<i>12.5%</i>	<i>8.4%</i>
Depreciation and other amortisation	(0.3)	(0.2)	(0.2)	(0.3)
EBIT	(0.8)	1.0	2.3	1.6
Capex	0.2	0.2	0.3	0.9

- in FY16 Home Fragrance and Bodycare revenue grew by \$3.8 million largely due to:
 - new product development which led to numerous new products coming to the market;
 - continued success from the launch of limited edition scents for Christmas; and
 - an increase in department store sales in Australia (up 42%), Farmers in New Zealand and John Lewis in the UK;
- in FY17 the Home Fragrance and Bodycare division achieved modest revenue growth in Australia and New Zealand markets, the majority of which was offset by a decline in international markets; and
- EBITDA declined in FY17 due to gross margin percentage declining reflecting temporarily higher raw material purchasing costs and increased expenses largely related to investment in the *Ecoya* brand and corporate cost allocation.

The following graph shows the trend in revenue and EBITDA for the Home Fragrance & Bodycare division:

HOME FRAGRANCE AND BODYCARE TREND IN REVENUE AND EBITDA (NZ\$ MILLIONS)



5.5.3 Distribution

The financial performance of the Distribution division from FY16 and FY17 is summarised below:

DISTRIBUTION DIVISION PERFORMANCE (NZ\$ MILLIONS)

YEAR END 31 MARCH	FY16A	FY17A
Revenue	28.6	53.4
Total expenses	(23.8)	(44.9)
EBITDA	4.8	8.5
<i>EBITDA margin %</i>	16.7%	15.9%
Depreciation and other amortisation	(0.2)	(0.3)
EBIT	4.6	8.2
Capex	0.4	0.3

- in FY17 CS&Co maintained its number one beauty distribution position in New Zealand; and
- the increase in revenue and earnings in FY17 reflects the first full financial year of ownership of CS&Co. Revenue also increased in FY17 due to CS&Co becoming the distributor of Trilogy's products in mid 2016.

5.6 Financial Position

The financial position of Trilogy as at 31 March 2017 and 31 December 2017 is summarised below:

TRILOGY - FINANCIAL POSITION (NZ\$ MILLIONS)

	31 MARCH 2017	31 DECEMBER 2017
Trade and other receivables	18.0	21.6
Inventories	20.3	26.4
Trade and other payables	(11.9)	(8.1)
Taxation asset/(liability)	(2.1)	(1.9)
Net working capital	24.3	38.0
Plant & equipment	3.8	6.2
Intangible assets	51.7	69.9
Investment in associate	14.0	9.4
Net operating assets	93.8	123.5
Borrowings (net of cash)	(5.8)	(32.9)
Deferred contingent consideration	(7.5)	(8.3)
Other items	0.1	1.3
Net assets	80.6	83.6
STATISTICS		
<i>Shares on issue at period end (million)</i>	72.4	72.8
<i>Net assets per share</i>	\$ 1.11	\$1.15
<i>NTA⁷ per share</i>	\$0.40	\$0.19
<i>Gearing⁸</i>	7%	28%

Source: Trilogy and Grant Samuel analysis

The following points are relevant when reviewing the table above:

- Trilogy's working capital is seasonal in nature with receivables and inventories building during the months prior to the Christmas trading period;
- plant & equipment principally consists of furniture, office equipment and display equipment;
- the intangible asset balance as at 31 December 2017 of \$69.9 million consists of goodwill relating to acquisitions, the value attributed to the Rosehip Oil Supply Agreement with Forestal Casino, software development costs and brand, trademarks and other intangible assets;
- the investment in associate relates to the 25% shareholding in Forestal Casino. There is no expectation for a dividend to be received in relation to that investment in the short term, as all surplus cash will be utilised to invest in growth;
- net borrowings increased by approximately \$27 million between 31 March 2017 and 30 November 2017. Approximately \$15 million of this increase was from drawings used to fund the acquisition of Lanocorp (\$13.6 million) and a deferred settlement payment for CS&Co (\$1.5 million). The remainder of the increase is largely attributable to an increase in working capital in the lead up to Christmas 2017;
- \$5.3 million of the deferred contingent consideration balance relates to CS&Co and \$2.9 million relates to the acquisition of Lanocorp; and
- other items include a deferred tax liability and derivative financial instruments.

⁷ NTA is net tangible assets, which is calculated as net assets less intangible assets.

⁸ Gearing is net borrowings divided by net assets plus net borrowings.

5.7 Cash Flow

Trilogy's cash flow from FY14 to FY17 is summarised below:

TRILOGY CASH FLOW (NZ\$ MILLIONS)

YEAR END 31 MARCH	2014A	2015A	2016A	2017A
EBITDA	2.1	5.3	16.3	19.4
Movement in working capital (exc tax)	(0.5)	0.1	(6.6)	(3.2)
Tax	(0.0)	(0.5)	(2.9)	(4.7)
Interest	(0.5)	(0.4)	(1.8)	(1.4)
Other	0.4	0.1	0.6	0.3
Net operating cash flow	1.5	4.7	5.7	10.4
Net purchase of fixed & intangible assets	(0.3)	(0.3)	(1.5)	(2.5)
Investment in associate	-	-	-	(2.8)
Acquisition of subsidiary	-	-	(33.9)	(1.5)
Net investing cash flow	(0.3)	(0.3)	(35.5)	(6.8)
Net drawdown/(repayment) of borrowings	(2.0)	(2.9)	32.8	(26.8)
Net proceeds from share issue	0.8	-	0.1	24.8
Dividends paid	-	-	(2.3)	(3.4)
Net financing cash flow	(1.2)	(2.9)	30.5	(5.3)
Net cash flow	-	1.5	0.7	(1.7)
Opening cash	1.1	1.2	2.7	3.5
FX gains/(losses)	0.1	-	0.2	(0.1)
Closing cash	1.2	2.7	3.5	1.7

Source: Trilogy Financial Statements

The following comments are relevant when considering the table above:

- the \$33.9 million acquisition of subsidiary in FY16 relates to CS&Co during the period. The acquisition was initially funded from borrowings, later refinanced through a capital raise in June 2016 under which Trilogy raised \$25 million of new equity. This involved a \$20 million placement at \$3.70 per share and a \$5 million share purchase plan at the same price per share which was fully subscribed. The proceeds from the capital raise were substantially used to repay borrowings;
- Trilogy's historic dividend policy has been to pay between 45% and 55% of business earnings excluding the earnings of CS&Co; and
- the investment in associates relates to the acquisition of the 25% shareholding in Forestal Casino.

5.8 Capital Structure and Ownership

Trilogy has the following securities on issue:

- 72,766,907 ordinary shares; and
- 720,000 options over unissued ordinary shares.

As at 31 December 2017 Trilogy had approximately 1,880 registered shareholders. The top 10 shareholders own approximately 77% of the ordinary shares on issue:

TRILOGY - MAJOR SHAREHOLDERS AS AT 26 JANUARY 2018

	NUMBER OF SHARES (000S)	PERCENTAGE
The Business Bakery LP	22,701	31.2%
National Nominees Ltd – Auckland branch	9,327	12.8%
JP Morgan Chase Bank	6,725	9.2%
HSBC Nominees (New Zealand) Ltd	6,382	8.8%
Compania De Inversiones Y Desarrollo Sur Limitada	2,615	3.6%
Accident Compensation Corporation	2,433	3.3%
Citibank Nominees (New Zealand) Limited	1,750	2.4%
Sarah Jane Gibbs & Independent Trust Company	1,666	2.3%
CS Fourth Nominees Pty Ltd	1,345	1.9%
Justin & Dorota Bade & RCA Trustees	1,000	1.4%
Subtotal - Top 10 shareholders	55,944	76.9%
Other shareholders	16,823	23.1%
Total	72,767	100.0%

Source: NZX Research

5.9 Share Price Performance

5.9.1 Liquidity

The following table shows the volume of Trilogy shares traded in the 12 months prior to the announcement of entry into the SIA on 15 December 2017:

TRILOGY - SHARE PRICE HISTORY

TIME PERIOD	LOW	HIGH	VWAP	VOLUME (000S)
1 month	\$2.23	\$2.63	\$2.39	959
3 months	\$2.05	\$2.63	\$2.26	6,728
6 months	\$2.04	\$2.86	\$2.37	12,168
12 months	\$2.04	\$3.21	\$2.41	27,699

Source: NZX Company Research

5.9.2 Share Price Performance

The share price and trading volume history of Trilogy shares is depicted graphically below:

TRILOGY SHARE PRICE PERFORMANCE SINCE THE BEGINNING OF 2015



Trilogy's share price against the NZX50 Capital Index is shown in the graph below:

TRILOGY SHARE PRICE PERFORMANCE VERSUS NZX50 CAPITAL INDEX



Trilogy has performed strongly versus the NZX50 Capital Index since the beginning of 2015.

The share price decline from August 2016 was a function of two institutional shareholders reducing their shareholdings significantly and a series of negative earnings outlooks and results from Trilogy in September and November in both 2016 and 2017 which together accounted for a \$1.41 share price decline over the days of those announcements.

6 Valuation of Trilogy

6.1 Summary

Grant Samuel has valued Trilogy in the range of \$183.2 - \$208.2 million, which corresponds to a value of \$2.59 to \$2.94 per share. The valuation is summarised below:

TRILOGY - VALUATION SUMMARY (\$ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Enterprise value – Trilogy		164.5	176.3
Enterprise value – Goodness		1.3	1.5
Enterprise value – CS&Co		38.5	45.5
Enterprise value – Lanocorp (80%)		23.0	26.2
Enterprise value – Ecoya		5.0	6.0
Less: Head office costs (excluding costs of being listed)		(18.4)	(16.8)
Combined Enterprise value		213.8	238.7
Net debt for valuation purposes	5.1.2	(30.5)	(30.5)
Equity value		183.2	208.2
Fully diluted shares on issue (millions)	5.1.3	70.9	70.9
Value per share		\$2.59	\$2.94

The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Trilogy shares to trade on the NZX in the absence of a takeover offer or proposal similar to the Proposed Scheme with CITIC Capital. The valuation reflects the strengths and weaknesses of Trilogy and takes into account the following factors:

- Trilogy is the business unit with the greatest potential. It is however highly dependent on its rosehip based products which have been successfully established in the international natural/organic skin care market. The dependence within the business unit on what is effectively a single product *Trilogy*[®] rosehip oil range is both a strength and a weakness. Obtaining a consistent supply of quality rosehip oil has been an historic point of weakness that was only addressed with the signing of a new supply agreement with Forestal Casino in Chile. Alternative volume supplies are considered somewhat limited. Trilogy also sources rosehip oil from Lesotho and parts of Europe, but in lesser volumes than from Chile. On the positive side the success of the *Trilogy*[®] rosehip oil face products has provided Trilogy with a truly international brand;
- sales growth of the *Trilogy*[®] product range in New Zealand and Australia had been strong until the current financial year. A move by the company to supply *Trilogy*[®] products directly into China has seen a commensurate decline in the Chinese Daigou trade which itself was coming under pressure from increased regulation in China. Trilogy is making the transition to direct supply in China using QBID, a cross border e-commerce platform and TMall, a business to consumer (B2C) platform established by Alibaba. It appears that the loss in volume in New Zealand and Australia from the decline in Daigou trade is yet to be offset by rising volumes in China. Over time, management expect the Chinese market to grow strongly as it is the world's largest skincare market. Management expect the Daigou market will continue to sell *Trilogy*[®] products but at a lower rate than historically. The Daigou market is substantial but continually subject to change in regulations in China;
- the *Goodness* range is only a few years old and is forecast to reach breakeven in the current financial year. The *Goodness* range has been successfully established in New Zealand through The Warehouse and the grocery sector through Foodstuffs and Countdown. In Australia, *Goodness* has had a tougher

battle, going in and out of Coles and Woolworths, but gaining some market share in the Pharmacy sector. Currently the *Goodness* range accounts for just over 2% of total group skin care sales (comprising the *Trilogy*[®], *Lanocorp* and *Goodness* ranges). *Goodness* is priced below *Trilogy*[®] branded products but above Lanocorp's *By Nature* range.

- CS&Co is the largest cosmetics distributor in New Zealand and from mid 2017 now distributes all *Trilogy*[®] and *Goodness* products in New Zealand. CS&Co's largest supplier is US based Coty/P&G Speciality Beauty Business which was a result of the acquisition by Coty of P&G's portfolio of speciality beauty brands. Coty/P&G is a very large business and would have a significant negative impact on CS&Co if it was ever withdrawn. CS&Co is forecasting only modest growth but has been a consistent performer delivering good cash flows and earnings. In the future CS&Co is likely to place greater emphasis on acquiring new agency lines to take advantage of its existing selling and distribution infrastructure.
- Lanocorp currently operates as a standalone business and is unique within Trilogy in that it undertakes both its own manufacturing and distribution. The Lanocorp range is predominantly sold to foreign tourists through souvenir outlets in New Zealand and Australia. The *By Nature* brand is sold through TJ Max, Marshalls and most recently Walmart in the US and Countdown and The Warehouse in New Zealand. Access to the new range of natural skin care products with established distribution in the US provides a number of benefits to Trilogy, initially in expanding sales of the *Goodness* brand; and
- Ecoya is an established player in a competitive market. Its sales are heavily skewed to Christmas. It is profitable but with only limited growth opportunities. In New Zealand it is the dominant brand.

6.1.1 Net debt for valuation purposes

Grant Samuel has adopted net debt for valuation purposes of \$30.5 million at 31 December 2017 as summarised below:

TRILOGY – NET DEBT AS AT 31 DECEMBER 2017

	NZ\$ MILLION
Net debt as at 31 December 2017	(32.9)
Present value of payment due to CS&Co and Lanocorp former shareholders	(8.2)
Normalisation of working capital	10.0
Cash from early exercise of options	(0.6)
Net debt for valuation purposes	(30.5)

The following comments are relevant to the calculation of net debt for valuation purposes:

- the contingent consideration payments to the former CS&Co shareholders has been agreed and will be paid in August 2018. Interest is accruing on the amount outstanding. For the purpose of the valuation the present value of the future payment of \$5.5 million has been added to net debt. For Lanocorp, Trilogy management have estimated the present value of the likely contingent payment to be \$2.7 million;
- working capital peaks in the last quarter of the calendar year. As at 31 December 2017 working capital was unusually high due to several debtors payments not being received until the New Year. The \$10 million adjustment to net debt is to normalise the seasonal peak down to the average level of working capital over a 12-month period; and
- if the Proposed Scheme is implemented, the outstanding options can be exercised. It is assumed that all the outstanding 720,000 options will be exercised. The adjustment reflects the cash that will be received by Trilogy from the option holders.

6.1.2 Fully diluted shares on issue

The fully diluted shares on issue has been calculated as follows:

TRILOGY – FULLY DILUTED SHARES ON ISSUE AS AT 31 DECEMBER 2017

	NZ\$ MILLION
Shares on issue	72,766,907
Shares issued on exercise of options	720,000
Shares held by Forestal Casino to be cancelled	(2,615,181)
Fully diluted shares on issue	70,871,726

The following comments are relevant to the calculation of fully diluted shares on issue for valuation purposes:

- if the Proposed Scheme is successful the outstanding options will all become capable of being converted into ordinary shares at the exercise price. The cash that will arise from the exercise of the options has been included in the net debt for valuation purposes. We have assumed that all 720,000 outstanding options are exercised; and
- the shares held by Trilogy in Forestal Casino and the shares held by CIDSUR in Trilogy will be exchanged and after the exchange neither party will have investment in the other party. The 2,615,181 Trilogy shares being returned to Trilogy will be cancelled by 30 March 2018, which may be before or after the shareholders meeting to approve the Proposed Scheme. At the date of this report the cancellation is scheduled to occur after the date of the shareholders meeting, but in any event the shares will be cancelled prior to payment of the consideration by CITIC Capital (if the Proposed Scheme is successful).

6.1.3 Other valuation assumptions

Head office costs have been adjusted to exclude the costs of being listed of \$750,000 on the basis that any buyer of 100% of Trilogy would not incur these costs as the company would be delisted.

6.2 Earnings Multiple Analysis

6.2.1 Implied multiples

Grant Samuel's valuation of Trilogy implies the following multiples:

TRILOGY – IMPLIED VALUATION MULTIPLES

DATE	VARIABLE (\$ MILLION)	RANGE OF MULTIPLES	
		LOW	HIGH
Value range (\$million)		213.8	238.7
Multiple of EBITDA (times)			
Year ended 31 March 2017	19.4	11.0	12.3
Adjusted forecast for year ending 31 March 2018 ⁹	20.0	10.7	11.9
Multiple of EBIT (times)			
Year ended 31 March 2017	18.6	11.5	12.8
Adjusted forecast for year ending 31 March 2018	18.5	11.6	12.9

While Trilogy has made guidance statements about profit before tax for the year ending 31 March 2018, the Directors of Trilogy have decided not to include the detailed 2018 forecasts in the Scheme Booklet. The

⁹ Adjusted forecast EBITDA and EBIT exclude listing costs of approximately \$750,000.

forecasts included in section 4.6 are the summarised earnings projections for Trilogy as prepared by the company. The implied earnings multiples are based on those projections.

Grant Samuel has reviewed the multiples having regard to the implied multiples for comparable listed companies and transactions involving comparable companies or businesses in skincare and cosmetics sector.

An explanation regarding interpreting the above multiples is included in Appendix E which can be viewed at <http://investors.tilbrands.com/investor-centre/?page=scheme>. The valuation implies historic FY17 EBITDA multiples between 11.0x and 12.3x and forecast FY18 EBITDA multiples in the 10.7x and 11.9x. These implied multiples can be referenced to the implied multiples of the prices of comparable transactions and the multiples implied by the share prices of comparable companies. In preparing the valuation, multiples of 14.0x and 15.0x forecast EBITDA have been applied to the earnings of the *Trilogy*[®] brand. The other divisions have been valued at multiples of approximately 6x and 7x forecast EBITDA.

6.2.2 Transaction Evidence

The valuation of Trilogy has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of relevant transactions involving cosmetic companies is set out below:

COSMETICS INDUSTRY – RECENT TRANSACTION EVIDENCE

DATE	TARGET	ACQUIRER	IMPLIED ENTERPRISE VALUE (MILLIONS)	EBITDA MULTIPLE (TIMES)		EBIT MULTIPLE (TIMES)	
				HISTORIC	FORECAST	HISTORIC	FORECAST
Oct 2017	Andalou Naturals	BWX Limited	US\$80	n.a.	9.4	n.a.	n.a.
Jul 2017	Mineral Fusion	BWX Limited	A\$38	n.a.	9.6 - 12.8	n.a.	n.a.
Jun 2017	Lanocorp NZ	Trilogy	NZ\$16	6.5	n.a.	n.a.	n.a.
Jun 2017	The Body Shop	Natura Cometicos	US\$1,000	10.5	n.a.	18.2	n.a.
Jan 2017	CeraVe, AcneFree & Ambl brands	L'Oréal	US\$1,300	26.5	n.a.	n.a.	n.a.
Nov 2016	Two Faced Cosmetics	The Estee Lauder Companies Inc.	US\$1,450	n.a.	21.0	n.a.	n.a.
Jun 2016	Elizabeth Arden	Revlon	US\$876	34.8	n.a.	n.a.	n.a.
Nov 2015	BWX Limited	Initial public offering	A\$141	9.5	8.1	9.9	8.5
Jul 2015	43 Proctor & Gamble brands	Coty Inc.	US\$12,500	13.2	n.a.	n.a.	n.a.
Mar 2014	Tarte Inc.	KOSE Corporation	US\$144	n.a.	n.a.	14.8	n.a.
Aug 2013	Magic Holdings	L'Oréal	HK\$5,577	21.2	14.2	21.9	15.7
Nov 2011	Jurlique International	POLA ORBIS Holdings	A\$278	n.a.	n.a.	n.m.	15.4
Jan 2010	Bare Escentuals	Shiseido Company	US\$1,741	9.8	9.9	10.9	11.2
Average				16.5	12.5	15.1	12.7
Median				11.9	9.9	14.8	13.3

Source: Grant Samuel analysis¹⁰ (see Appendix A)

Further details on these transactions are set out in Appendix B which can be viewed at <http://investors.tilbrands.com/investor-centre/?page=scheme>. The multiples implied by the prices of

¹⁰ Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

transactions are consistent with Grant Samuel’s valuation of Trilogy. When observing the table above the following points should be noted:

- each transaction has its own unique set of circumstances. As such it is often very difficult to identify trends or draw any meaningful conclusions;
- the size of the transactions in the table above is varied, ranging from small bolt-on acquisitions (e.g. Trilogy’s acquisition of Lanocorp NZ) to large merger transactions (the merger of Coty Inc. with Proctor & Gamble’s speciality beauty business). The growth profiles of the target companies also vary substantially ranging from mature companies to companies with high growth brands; and
- BWX Limited (**BWX**) is arguably the closest comparable company to Trilogy. Based in Australia, BWX owns the *Sukin* brand of natural skincare products as well as a range of other brands. BWX listed on the ASX in November 2015 at a share price of A\$1.50 per share. BWX has performed strongly since listing with the share price currently at A\$7.05 per share (as at 14 November 2017). The strong share price performance has been driven by the success of the *Sukin* brand which has achieved high growth in revenue and profit contribution to BWX. The company’s trading multiple has increased from 8.1 times forecast EBITDA at listing to 13.4 times forecast EBITDA for the year ending 30 June 2019, reflecting expectations for continued strong growth in earnings for the company. During 2017, BWX has acquired two natural cosmetic product companies in the United States, Andalou Naturals and Mineral Fusion, and an online retail business in Australia called Nourished Life. These acquisitions have expanded BWX’s distribution channels and product offering in the US and Australian markets.

The valuation of CS&Co has been considered having regard to the earnings multiples implied by the price at which broadly comparable distribution companies and businesses have changed hands. A selection of relevant transactions involving cosmetics companies is set out below:

COSMETICS DISTRIBUTION INDUSTRY – RECENT TRANSACTION EVIDENCE

DATE	TARGET	ACQUIRER	IMPLIED ENTERPRISE VALUE (MILLIONS)	EBITDA MULTIPLE (TIMES)		EBIT MULTIPLE (TIMES)	
				HISTORIC	FORECAST	HISTORIC	FORECAST
Jul 2017	Nourished Life	BWX Limited	A\$20	n.a.	5.0	n.a.	n.a.
Feb 2016	Lightning Brokers	BWX Limited	A\$11	n.a.	3.7	n.a.	n.a.
Aug 2015	CS Company Ltd	Trilogy	NZ\$34	5.3	n.a.	n.a.	n.a.

Source: Grant Samuel analysis¹¹ (see Appendix A)

¹¹ Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers’ reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

6.2.3 Sharemarket Evidence

The valuation of Trilogy has been considered in the context of the multiples implied by the share market prices of listed Australasian and international companies with operations in the cosmetics and skincare industries. While these companies are significantly larger than Trilogy, the share market data provides some framework within which to assess the valuation of Trilogy.

SHAREMARKET RATINGS OF SELECTED LISTED COSMETICS COMPANIES¹²

ENTITY	MARKET CAP. (US\$ MILLIONS)	EBITDA MULTIPLE (TIMES) ¹³			EBIT MULTIPLE (TIMES) ¹⁴		
		HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2	HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2
Trilogy (pre-offer price)	120	10.2	9.9	n.a	10.5	10.6	n.a
Trilogy (CITIC Capital Capital scheme price)	154	12.5	12.1	n.a	13.0	13.1	n.a
AUSTRALIA							
BWX Limited	734	n.m.	20.7	15.4	n.m.	21.4	15.9
NORTH AMERICA							
Coty Inc.	14,765	21.1	16.2	13.7	28.7	21.8	17.4
e.l.f. Beauty Inc.	938	20.5	17.7	15.2	27.1	22.8	20.3
Natura Cosmeticos S.A.	4,931	15.9	14.5	12.3	20.7	17.5	15.5
Revlon Inc.	1,158	13.7	n.a.	n.a.	14.3	n.a.	n.a.
The Estee Lauder Companies	50,302	22.4	19.3	17.6	27.9	23.8	21.4
North America Average		18.7	16.9	14.7	23.7	21.5	18.7
EUROPE AND UK							
Beiersdorf Aktiengesellschaft	26,821	17.0	15.9	15.0	19.5	18.1	17.1
L'Oreal S.A.	126,602	17.4	17.7	17.1	22.8	22.0	21.2
Oriflame Holding AG	2,305	13.1	10.9	9.7	16.3	12.8	11.1
Europe and UK Average		15.8	14.8	13.9	19.5	17.6	16.5
ASIA							
Amorepacific Corporation	18,714	18.7	24.1	18.4	22.7	31.9	23.7
Ci:z Holdings Co., Ltd	2,595	29.0	22.3	21.9	30.6	24.1	22.7
Cosmax, Inc.	1,237	24.3	n.m.	18.3	30.1	n.m.	23.6
Kolmar Korea Co., Ltd.	1,771	23.5	21.1	17.6	27.3	27.2	21.2
KOSÉ Corporation	9,982	22.4	18.4	16.3	26.2	21.4	18.8
Mandom Corporation	1,630	13.8	12.2	11.9	19.5	17.7	16.3
Milbon Co.,Ltd.	1,133	19.0	16.7	16.1	23.0	21.0	20.2
Noevir Holdings Co., Ltd.	2,854	22.9	20.3	19.2	27.2	24.0	22.3
POLA Orbis Holdings Inc.	9,086	26.6	19.2	18.3	33.3	22.8	21.6
Shiseido Company, Limited	21,001	32.2	20.1	17.6	n.m.	33.4	26.7
Asia Average (ex. Outliers)		22.2	19.4	17.6	26.6	24.8	21.7
Average – All companies		21.0	18.1	16.2	25.3	22.6	19.8

Source: Grant Samuel analysis. n.m. means not meaningful

¹² The companies selected have a variety of year ends. The financial information presented in the Historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

¹³ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

¹⁴ Represents gross capitalisation divided by EBIT.

A description of each of the companies above is set out in Appendix C which can be viewed at <http://investors.tilbrands.com/investor-centre/?page=scheme>. When observing the table above the following points should be noted:

- the multiples are based on closing share prices as at 29 January 2018. The share prices and therefore the multiples do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- the companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year; and
- there are considerable differences between the operations and scale of the comparable companies when compared with Trilogy. In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons.

SHAREMARKET RATINGS OF SELECTED LISTED COSMETICS DISTRIBUTION COMPANIES

ENTITY	MARKET CAP. (US\$ MILLIONS)	EBITDA MULTIPLE (TIMES)			EBIT MULTIPLE (TIMES)		
		HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2	HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2
EBOS Group Ltd	2,027	14.1	12.3	11.6	15.8	13.9	13.1
McPherson's Ltd	96	6.0	n.a.	n.a.	6.9	n.a.	n.a.
Sally Beauty Holdings Inc.	2,170	6.5	6.6	6.7	7.9	8.3	8.4

Source: Grant Samuel analysis (see Appendix B)

6.3 Methodology

6.3.1 Overview

Grant Samuel's valuation of Trilogy has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Trilogy is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Trilogy could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows (DCF);
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix D which can be viewed at <http://investors.tilbrands.com/investor-centre/?page=scheme>.

6.3.2 Preferred approach

Grant Samuel has placed primary reliance on the capitalisation of earnings methodology in determining a value range for Trilogy. This is primarily due to the availability of quality information that can be analysed to determine an applicable multiple range. This information includes the earnings multiples implied from the prices of comparable transactions, IPO's and the sharemarket ratings of listed cosmetics and skincare companies.

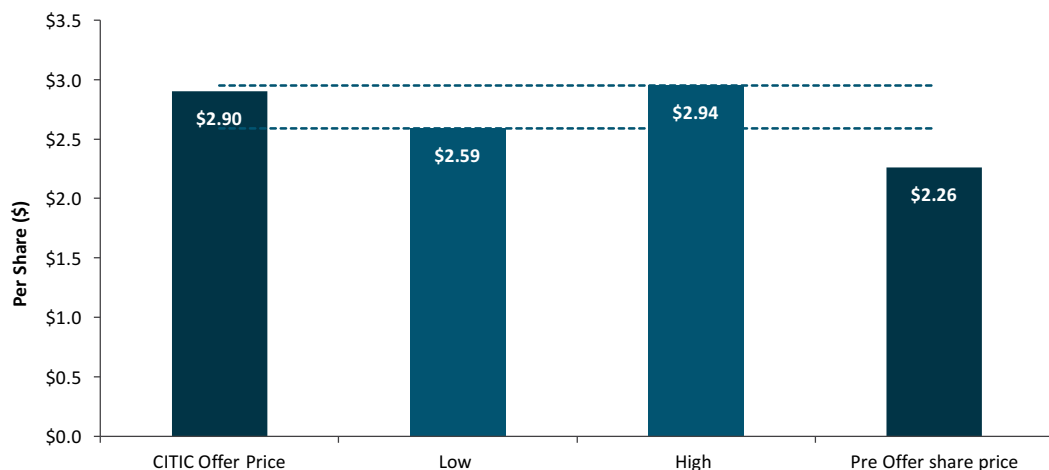
7 Merits of the Proposed Scheme

7.1 The value of the Proposed Scheme

The value of the Proposed Scheme can be assessed with reference to a number of factors:

- **Grant Samuel's assessment of the value of Trilogy.** In Grant Samuel's opinion the full underlying value of Trilogy shares is in the range of \$2.59 to \$2.94 per share as set out in Section 5. This value represents the value of acquiring 100% of the equity in Trilogy and therefore includes a premium for control. In Grant Samuel's opinion the offer price under a takeover offer or scheme of arrangement where the offeror will gain control should be within, or exceed, the pro-rated full underlying valuation range of the company. **The Proposed Scheme price of \$2.90 per share is within Grant Samuel's assessed value range for Trilogy shares.** The diagram below compares the Proposed Scheme price with Grant Samuel's assessed value range for Trilogy shares and the Trilogy share price immediately prior to the announcement of the Proposed Scheme;

**CITIC PROPOSED SCHEME VERSUS GRANT SAMUEL VALUATION RANGE AND PRE OFFER SHARE PRICE
(NZ\$ PER SHARE)**



- **the premium implied by the Proposed Scheme.** The Proposed Scheme represents a premium of 28% relative to the closing price of \$2.26 per share on 14 December 2017 being the last trading day prior to the announcement of the Proposed Scheme and a premium of 21% over the volume weighted average share price (VWAP) over the 30 trading days prior to the announcement of \$2.39 per share. Over the longer term the Proposed Scheme represents a 22% premium to the 6-month VWAP. The premium for control is close to the average premium of control generally observed in successful takeovers of other listed companies. Since the announcement of the Proposed Scheme at a price of \$2.90 per share, Trilogy shares have traded in the range of \$2.75 to \$2.83 per share; and
- **comparable company and comparable transaction data.** The Proposed Scheme implies multiples of 11.0x - 12.3x historical EBITDA and 10.7x - 11.9x forecast EBITDA for FY18. Grant Samuel's analysis suggests the historical EBITDA multiple implied by the Proposed Scheme when viewed as a separate business which attract different multiples is broadly in line with multiples paid for controlling shareholdings in comparable companies.

7.2 The timing and circumstances surrounding the Proposed Scheme

The Proposed Scheme follows an approach from CITIC Capital. Following the initial approach, Trilogy entered into a sale process with CITIC Capital and other potential purchasers, culminating in the announced form of the Proposed Scheme.

Trilogy, despite having revenue of more than \$100 million, is small in the context of the global skincare industry. The Proposed Scheme with CITIC Capital may afford Trilogy a greater access into the key Chinese market, and potentially other Asian and International markets.

7.3 Possible outcomes of the Proposed Scheme

CITIC Capital, as with most acquirers of listed companies is likely to prefer the acquisition of 100% of the potential target. The transaction contemplated by Trilogy and CITIC Capital is constructed as a scheme of arrangement. For all intents and purposes the Proposed Scheme has the same economic effect as a full takeover of Trilogy by CITIC Capital. The use of the scheme of arrangement provisions of the Companies Act in this context has attracted some market and media comment that the provisions allow for a takeover to be effected outside the ambit of the Takeovers Code and can be achieved at a lower level of shareholder acceptance. Full takeover offers require acceptances which result in the acquirer holding or controlling 90% of the voting securities in a company to effect compulsory acquisition of remaining shares. That is, shareholders holding at least 90% of the shares have to accept such an offer. In contrast, a scheme of arrangement needs the support of 75% of the shares voted by interest class on the special resolution and more than 50% of the total number of voting securities in the company to be voted in favour of the Proposed Scheme for it to proceed.

Trilogy only has one class of shares, all of which are fully paid up ordinary shares, with identical voting rights. However, CIDSUR is required to vote in a separate interest class because the legal effect of the Scheme for CIDSUR is different to all other Shareholders. CIDSUR currently holds 3.59% in TIL, and those shares will not be sold under the Scheme but will be transferred to TIL and cancelled by 30 March 2018 (whereas all other Shareholders will be paid the Scheme Consideration for their Shares). Under a support agreement dated 24 January 2018, CIDSUR has appointed TIL as its attorney and directs it to vote the TIL Shares in favour of the Scheme. See Section 5.3.5 for further detail. For this reason, TIL will vote CIDSUR's TIL Shares as a separate interest class for the purpose of the 75% majority vote. TIL is still entitled to vote CIDSUR's TIL Shares (and have its vote counted) in the simple majority vote because there is no division of interest classes required under the Companies Act in respect of that vote.

The threshold for approving the Proposed Scheme is based on 75% of the number of votes actually cast. Realistically, some shareholders may not decide to cast their votes at a meeting or by proxy. Therefore, the threshold is likely to be less than 75% of all votes. For example, if 80% of votes are cast, the threshold will be 75% of the 80% of votes cast (i.e. 60% of the total votes). The probability of a 100% acquisition being successfully completed under a scheme structure is therefore materially increased provided the threshold of more than 50% of the total number of voting securities being voted in favour can be achieved.

Trilogy shareholders will vote to approve or reject the implementation of the scheme. To be passed, more than 50% of the total number of voting securities in Trilogy must be voted and a majority of at least 75% of the votes of each interest class must be in favour of the resolution. If the two tests are satisfied and the High Court approves the Scheme and the other conditions (including obtaining regulatory approvals) are satisfied, the Proposed Scheme will proceed and all the shares in Trilogy will be acquired by CITIC Capital.

The possible outcomes of the Proposed Scheme are a function of Trilogy shareholders' endorsement (or not) of the scheme construct are summarised below:

- **The voting thresholds to approve the Proposed Scheme are not achieved.**

If either of the voting thresholds to approve the Proposed Scheme are not achieved, the Proposed Scheme will not proceed and no shares will be acquired by CITIC Capital. Trilogy will remain a listed company and will have no further obligation to CITIC Capital. No break fees will be payable by either CITIC Capital or Trilogy unless the terms of the scheme implementation arrangement have been breached.

■ **The voting thresholds to approve the Proposed Scheme are achieved.**

If the voting thresholds to approve the Proposed Scheme are achieved and all other conditions are satisfied, the Proposed Scheme will be implemented. In that circumstance all shareholders in Trilogy will have their shares acquired at \$2.90 per share. The compulsory acquisition provisions of the Takeovers Code do not apply in the context of the Proposed Scheme. Voting in favour of the Proposed Scheme will only realise cash for Trilogy shareholders if the voting thresholds are achieved, the other conditions are satisfied and the transaction is therefore implemented. If the transaction is implemented Trilogy will be delisted. For those shareholders wishing to retain an equity investment in the personal care sector there are currently no other listed personal care companies listed on the NZX, although there are other personal care companies listed on international stock exchanges.

The outcome of the shareholder vote on the Proposed Scheme is binary – either the voting thresholds are achieved in which case the Proposed Scheme will be effected in its entirety (provided all other conditions are satisfied), or the voting thresholds are not achieved in which case the Proposed Scheme will not be implemented. It is important that shareholders exercise their right to vote for or against the Proposed Scheme.

7.4 Factors affecting the outcome of the Proposed Scheme

- approximately 76.6% of the issued shares in Trilogy are held by the top ten registered shareholders, although many of these are nominee or holding companies. The support or otherwise of the larger shareholders in relation to the Proposed Scheme is likely to be material in determining whether or not Trilogy achieves the voting thresholds. The Business Bakery is the largest shareholder in Trilogy with a 31.2% holding and has stated that it intends to vote its entire shareholding in support of the Proposed Scheme if the Trilogy board recommends approval of the Proposed Scheme and no superior proposal is received. The support of the Business Bakery and CIDSUR (in respect of its 3.59%) provides a significant head start to meeting the voting thresholds required for the Proposed Scheme to be implemented. Depending on the number of shares voted on the Proposed Scheme it may not require much additional shareholder support for the Proposed Scheme to be approved;
- since the announcement of the Proposed Scheme, 15.7 million shares in Trilogy have traded, representing 18% of the total shares on issue. The entry of new substantial shareholders onto the Trilogy register as a result of this significant level of trading may be influential in determining the success or otherwise of the Proposed Scheme;
- the Trilogy share price has traded below the Proposed Scheme price since the Proposed Scheme was announced. From 15 December 2017 to 12 February 2018 Trilogy has traded in the range of \$2.75 to \$2.83 per share, or approximately 2.4% to 5.2% below the \$2.90 Proposed Scheme price. The increase in price close to just below the price of the Proposed Scheme suggests the market believes the Proposed Scheme will be successfully implemented. However, the market may also in part be reacting to a better understanding of Trilogy's future prospects as a consequence of the CITIC Capital approach, which itself may contribute to a subsequent re-rating of the company; and
- the Proposed Scheme is conditional on CITIC Capital receiving relevant regulatory consents for the acquisition. When and if all consents will be given is uncertain. The drop dead date for the consents to be received is 31 May 2018, unless otherwise agreed by Trilogy and CITIC Capital. If all the necessary regulatory consents are not obtained, the Proposed Scheme will lapse and CITIC Capital will not acquire

any shares in Trilogy. The scheme of arrangement process being pursued by CITIC Capital will result in it acquiring either no shares or 100% of the shares in Trilogy.

7.5 Other merits of the Proposed Scheme

- it is usual for transactions to be negotiated and the price set with settlement sometime later. In the case of the Proposed Scheme the settlement date is uncertain due to the timing of obtaining regulatory approvals. The sharemarket generally and the multiples implied by the share prices of comparable listed companies may change marginally between now and the settlement date of the Proposed Scheme (if it is approved);
- in some takeovers and share transactions there are factors that suggest that even if the price of a proposed takeover or scheme transaction is below the assessed value range shareholders should consider accepting the offer or voting in favour of the offer or scheme. In this instance there does not appear to be any compelling reason for shareholders to support any proposal that is below full underlying value;
- the break fee structure agreed between CITIC Capital and Trilogy provides for Trilogy to pay a fee of \$2 million if (amongst other things) a Director of Trilogy does not recommend the Proposed Scheme or if a competing transaction is announced and completed. The existence of the break fee structure has implications. First, it provides Trilogy with a monetary incentive to promote the Proposed Scheme. Secondly, it implies that the Independent Directors have formed the view that the Proposed Scheme is priced fairly. The break fee would make it marginally more expensive for another bidder to make a successful equivalently priced offer;
- the break fee structure also provides for CITIC Capital to pay Trilogy a reverse break fee of \$1 million if the condition requiring regulatory approvals is not satisfied (subject to limited exceptions);
- if the voting thresholds are not achieved, theoretically CITIC Capital could elect to increase the price it is prepared to pay for Trilogy. Any price increase would require a revised scheme of arrangement proposal. However, there is no certainty that a revised proposal would be tabled. Unless a revised proposal from CITIC Capital or a competing takeover offer from another party is anticipated by the market, Trilogy's shares are likely to trade at levels below the Proposed Scheme price of \$2.90 per share if the Proposed Scheme does not achieve the necessary vote thresholds and does not proceed;
- the use of a scheme of arrangement mechanism provides the acquirer with the absolute certainty that if the resolutions are passed it will secure 100% of the shares on issue (subject to satisfaction of the other conditions). CITIC Capital has demonstrated a desire to own 100% of Trilogy. While the scheme of arrangement structure is likely to be preferred by CITIC Capital by virtue of the lower acceptance levels to be successful, it may elect to launch a conventional takeover offer if the Proposed Scheme does not proceed;
- it is not uncommon for takeover transactions to include a sharing of the "synergy" benefits from an acquisition between the buyer and the seller. As CITIC Capital is a financial buyer there are no obvious operating synergies that should eventuate if the Proposed Scheme is implemented. CITIC Capital may be able to assist Trilogy in its Asian distribution objectives and Trilogy has stated that CITIC Capital has "*strong relationships in the Asian and US markets [that] provide an opportunity to unlock the potential of [the Trilogy] brands, and achieve faster growth globally*", but this is difficult to clarify or quantify. The extent of the sharing varies from transaction to transaction and is usually a function of the competition for the asset or the business in question. Grant Samuel understand there were competing bids for some or all of the Trilogy business from trade parties. Potential synergies with those trade parties was presumably factored into the pricing of the competing trade offers. Notwithstanding that, the CITIC Capital proposal was selected by the Trilogy board as superior; and

- Trilogly shareholders who choose not to vote in favour the Proposed Scheme have either decided they want to retain their investment in Trilogly for the longer term, or may be expecting that CITIC Capital or another bidder may make another offer at a higher price. There is no certainty regarding the ongoing performance of Trilogly or that a subsequent offer or scheme proposal from CITIC Capital will be forthcoming if the Proposed Scheme is rejected by Trilogly shareholders. The risks and benefits associated with an investment in Trilogly are outlined at Section 7.6 below.

7.6 Consequences if the Proposed Scheme is rejected

If the Proposed Scheme is rejected by Trilogly shareholders Trilogly will remain as a listed company with no shares acquired by CITIC Capital as a consequence of the Proposed Scheme. The status quo scenario is therefore very relevant to Trilogly shareholders in deciding whether to support or reject the Proposed Scheme. Grant Samuel makes the following observations in respect of the status quo scenario:

- Trilogly's major product range operates in a highly competitive market, competing with much larger companies with substantial financial resources. To date, Trilogly has been very successful in the Australasian market, but less so in the UK and other more distant markets. Sales into China have until recently come from the Daigou trade with the product being purchased in Australia and New Zealand and then distributed in China by the purchaser directly or online. It is too early to tell whether the change in distribution in China will be effective or not. It needs to be successful for Trilogly to be able to grow in this key market;
- Trilogly's earnings growth has flattened, reflecting what management believe to be a softer and more competitive market. Trilogly is a relatively small company and brand competing on an international stage. It only has limited financial resources it can deploy to market and enhance its brand profiles. Future growth in earnings will be a function of a combination of factors including Trilogly being able to successfully expand its product range, gain market share outside Australia and New Zealand, take advantage of acquisitions as these present themselves, and ultimately become a business with greater critical mass and more operational efficiencies;
- Trilogly has recently secured access to significant volumes of rosehip oil. Rosehip oil has been one of Trilogly's key points of differentiation. Contracted access to rosehip oil will ensure that Trilogly is able to grow sales without the risk of product supply being curtailed by a shortage of a key ingredient. Grant Samuel notes that the Rosehip Oil Supply Agreement will remain in place if the Proposed Scheme is effected;
- Lanocorp is performing very well, particularly in the United States. However it is small in the context of the Trilogly brand portfolio;
- *Ecoya* is competing in a market with relatively limited barriers to entry, is struggling to generate significant growth in revenues and has experienced a loss in revenue due to raw material supply issues which have been overcome;
- The *Goodness* brand is yet to reach critical mass particularly in Australia, but has made progress in the Pharmacy market; and
- CS&Co is a consistent performer which is highly dependent on the sales through pharmacies. A weakening in the pharmacy market has impacted CS&Co in this financial year but has been offset by new agency lines.

A consideration for Trilogly shareholders is whether, in time, an investment in Trilogly will yield a higher value outcome than the Proposed Scheme. The *Trilogly*[®] range is currently performing slightly below expectation, and *Ecoya*, CS&Co and Lanocorp are currently performing at or above expectation. If Trilogly can deliver on its initiatives and return to the earnings growth it experienced in 2016, then higher value outcomes may eventuate.

As with any equity investment there are risks associated with the market in which the company operates. The risks associated with an investment in Trilogy include:

- *Foreign Currency.* Trilogy operates in a number of countries and as a consequence is exposed to movements in the value of the New Zealand dollar as more than 47% of turnover is conducted outside of New Zealand and some raw materials are purchased in foreign currencies. Rosehip oil is bought in US dollars;
- *Liquidity in Trilogy Shares.* CITIC Capital does not control Trilogy and will not do so if the Proposed Scheme fails to achieve the necessary shareholders' vote as it will not acquire any shares in Trilogy. Therefore the liquidity of Trilogy shares will not be affected if the Proposed Scheme does not proceed;
- *Competition.* strong competition in the natural skincare category as outlined above;
- *China.* The transition from Daigou to online direct is underway but the outcome of that transition is unclear.
- *Loss of key agency relationships.* CS&Co is reliant on a small number of large agency relationships which, could have a significant impact on the Trilogy business if lost;
- *Changes in consumer preferences and skincare trends.* Trilogy is benefiting from the current trend towards natural skincare products. In time, changing trends may result other products overtaking Trilogy's product offering in consumer preference. This could result in lost sales if Trilogy is unable to adapt and innovate to meet changing consumer demands;
- *Introduction of new regulation.* There is a risk that new regulations are introduced which impacts on Trilogy's profitability. Likely areas of regulatory focus include product testing, product labelling, product claims and ingredient sourcing/authenticity; and
- *Sourcing sufficient volumes of natural ingredients.* Natural ingredients, particularly organics, are difficult to procure in large volumes due to the complexity and intensity of farming the ingredients. Trilogy has sought to mitigate that risk by entering into the Rosehip Oil Agreement. In the event sales volumes continue to increase, Trilogy may have to source product ingredients from a greater number of sources than it already does.

7.7 Likelihood of alternative offers

The prospect of an acquisition by CITIC Capital in the form of a Proposed Scheme was announced on 15 December 2017. Since that time, the Proposed Scheme and its prospects of success have received some press analysis and commentary. However, to date, no alternative takeover offers or proposals have been forthcoming.

As the Proposed Scheme is being effected by a scheme of arrangement rather than a takeover, Trilogy remains as a listed entity prior to the proposal being put to shareholders with no trading restrictions on any of its shares. No "lock up" agreements have been put in place in connection with the Proposed Scheme. "Lock-up" agreements are relatively commonplace in conventional takeovers where key shareholders agree in advance to sell their shares into a forthcoming takeover offer when it is made. In the context of the Proposed Scheme there are therefore no restrictions or deterrents to prevent a competing acquirer from making an alternative takeover or scheme of arrangement proposal to acquire Trilogy. By most measures the Trilogy shareholder base is reasonably "open". The advisors to Trilogy confirmed that there was other trade interest in a part of the Trilogy business at the same time as the CITIC Capital proposal was being negotiated.

In the event a superior offer is received and Trilogy terminates the Scheme Implementation Agreement, Trilogy will pay a break fee to CITIC of \$2 million. Similarly, if CITIC's application to the OIO is declined it will pay Trilogy a reverse break fee of \$1 million.

7.8 Voting for or against the Proposed Scheme

Voting for or against the Proposed Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

FEBRUARY 2018

APPENDIX A - QUALIFICATIONS, DECLARATIONS AND CONSENTS

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin, F Fin, Alexa Preston, BBus, CA, and Jake Sheehan, BCom (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Trilogy. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Trilogy. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Proposed Scheme are tight. This timeframe restricts the ability to undertake a detailed investigation of Trilogy. In any event, an analysis of the merits of the Proposed Scheme is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Trilogy. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Trilogy. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Trilogy prepared by the management of Trilogy. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Trilogy. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Trilogy is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Trilogy, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Trilogy, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Scheme. Grant Samuel expressly disclaims any liability to any Trilogy security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees to the extent allowed by law for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Trilogy and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Trilogy or CITIC Capital that could affect its ability to provide an unbiased opinion in relation to the Proposed Scheme. Grant Samuel had no part in the formulation of the Proposed Scheme. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Proposed Scheme. Grant Samuel will receive no

other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Trilogy and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Trilogy and contained within this report is sufficient to enable Trilogy security holders to understand all relevant factors and make an informed decision in respect of the Proposed Scheme. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- Scheme Implementation Agreement between CITIC Capital and Trilogy (see <http://investors.tilbrands.com/investor-centre/?page=scheme>)
- Trilogy's Annual Reports for the financial years ended 31 March 2015-2017;
- Trilogy's Full Year result presentation for the year to 31 March 2017;
- Trilogy's AGM presentation, September 2017;
- Trilogy 1H18 Guidance announcement dated 28 September 2017;
- Trilogy Investor day presentation March 2017; and
- Broker research and press articles.

5.2 Non Public Information

- Trilogy's monthly management accounts for the eight months to 30 November 2017;
- Trilogy's Board Papers for the 12 months to December 2017;
- Scheme Implementation Agreement between CITIC Capital and Trilogy;
- Lanocorp Sale and Purchase Agreement; and
- Trilogy unaudited financial statements for the six months to 30 September 2017.

6. Declarations

Trilogy has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Trilogy has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Trilogy are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Trilogy. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to security holders of Trilogy. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

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/investor-centre](http://investors.tilbrands.com/investor-centre)

Directors

Grant Baker, Chairman

Jack Matthews (Independent Director)

Geoff Ross

Mandy Sigaloff (Independent Director), and

Stephen Sinclair

Company Secretary (*acting*)

Stephen Sinclair

Lawyers

Chapman Tripp

Financial Adviser

UBS

Share Registrar

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