

Dated 10 November 2022

LAI SUN DEVELOPMENT COMPANY LIMITED

and

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED

UNDERWRITING AGREEMENT
relating to a rights issue in
LAI SUN DEVELOPMENT COMPANY LIMITED

Robertsons
57th Floor, The Center
99 Queen's Road Central
Hong Kong

THIS AGREEMENT is made on the 10th day of November 2022

BETWEEN:

- (1) **LAI SUN DEVELOPMENT COMPANY LIMITED**, a company incorporated in Hong Kong whose registered office is at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong (the “**Company**”); and
- (2) **HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED**, a company incorporated in Hong Kong whose registered office is at 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong (the “**Underwriter**”).

WHEREAS:

- (A) The Company is a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange (stock code: 488). As at the date of this Agreement, the Company has a total number of 968,885,887 ordinary shares in issue (the “**Share(s)**”).
- (B) As at the date of this Agreement, there are 10,962,687 outstanding Share Options to subscribe for an aggregate of 10,962,687 Shares granted pursuant to the Share Option Schemes. Assuming full exercise of the outstanding Share Options, the maximum number of new Shares that would fall to be allotted and issued upon the exercise of the outstanding Share Options under the Share Option Schemes on or before the Record Date would be 10,962,687 Shares.
- (C) The Company proposes to offer, subject to the fulfillment (or waiver) of the conditions in Clause 2, not less than 484,442,943 Rights Shares and not more than 1,453,328,830 Rights Shares for subscription by way of rights on the basis of one Rights Share for every two existing Shares held on the Record Date, to the Qualifying Holders at the Subscription Price, payable in full on acceptance and otherwise on the terms and subject to the conditions set out in this Agreement and the Prospectus Documents.
- (D) The offer of the Rights Shares for subscription as aforesaid shall be made by the issue of the Prospectus Documents to the Qualifying Holders.
- (E) Application shall be made to the Stock Exchange to grant (subject to allotment) listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.
- (F) The Underwriter has agreed to underwrite the issue of the Underwritten Shares on the terms and subject to the conditions hereinafter contained, pursuant to which, it has agreed to underwrite the issue of (i) not more than 226,422,876 Underwritten Shares (assuming no Shares being issued or bought back by the Company on or after the date of this Agreement and on or before the Record Date); and (ii) not more than 231,660,994 Underwritten Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all vested Share Options (except for Dr. Peter Lam’s Share Options) but otherwise no Shares being issued or bought back by the Company on or after the date of this Agreement and on or before the Record Date).
- (G) As at the date of this Agreement, the Committed Shareholders are the beneficial owners of an aggregate of 516,040,136 Shares, representing in aggregate approximately 53.26% of the total number of Shares in issue.
- (H) The Company has received an irrevocable undertaking from the Committed Shareholders that, among other things, (i) they will subscribe for their respective entitlement of the Rights Shares in full prior to the Acceptance Date; (ii) they will not dispose of, or agree to dispose of any

Shares held by them from the date of the Irrevocable Undertaking to the date of completion of the Rights Issue; and (iii) Dr. Peter Lam will not exercise any of the Share Options he holds as at the date of the Irrevocable Undertaking, comprising a total of 486,452 underlying Shares (“**Dr. Peter Lam’s Share Options**”), from the date of the Irrevocable Undertaking to the Record Date.

NOW IT IS AGREED as follows:

1. INTERPRETATION

(A) In this Agreement and the recitals hereto, unless the context otherwise requires, the following expressions have the following meanings:

“ Acceptance Date ”	23 December 2022 or such later date as the Underwriter may agree in writing with the Company as the date for acceptance of, and payment of, the Rights Shares;
“ Announcement ”	the announcement to be made by the Company concerning, inter alia, the Rights Issue substantially in the form of the draft annexed hereto marked “ A ”;
“ Application ”	the application to be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms;
“ associate ”	shall have the meaning ascribed thereto under the Listing Rules;
“ Audited Accounts ”	has the meaning ascribed thereto under Clause 9(A)(xiv) of this Agreement;
“ Board ”	the board of Directors;
“ Business Day ”	a day on which banks in Hong Kong are generally open for business (other than a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which “extreme conditions” caused by a super typhoon or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon);
“ CCASS ”	the Central Clearing and Settlement System established and adopted by Hong Kong Securities Clearing Company Limited;
“ CCASS Underwritten Shares ”	shall have the meaning ascribed thereto in Clause 4(J)(ii) of this Agreement;
“ Committed Shareholders ”	Dr. Peter Lam and LSG;

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
“Complying Applications”	the valid acceptances of provisional allotments under the Provisional Allotment Letters in accordance with the terms of the Prospectus Documents together with cheques/banker’s cashier order for the full amount payable in respect of such Rights Shares being accepted or being applied for, which are honoured on first presentation;
“connected person(s)”	shall have the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	shall have the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company from time to time;
“Disclosed”	disclosed in a full, fair and accurate manner in this Agreement, the Prospectus Documents, the Audited Accounts, due diligence interviews in relation to the Group with the Underwriter and its legal advisers and publicly available information including all announcements and documents published by the Company on the Stock Exchange website;
“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, an executive Director and the chairman of the Board together with LSG, are controlling shareholders of the Company;
“Dr. Peter Lam’s Share Options”	shall have the meaning ascribed thereto in Recital (H) to this Agreement;
“Excluded Shareholders”	those persons whose registered addresses (as shown in the register of members of the Company on the Record Date) are outside Hong Kong, in respect of whom the Directors consider the exclusion from the Rights Issue to be necessary or expedient on account of either the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 11 December 2015;
“Former Share Option Scheme”	the former share option scheme adopted by the Company on 22 December 2006 and terminated on 23 December 2015;

“GO Obligation”	the obligation to make a general offer under Rule 26 of the Takeovers Code;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Irrevocable Undertaking”	the irrevocable undertaking dated 10 November 2022 from the Committed Shareholders in favour of the Company and the Underwriter in respect of the taking up by the Committed Shareholders of their entitlements under the Rights Issue and not disposing of their Shares or exercising any Share Options (where applicable) held as at the date of the Irrevocable Undertaking;
“Latest Time for Acceptance”	4:00 p.m. on Friday, 23 December 2022, or such later time or date as may be agreed by the Company and the Underwriter in writing, being the latest time and date for acceptance of and payment for the Rights Shares as described in the Prospectus Documents;
“Latest Time for Unsubscribed Arrangement”	4:00 p.m. on Friday, 4 January 2023, or such later time or date as may be agreed by the Company and the Underwriter in writing, being the latest time for the Placing Agent to determine the list of placees and to notify the Company and the Underwriter of the results of the placing under the Unsubscribed Arrangement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Long Stop Date”	4:00 p.m. on 4 January 2023 (or such later date as the Underwriter and the Company may agree in writing);
“LSG”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191) which was held as to approximately 41.93% by Dr. Peter Lam as at the date of this Agreement, and is the ultimate holding company of the Company;
“Material Adverse Change”	means any circumstance, development or event that has or is likely to have a Material Adverse Effect;
“Material Adverse Effect”	means a material adverse effect on the financial condition, prospects, assets, business, results of operations or liabilities of the Group, taken as a whole, whether or not arising in the ordinary course of business;

“non-CCASS Underwritten Shares”	shall have the meaning ascribed thereto in Clause 4(J)(ii) of this Agreement;
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form that have not been sold by the Company;
“Placing Agent”	Haitong International Securities Company Limited, being the placing agent appointed by the Company which is a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) licensed activities under the SFO, for the purpose of the Unsubscribed Arrangement;
“Placing Agreement”	the placing agreement dated 10 November 2022 and entered into between the Company and the Placing Agent for the Unsubscribed Arrangement;
“Posting Date”	9 December 2022 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents;
“Prospectus”	the prospectus to be despatched to the Qualifying Holders in connection with the Rights Issue in such usual form as may be agreed between the Company and the Underwriter;
“Prospectus Documents”	the Prospectus and the Provisional Allotment Letter;
“Provisional Allotment Letter(s)”	the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Holders as mentioned herein, being in such usual form as may be agreed between the Company and the Underwriter;
“Public Float”	the percentage of Shares held by the public as at the date of this Agreement;
“Qualifying Holders”	the persons shown on the register of members of the Company on the Record Date, other than the Excluded Shareholders;
“Record Date”	8 December 2022 or such other date as the Underwriter may agree in writing with the Company for the determination of the entitlements under the Rights Issue;
“Registrar”	the share registrar of the Company, being Tricor Tengis Limited;
“Rights Issue”	the proposed offer of the Rights Shares at the Subscription Price on the terms and subject to the conditions to be set out in the Prospectus Documents and as briefly described in the Announcement;
“Rights Shares”	not less than 484,442,943 new Shares (assuming no new Share being issued and no Share being bought back by

	<p>the Company on or after the date of this Agreement and on or before the Record Date) and not more than 489,681,061 new Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all vested Share Options (except for Dr. Peter Lam’s Share Options) but otherwise no new Share being issued and/or bought back by the Company on or after the date of this Agreement and on or before the Record Date) proposed to be offered to the Qualifying Holders for subscription by way of rights on the basis of one new Share for every two existing Shares in issue on the Record Date on the terms and subject to the conditions set out in this Agreement and the Prospectus Documents;</p>
<p>“Scaled-down PAL Shares”</p>	<p>such number of Rights Shares applied for under the Provisional Allotment Letter(s) which would, if allotted by the Company, result in either the triggering of a GO Obligation on the part of the applicant or the Public Float is further decreased from its current percentage as at the date of this Agreement;</p>
<p>“Scaling-down Mechanism”</p>	<p>has the meaning ascribed thereto under Clause 3(D) of this Agreement;</p>
<p>“Settlement Date”</p>	<p>the fifth Business Day immediately following the Latest Time for Unsubscribed Arrangement, or such other date as the Underwriter and the Company may agree in writing;</p>
<p>“Share Option(s)”</p>	<p>outstanding and vested (or to be vested) share options of the Company issued pursuant to the Share Option Schemes;</p>
<p>“Share Option Schemes”</p>	<p>collectively, the Existing Share Option Scheme and the Former Share Option Scheme;</p>
<p>“Stock Exchange”</p>	<p>The Stock Exchange of Hong Kong Limited;</p>
<p>“Subscription Price”</p>	<p>HK\$1.64 per Rights Share;</p>
<p>“subsidiary”</p>	<p>has the same meaning ascribed thereto in the Listing Rules and “subsidiaries” shall be construed accordingly;</p>
<p>“Takeovers Code”</p>	<p>the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong;</p>
<p>“Undertaken Shares”</p>	<p>258,020,067 Rights Shares, being the aggregate number of Rights Shares for which the Committed Shareholders have undertaken to subscribe pursuant to the Irrevocable Undertaking;</p>

“Underwritten Shares”	subject to Clause 4(C), together with the Rights Shares to be placed by the Placing Agent under Unsubscribed Arrangement and the Rights Shares to be taken up by the Qualifying Holders, up to 226,422,876 Rights Shares (assuming no Shares being issued or bought back by the Company on or after the date of this Agreement and on or before the Record Date) or up to 231,600,994 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all vested Share Options (except for Dr. Peter Lam’s Share Options) but otherwise no Shares being issued or bought back by the Company on or after the date of this Agreement and on or before the Record Date) to be underwritten by the Underwriter pursuant to the terms and conditions under this Agreement;
“Unsubscribed Arrangement”	the placement of the Unsubscribed Rights Shares by the Placing Agent pursuant to the terms and conditions of the Placing Agreement;
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Holders or holders of nil-paid rights and Rights Shares which would otherwise have been allotted to the Excluded Shareholders (as the case may be), together with the Scaled-down PAL Shares not being applied (whether validly or otherwise), unsold aggregation of fractions of Right Shares, and the NQS Unsold Rights Shares; and
“Untaken Shares”	all such Unsubscribed Rights Shares that have not been placed by the Placing Agent or they have been placed but the places have not paid at 4:00 p.m. on the Latest Time for Unsubscribed Arrangement.

- (B) References herein to “**Clauses**” and to the “**Schedule**” are to clauses of, and the schedule to, this Agreement.
- (C) In this Agreement, the singular includes the plural and vice versa, words importing gender or the neuter include both genders and the neuter and vice versa and references to persons include bodies corporate or unincorporate. The clause headings and table of contents in this Agreement are for convenience only and have no legal effect.
- (D) In this Agreement, a time of a day is a reference to Hong Kong time.

2. CONDITIONS PRECEDENT

- (A) The obligations of the Underwriter under this Agreement are conditional on:
 - (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment and despatch of the appropriate documents of title) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);
 - (ii) the Rights Shares (in nil-paid form) having been provisionally allotted by a resolution of the Board (or a committee thereof) on the terms set out in the

Prospectus Documents;

- (iii) each condition to enable the nil-paid Rights Shares and the fully-paid Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the listing approval of the Rights Shares under the Rights Issue) having been satisfied not later than two business days after the Record Date/prior to the first day of dealings in the nil-paid Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
 - (iv) delivery of the duly executed counterparts of the Irrevocable Undertaking (in such form and substance to the reasonable satisfaction of the Underwriter) by the Committed Shareholders on the date of this Agreement to the Company and the Underwriter;
 - (v) compliance by the Committed Shareholders with all of their respective obligations under the Irrevocable Undertaking and the Irrevocable Undertaking not being terminated;
 - (vi) receipt by the Underwriter of all relevant documents specified in Schedule 1 (in the form and substance to the reasonable satisfaction of the Underwriter) to be provided by the Company by the times specified in this Agreement;
 - (vii) compliance by LSG and the Company with all of its obligations under this Agreement or in relation to the publication of the Announcement;
 - (viii) the representations and warranties of the Company, referred to in Clause 9 remaining true and accurate in all material respects and none of the undertakings of the Company, referred to in Clause 9 having been breached;
 - (ix) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong no later than the Posting Date of each of the Prospectus Documents and (where necessary) other documents in compliance with the Companies (WUMP) Ordinance and otherwise complying with the requirements of the Companies (WUMP) Ordinance, the Companies Ordinance and the Listing Rules;
 - (x) the posting of the Prospectus Documents to Qualifying Holders on the Posting Date; and
 - (xi) this Agreement not having been terminated in accordance with its terms on or before the Long Stop Date.
- (B) Other than conditions (vi) and (viii) which can be waived in whole or in part by the Underwriter by notice in writing to the Company prior to the Long Stop Date, all other conditions in Clause 2(A) cannot be waived. In the event that the conditions in Clause 2(A) have not been satisfied or waived on or before the Long Stop Date, all liabilities of the parties hereto shall cease and determine and no party shall have any claim against the other party save for any antecedent breach of this Agreement.
- (C) The Company shall use its reasonable endeavours to procure the fulfilment of the conditions in Clause 2(A) (to the extent it is within its power to do so), and shall do all the

things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue and the arrangements contemplated by this Agreement.

- (D) The Company shall make the Application to the Stock Exchange and shall do or procure to be done all such acts or things as may be reasonably necessary as required by the Stock Exchange or the Registrar of Companies in Hong Kong for the purpose of obtaining such listing and permission.

3. THE RIGHTS SHARES

- (A) Subject to fulfillment (or waiver) of the conditions set out in Clause 2(A):

(i) the Company shall, on or before the Posting Date, by resolution of the Directors (or a duly established and authorised committee thereof) provisionally allot (on and subject to the terms and conditions contained in the Prospectus Documents) the Rights Shares to the Qualifying Holders in the proportion of one Rights Share for every two Shares held on the Record Date and the Company shall offer the Rights Shares to the Qualifying Holders at the Subscription Price by posting the Prospectus Documents (with the Provisional Allotment Letters) to such holders by no later than the Posting Date, on the basis that payment for the Rights Shares shall be made in full on acceptance no later than 4:00 p.m. on the Acceptance Date provided that fractional entitlements shall not be issued to Qualifying Holders but shall be aggregated and sold as provided in Clause 3(A)(ii);

(ii) the Company shall provisionally allot the Rights Shares which would be provisionally allotted to the Excluded Shareholders had they been Qualifying Holders and which arise from the aggregation of fractional entitlements which would otherwise have been issued to the Qualifying Holders and to the Excluded Shareholders had they been Qualifying Holders to a person nominated by the Company in nil-paid form and shall by no later than the close of business on the Posting Date advise the Underwriter of the number of Rights Shares which would have been so allotted. The Company shall use its reasonable endeavours and procure that the person so nominated by the Company shall use its reasonable endeavours to sell the rights on the Stock Exchange as soon as practicable after dealings in nil-paid rights commence and in any event before the last day for dealing in the nil-paid Rights Shares at a net premium (nil-paid) in excess of all expenses of sale, and if and to the extent that such rights can be so sold, that person shall account to the Company for the net proceeds of such sale (after deduction of the expenses of sale and stamp duty, if any). The Company shall distribute the net proceeds of sale (after deducting the expenses of sale and stamp duty, if any) in respect of such rights which would be provisionally allotted to the Excluded Shareholders had they been Qualifying Holders to the Excluded Shareholders provided that individual amounts of HK\$100.00 or less and the net proceeds of sale of the Rights Shares representing fractional entitlements shall be retained by the Company for its own benefit; and

(iii) the Company shall, on the Posting Date, post the Prospectus without the Provisional Allotment Letter marked "For information only" to the Excluded Shareholders.

- (B) References to:

(i) "accepted" in relation to any Rights Shares means Rights Shares in respect of which

the Provisional Allotment Letter relating thereto has been lodged for acceptance in accordance with the terms of the Prospectus Documents together with cheques/banker's cashier orders for the full amount payable in respect of such Rights Shares which are honoured on first presentation and references to "accept" shall be construed accordingly; and

- (ii) "taken up" in relation to any Rights Shares shall mean Rights Shares in respect of which the Complying Applications have been received and not otherwise rejected and references to "take up" shall be construed accordingly.
- (C) The Company undertakes with the Underwriter to use its reasonable endeavours to procure that the Registrar shall do all such acts and things as may be required to be done by them in connection with the Rights Issue and its associated transactions.
- (D) Without prejudice to the foregoing obligations, the Company undertakes with the Underwriter that it shall do all such other acts and things as may be reasonably required by the Underwriter to be done by it to carry into effect the Rights Issue in accordance with the terms thereof.

The Underwriter acknowledges that to avoid the unwitting triggering of any GO Obligation and/or that the Public Float will not be further decreased from its current percentage as at the date of this Agreement, all applications for the Rights Shares by the Qualifying Holders, whether under the Provisional Allotment Letter(s), or by transferees of nil-paid Rights Shares, are subject to the scaling-down mechanism as determined by the Company and will be made on the basis that the applications are to be scaled-down by the Company to such level which does not result in (a) any GO Obligation being triggered by those affected applicant(s) and/or group of affected applicant(s) (together with parties respectively acting in concert with him/her/it/them); and/or (b) that the Public Float will not be further decreased from its current percentage as at the date of this Agreement (the "**Scaling-down Mechanism**"). The Scaled-down PAL Shares not being applied will form part of the Underwritten Shares.

4. UNDERWRITING

- (A) The Company hereby agrees to appoint the Underwriter as the sole global coordinator and underwriter of the Rights Issue and the Underwriter, relying on the representations, warranties and undertakings of the Company herein, agrees to act as the sole global coordinator and underwriter of the Rights Issue upon and subject to the terms and conditions set out in this Agreement. The Company confirms that the appointment in this Clause 4(A) confers on the Underwriter all powers, authorities and discretions which are necessary for, or incidental to, the performance of its function as underwriter (including the appointment of such agents and affiliates as it in its absolute discretion determines). The Company hereby approves, confirms and ratifies the appointment by the Underwriter of any sub-agent(s) and the Company hereby approves, confirms and ratifies all actions of the Underwriter and its sub-agent(s) done on behalf of the Company as may have been lawfully done by the Underwriter and/or any such sub-agent(s) pursuant to such appointment.
- (B) The obligations of the Underwriter under this Clause 4 shall terminate if, before the latest time for acceptance, either:
 - (i) the Provisional Allotment Letters in respect of all the Underwritten Shares have been lodged for acceptance (whether by the persons to whom the Underwritten Shares were provisionally allotted or by renounees of the right to accept allotment) in accordance with the terms of the Prospectus Documents, together with the

cheques or banker's cashier orders which have been or are subsequently accepted by the drawee on first presentation or other remittances for the full amount payable thereunder (the Underwritten Shares comprised in the Provisional Allotment Letters which are so lodged together with such remittances are referred to in this Agreement as having been accepted); or

- (ii) the number of Underwritten Shares being placed by the Placing Agent under the Unsubscribed Arrangement is equal to or greater than the aggregate of the number of Underwritten Shares which shall not have been accepted,

and in each case, there are no Scaled-down PAL Shares.

- (C) Subject to the provision of this Agreement (including without limitation, the fulfilment of the Conditions Precedent set out in Clause 2(A)), if and to the extent that at the Latest Time for Acceptance, there shall be any Unsubscribed Rights Shares which have not been subscribed by the Qualifying Holders or holders of nil-paid rights, the Company shall (after consultation with the Underwriter) reasonably determine and notify the Underwriter and the Placing Agent in writing of the aggregate number of Unsubscribed Rights Shares. The Company shall use its reasonable endeavours to procure that the requirement under Rule 7.21(1)(b) of the Listing Rules be fulfilled. If, by the Latest Time for Unsubscribed Arrangement, any of the Unsubscribed Rights Shares have not been taken up under the Unsubscribed Arrangement, the Company shall as soon as practicable thereafter and in any event before 4:00 p.m. on the next business day following the Latest Time for Unsubscribed Arrangement, notify the Underwriter in writing of the number of Untaken Shares.
- (D) Subject to the provisions of this Agreement (including without limitation, the fulfilment (or waiver) of the conditions precedent set out in Clause 2(A), the full performance by the Company of its obligations under this Agreement and the Underwriter not having terminated this Agreement pursuant to Clause 10), if and to the extent that immediately before 4:00 p.m. on the Latest Time for Unsubscribed Arrangement, there shall remain any of the Untaken Shares which have not been successfully placed out by the Placing Agent under the Unsubscribed Arrangement, the Underwriter shall subscribe or, as agent of the Company, procure subscribers for such number of the Untaken Shares (up to the maximum number of Underwritten Shares) as may be requested by the Company on the terms as set out in this Agreement and (save as regards the time for acceptance and payment) the Prospectus Documents.
- (E) In performance of its obligations hereunder, the Underwriter shall comply fully with all relevant laws and shall not do or omit the doing of anything, which shall or might cause the Company to be in breach of any relevant laws and in particular, but without prejudice to the generality of the foregoing, shall ensure that all offers made by any of them of the Rights Shares are made only in compliance with all relevant securities legislation and do not require the registration of the Prospectus Documents or any of them or any other document as a prospectus or otherwise in any jurisdiction other than Hong Kong. The Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents.
- (F) The Underwriter hereby undertakes with the Company that it shall, and shall ensure the sub-underwriting agent(s) (if any) appointed by it, use all reasonable endeavours to procure that each of the subscribers or purchasers of the Underwritten Shares procured by it under this Clause 4:
 - (i) shall be third party independent of, not acting in concert with and not connected

with the Company and its connected persons or their respective associates;

- (ii) will not own 10% or more of the total number of Shares in issue immediately upon completion of the Rights Issue and are not otherwise being a core connected person (within the meaning of the Listing Rules) of the Company; and
 - (iii) will not, together with any party(ies) acting in concert with it, hold 30% (or such percentage which will trigger any GO Obligation under the Takeovers Code) or more of the voting rights of the Company upon completion of the Rights Issue.
- (G) The Company and the Underwriter agree that they will use their best endeavors to ensure that the Public Float will not be further decreased from its current percentage as at the date of this Agreement upon completion of the Rights Issue on the condition that the Company shall provide all necessary assistance and information as required to comply with the Public Float.
- (H) The Company shall use its reasonable endeavours to procure that the Registrar keep the Underwriter and the Placing Agent regularly informed of the number of Rights Shares validly accepted or applied for during the period up to 4:00 p.m. on the Acceptance Date and shall procure that the Registrar shall notify the Underwriter and the Placing Agent in writing as soon as practicable thereafter (and in any event not later than 4:00 p.m. on the Business Day immediately following the Acceptance Date) of the total number of the Rights Shares (if any) for which Complying Applications shall not have been received as at such time and date.
- (I) The Underwriter shall, subject to it having received from the Company notification to do so at or before 4:00 p.m. on the Business Day immediately following the Latest Time for Unsubscribed Arrangement, pay or procure the payment to the Company of the Subscription Price in respect of the Untaken Shares which have not been placed out by the Placing Agent that it is obliged to subscribe or procure subscribers pursuant to this Agreement less the aggregate of any amount payable to it pursuant to Clause 8 by not later than 10:00 a.m. on the Settlement Date. Following payment by the Underwriter, all obligations and liabilities of the Underwriter under this Agreement shall cease.
- (J) The Underwritten Shares dealt with as provided in Clauses 4(A) and 4(I) shall be duly allotted and issued and either:
- (i) certificates in respect thereof shall be issued in such names and in such denominations as the Underwriter may reasonably require (provided that the Company receives from the Underwriter not later than 5:00 p.m. on the Settlement Day the foregoing) and the same shall be delivered to the Underwriter or as it may direct; or
 - (ii) in respect of the Underwritten Shares which the Underwriter requests the Company to deposit into CCASS (the “**CCASS Underwritten Shares**”), the Company shall credit the relevant Underwriter’s account with such CCASS Underwritten Shares (provided that the Company receives from the relevant Underwriter not later than 5:00 p.m. on the Settlement Date, such Underwriter’s CCASS stock account number and confirmation from that Underwriter that it has notified CCASS to accept the CCASS Underwritten Shares) and provide sufficient evidence or confirmation of the same to the relevant Underwriter provided that if any of the CCASS Underwritten Shares is not accepted into CCASS (the “**non-CCASS Underwritten Shares**”), certificates shall be issued in respect of the non-CCASS Underwritten Shares on the basis of (i),

in each case, by not later than 12:00 noon on the Business Day immediately following the Settlement Date.

- (K) Any transaction carried out by or on behalf of the Underwriter pursuant to the provisions of Clause 4(A) shall (unless it is itself subscribing the Rights Shares) be carried out strictly in accordance with Clause 4(J) as facilitators of the Company and the Underwriter shall not be responsible for any loss or damage to any person arising from any such transaction which is carried out in accordance with Clause 4(J) except insofar as any such loss or damage arises from the breach by the Underwriter of its obligations under this Agreement or the negligence or wilful default or omission of the Underwriter or any agent appointed by it for such purpose, or from any failure to procure that all Underwritten Shares are subscribed and paid for by the applicable time under this Agreement.
- (L) If the Underwriter shall default in complying with its obligations under Clause 4(A), the Company is hereby irrevocably authorised to treat this Agreement as an application by the Underwriter for the number of the Untaken Shares the Underwriter agrees to subscribe or procure subscriber for on and subject to the terms and conditions and on the basis of the information contained in the Prospectus Documents (other than as to the time and method of acceptance and payment) for the Untaken Shares which have not been taken up due to the default of the Underwriter and to allot and issue the same to the Underwriter upon such terms and conditions in which event the Underwriter, shall pay to the Company forthwith the full amount in respect of the Untaken Shares which have not been taken up by it as aforesaid less the aggregate of any amount payable to it pursuant to Clause 8 against delivery by the Company to the Underwriter (or as it may direct) of documentary evidence of entitlement to such Untaken Shares.
- (M) The Company hereby acknowledges that in performing its functions, the Underwriter may appoint one or more sub-underwriting agents and that such agents shall be agents of the Company (except in relation to the subscription of Shares by itself as a sub-underwriter) and the Company hereby authorises and confirms that it will ratify and approve all actions taken or to be taken by such agents and the Underwriter in connection with the underwriting of the Untaken Shares in accordance with or in anticipation of the terms of this Agreement. All fees of such agents shall be paid and borne by the Underwriter who appoints them out of the commissions, costs, charges and expenses payable by the Company to the Underwriter under Clause 8. The Underwriter may enter into any agreement with any of the agents for such purpose PROVIDED THAT the Underwriter shall remain responsible for any act or omission carried out by such agents in the performance of the Underwriter's obligations hereunder.

5. DELIVERY OF DOCUMENTS

The Company shall deliver to the Underwriter the documents set out in the Schedule 1 in the form and manner as described therein.

6. ALLOTMENT AND ISSUE OF THE RIGHTS SHARES

- (A) Subject to the fulfilment (or waiver) of the conditions referred to in Clause 2(A), the Company shall, on or as soon as possible on or before 6:00 p.m. on the Settlement Date, duly allot and issue (or confirm the allotment and issue of) the fully-paid Rights Shares validly accepted on acceptances of provisional allotments (and which application has been accepted by the Company) on the basis of one Rights Share for every two Shares held to the first registered holders of the Rights Shares and shall issue certificates for the Rights

Shares to the relevant parties in accordance with the terms of the Prospectus Documents and confirm to the Underwriter that the aforesaid shall have been done or where all or part of the Rights Shares are to be deposited into a CCASS account under Clause 4(J)(ii), evidence to the reasonable satisfaction of that such documents and instructions required to effect the crediting of such Rights Shares have been signed or given, as the case may be.

- (B) Subject to the Company receiving from the Underwriter by no later than 5:00 p.m. on the Settlement Date, the CCASS stock account number of the Underwriter and confirmation from the Underwriter that it has notified CCASS to accept the relevant CCASS Underwritten Shares, the Company shall use reasonable endeavours to procure that the CCASS Underwritten Shares are admitted into CCASS in accordance with Clause 4.
- (C) In relation to the issue of the Rights Shares, the Company shall pay all such fees, supply all such information, give all such undertakings, execute all such documents and do all such things as may be required by applicable laws, rules and regulations or by the Stock Exchange.

7. ANNOUNCEMENTS

Subject as required by law or by the Stock Exchange, no announcement or circular by or on behalf of the Company which is material in relation to the Rights Issue shall be made or despatched during the period from the date hereof up to and including the Settlement Date without prior approval of the Underwriter as to the contents thereof and the timing and manner of the making or despatch thereof, such approval not to be unreasonably withheld or delayed.

8. FEES AND EXPENSES

- (A) In consideration of the Underwriter's obligations under this Agreement as underwriter of the Underwritten Shares in relation to the Rights Issue, and subject to the due performance by the Underwriter of its obligations hereunder, the Company shall pay to the Underwriter:
 - (i) an underwriting commission at the rate of two per cent (2%) of the aggregate Subscription Price in respect of the number of Underwritten Shares (i.e., (i) 226,422,876 Underwritten Shares (assuming no Shares being issued or bought back by the Company on or after the date of this Agreement and on or before the Record Date); or (ii) 231,660,994 Underwritten Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all vested Share Options (except for Dr. Peter Lam's Share Options) but otherwise no Shares being issued or bought back by the Company on or after the date of this Agreement and on or before the Record Date) committed to be underwritten, subscribed for or procured to be subscribed for by the Underwriter in accordance with this Agreement (regardless of whether or not the Rights Shares are taken up by the Qualifying Holders), but excluding sub-underwriting fees and expenses relating to sub-underwriting (if any); and
 - (ii) additional commission at the rate of seven per cent (7%) of the aggregate Subscription Price in respect of the number of Untaken Shares to be subscribed or procure to be subscribed by the Underwriter in accordance with the provision in the Agreement.

For avoidance of doubt, the Company will not be responsible for any fees and expenses incurred by the Underwriter or the sub-underwriter or agent other than the abovementioned

underwriting commission.

- (B) The Company shall pay all reasonable costs, charges and expenses (if any) properly incurred by it, howsoever of or incidental to the Rights Issue and the arrangements hereby contemplated including financial advisory and documentation fees, printing and translation charges, capital duty, the fees of the Company's auditors, solicitors and registrar, and the fees payable to the Stock Exchange, but excluding sub-underwriting fees and expenses relating to sub-underwriting (if any).

9. REPRESENTATIONS AND WARRANTIES AND UNDERTAKING

- (A) The Company (in consideration of the Underwriter agreeing to enter into this Agreement) hereby represents, warrants and undertakes to the Underwriter that, subject as provided herein and as Disclosed:
 - (i) Recitals (A), (B) and (H) to this Agreement are true and accurate in all material respects and there are no rights (other than as contemplated under this Agreement or otherwise as disclosed in public documents issued by the Company) (whether conditional or unconditional) in existence to require the issue of any Shares or other securities of the Company now or at any time hereafter and as no further share capital or loan capital shall be issued by the Company and no alteration shall be made in the rights attached to any of the issued Shares pending the commencement of dealings in the Rights Shares;
 - (ii)
 - (a) all information supplied by or on behalf of the Company to the Underwriter or its legal advisers or the auditors to the Company in connection with the Rights Issue is and will be true, complete and accurate in all material respects and not misleading in any material respect and such documents will contain all information and particulars with regard to the subject matter thereof. All estimates, opinions, views, forecasts, intentions and projections, if any, have been prepared after due and proper consideration and are fair and reasonable and represent expectations honestly held based on facts known to such person(s); and
 - (b) all information given to the Underwriter for such purposes as aforesaid was given in good faith after reasonable enquiry and such information was when given not incorrect or misleading in any material respect and nothing has since occurred requiring the same to be amended or updated in any material respect which has not been so disclosed, amended or updated;
 - (iii) all statements of fact contained or to be contained in the Announcement and the Prospectus Documents are or shall when made be true, complete and accurate in all material respects and are not or shall not be misleading in any material respect and shall not be adverse to the success of the Rights Issue and there are no facts, which are known or on reasonable enquiry could have been known to the Company and which have not been disclosed to the Underwriter and shall not be disclosed in the Prospectus Documents, the omission of which make or would make any statement in the Announcement and the Prospectus Documents misleading or inaccurate in any material respect or which in the context of the Rights Issue is material for disclosure therein. Where information has been extracted and/or reproduced from published and publicly available sources, the Company has reasonably ensured that such information is accurately produced in the Announcement and the Prospectus Documents (as the case maybe);

- (iv) the statements and the expressions of opinion, intention and expectation of the Company and the Directors contained in the Announcement and to be contained in the Prospectus Documents or in the documents referred to therein have been, or shall be, made after due and proper consideration, are fair and reasonable and based on facts known to the Company and shall not contain anything which, in the reasonable opinion of the Underwriter shall be materially adverse to the success of the Rights Issue;
- (v) the Prospectus Documents shall contain all particulars and information required to comply with all statutory provisions in Hong Kong and other provisions so far as applicable and the requirements of the Stock Exchange and the issue of the Rights Shares in accordance with the Prospectus Documents shall comply with the Companies (WUMP) Ordinance, the requirements of the Stock Exchange and all other relevant regulations in Hong Kong and the Directors are not aware that the issue of the Rights Shares shall involve any breach of or default under any agreement, trust deed or instrument to which any member of the Group is a party which are or shall be adverse to the success of the Rights Issue. The issue of the Rights Shares will be duly authorised and the Rights Shares will be allotted in accordance with, on the terms of and subject to the conditions set out in the articles of association of the Company and the Prospectus Documents;
- (vi) subject to fulfillment (or waiver) of the conditions set out in Clause 2(A), the Company has power and authority under its articles of association to, and has taken all necessary corporate or other action to enable it to, enter and perform its obligations under this Agreement and to make the Rights Issue, to allot and issue the Rights Shares and to deal with the Rights Shares attributable to the Excluded Shareholders as may be specified in the Prospectus Documents and no other consents, actions, authorisations or approvals are necessary to enable or authorise it to do any of the aforesaid and this Agreement constitutes valid and binding obligations of the Company;
- (vii) each of the companies in the Group is duly incorporated and validly existing under the laws of its place of incorporation and has full power and authority to conduct its business as now carried on and possesses all governmental licenses, consents and approvals necessary to own its assets and to conduct its business in the manner presently conducted;
- (viii) except as has been disclosed by the Company by public announcements, press releases, reports or other documents publicly available, no reprimands, warnings, investigations, disciplinary proceedings or prosecution, by any regulatory authority, exchange, professional body or government agency, whether in Hong Kong or elsewhere, litigation, arbitration, actions, suits, disputes or proceedings involving any company in the Group and/or any Director or any of its or their properties or assets of a materially adverse nature in the context of the Group as a whole and which might be adverse to the success of the Rights Issue are in progress or are threatened or pending and there are no circumstances known to any of the companies in the Group or any of their respective directors which are likely to give rise to any such investigation, litigation or arbitration proceedings;
- (ix) the Rights Shares shall be validly allotted and issued, fully paid and free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank pari passu in all respects among themselves and

with the Shares then in issue;

- (x) the Announcement and Prospectus Documents shall contain all information with regard to the Group which is or would be material for disclosure under the Listing Rules to a potential holder of the Rights Shares to enable it to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Group and of the rights attaching to the Rights Shares;
- (xi) the Company has read and understood the Hong Kong Professional Investor Treatment Notice set out in Schedule 2 and acknowledges and agrees to the representations, waivers and consents contained in such notice, in which the expressions “you” or “your” shall mean “the Company”, and “we” or “us” or “our” shall mean the Underwriter;
- (xii) the Company shall not from the date hereof until the Record Date issue any Shares or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the nil-paid Rights Shares) without the approval of the Underwriter, which approval shall not be unreasonably withheld or delayed;
- (xiii) the entering into of this Agreement by the Company has been duly authorised by the Company and the obligations of the Company under this Agreement constitute legally valid and binding obligations of it and are enforceable in accordance with the terms herein and the performance by the Company of the obligations to be assumed by it under this Agreement have been duly authorized by all necessary corporate action;
- (xiv) the audited consolidated financial statement of the Group for the financial year ended 31 July 2022 (including the notes thereto) (the “**Audited Accounts**”) has been prepared by auditors who are independent reporting accountants with respect to the Company and present a true and fair view of the financial position and state of affairs of the Group as at 31 July 2022 and of the results for the period then ended and make adequate provision for, where necessary or as appropriate, disclose all known liabilities and all capital commitments of a material nature, of the Group taken as a whole as at such date and have been prepared in accordance with and fully comply with the requirements of all relevant laws and accounting principles, standards and practices generally accepted in Hong Kong then in force, consistently applied, and that since the respective dates of such financial statements, there has been no Material Adverse Change in the condition, performance or general affairs of the Group taken as a whole, financial or otherwise. No material information was withheld from the auditors to the Company for the purposes of their preparation of the Audited Accounts and all information given to the auditors by the Company for such purposes was given in good faith and, to the best of the knowledge, information and belief of the Company after due and careful consideration, the factual contents of the Audited Accounts are true and accurate in all material respects and no material fact or matter has been omitted;
- (xv) the audited pro forma information of the Group, which will be contained in the Prospectus, will be prepared in accordance with the applicable requirements under the Listing Rules;
- (xvi) the statements, forecasts, estimates and expressions of opinion contained in the Announcement and to be contained in the Prospectus as to prospects and working

capital have been and will at the respective dates of issue thereof be made after due, careful and proper consideration, are and will at the respective dates of issue thereof be fair, reasonable and honest and represent reasonable expectations based on facts known to the Company and all statements of fact to be contained in the working capital memorandum for 12 months from the date of the Prospectus will be made after due, careful and proper consideration and will be true and accurate in all material respects and not misleading in any material respect and the Company is not aware of any circumstances now subsisting or likely to arise that are likely to cause the Company not to have adequate working capital to finance its operations and the operations of the members of the Group, in each case for a period of 12 months from the date of the Prospectus;

- (xvii) since 31 July 2022 and prior to date hereof: (i) no member of the Group has entered into any contract or commitment of an unusual or onerous nature or which could involve an obligation of a material nature or magnitude which, in the context of the Rights Issue, might be material for disclosure and each of such companies has carried on its business in the ordinary and usual course, and no member of the Group has acquired or disposed of or agreed to acquire or dispose of any business, company or asset or assumed or acquired any liability of a material nature (including any contingent liability) other than in the ordinary and usual course of business; (ii) there has been no amendment, variation or termination of any contract to which any member of the Group is party which has had a Material Adverse Effect or which is material in the context of the Rights Issue; (iii) there has been no Material Adverse Change, nor is the Company aware of any circumstance, development or event likely to give rise to a Material Adverse Effect; and (iv) the business of the Group has been conducted in the ordinary course of business and on arm's length terms;
- (xviii) no material outstanding indebtedness of any member of the Group has become payable by reason of default by any member of the Group and no event has occurred or is pending which, with the lapse of time or the fulfilment of any condition or the giving of notice or the compliance with any other formality, may result in any such indebtedness becoming so payable and all undrawn amounts under any such indebtedness are capable of drawdown and all conditions precedent to such drawdown have been met or can be met by the Company during the period covered by the working capital memorandum referred to in Clause 9(A)(xvi);
- (xix) no filing with, authorisation, approval, consent, license, order, registration, qualification or decree of, any court or regulatory or governmental authority or agency (other than the listing approval of the Rights Shares under the Rights Issue) is necessary or required for the performance by the Company of the obligations to be assumed by it under this Agreement, in connection with the execution and delivery of this Agreement by the Company, and the allotment and issue of the Rights Shares and such allotment and issue will not infringe any restriction binding upon any member of the Group or the terms of any contract or commitment whatsoever of any member of the Group nor give rise to any obligation under such contract or commitment;
- (xx) the Company has not taken and will not take, directly or indirectly, any action designed to cause or result in stabilisation or manipulation of the price of Rights Shares;
- (xxi) the proceeds of the Rights Issue will be used in the manner set out in the

Announcement and to be set out in the Prospectus;

- (xxii) the operations of each member of the Group have been conducted in accordance with its constitutive documents and all applicable laws and regulations of all governmental or regulatory authorities having jurisdiction over such member of the Group in all material respects;
- (xxiii) no member of the Group has taken any steps to seek protection pursuant to any bankruptcy laws or laws relating to insolvency, winding-up or dissolution, nor does the Company have any knowledge or reason to believe that its creditors have initiated or intend to initiate involuntary bankruptcy, insolvency, winding-up or dissolution proceedings against any member of the Group and no member of the Group is currently in or in the process of liquidation or receivership;
- (xxiv) with respect to all the previous announcements and circulars to Shareholders made in the last 12 months before the date of this Agreement, all statements of fact contained therein were, at the time the relevant announcement or circular was made, true, accurate and complete in all material respects and not misleading in any material respect and all expressions of opinion or intention contained therein were made on reasonable grounds and were truly, reasonably and honestly held by the directors of the Company and were fairly based and there were no other facts omitted so as to make any such statement or expression in any of the previous announcements or circulars misleading in any material respect, or which would or might reasonably be expected to have been material in the context in which the previous announcements or circulars were made;
- (xxv) there is no authorisation, consent, approval or notification (save for the listing approval of the Rights Shares under the Rights Issue) required for the purposes of or as a consequence of the Rights Issue either from governmental, regulatory or other public bodies (including, without limitation, the Stock Exchange) or authorities or courts or from any third party pursuant to any contractual or other arrangement to which the Company or any other member of the Group is party;
- (xxvi) the execution and delivery by or on behalf of the Company of this Agreement, the compliance by the Company with any of the provisions of this Agreement, the creation, allotment and issue of the Rights Shares, as well as the consummation of the transactions herein contemplated, will not conflict with or result in a breach or violation of its articles of association or its constitutive documents or any statute or any rule or regulation (including, without limitation, to the extent applicable, the Listing Rules or any order of any court or governmental agency or body having jurisdiction over the Group or their respective property or assets), or any of the terms or provisions of, or constitute a default under any, indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which any member of the Group is a party or is bound or to which any of the material property or assets of any member of the Group is subject;
- (xxvii) the Company is not in breach of the rules, regulations or requirements of the Stock Exchange (and, without limiting the foregoing, all announcements required to be made by the Company under or in accordance with any such rules, regulations or requirements have been duly made) in any material respect;
- (xxviii) the Company has complied and will comply with all material respects the rules, regulations and other requirements applicable to the transactions contemplated by

this Agreement (including rules governing restrictions on and/or disclosure of dealings). The Company has publicly disclosed all information of which it is aware that is required to be disclosed by it pursuant to the Listing Rules in connection with the Rights Issue. Save for the Rights Issue, no member of the Group is in possession of any non-public price sensitive information relating to the Company and/or the Shares;

- (xxix) each member of the Group is insured by licensed or registered insurers against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses and jurisdictions in which the Company and the relevant subsidiary is engaged and the Company has no reason to believe that any member of the Group will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect;
 - (xxx) each member of the Group possesses all material certificates, authorisations, licences and permits (collectively, “**Governmental Licences**”) issued by the appropriate domestic or foreign regulatory authorities necessary to conduct its business, no member of the Group has received any notice of proceedings relating to, or is aware of any circumstance which is likely to result in, the suspension, cancellation, revocation or modification of any such Governmental Licences, each member of the Group is in compliance with the terms and conditions of all such Governmental Licences, except where the failure so to comply would not singly or in the aggregate, result in a Material Adverse Effect in the context of the Rights Issue and each member of the Group is in good standing (where applicable) in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business. Nothing has been done or has been omitted to be done or is agreed by this Agreement to be done or omitted to be done which might prejudice the continuation or renewal of such Government Licences, or result in any of such Government Licences being modified, suspended or revoked;
 - (xxxii) all of the issued shares of the Company have been duly and validly authorised and issued and are fully paid up and are not subject to any call for the payment of further capital. All of the issued shares of each subsidiary of the Company have been duly and validly authorised and issued, are fully paid and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims. None of the issued shares of the Group was issued in violation of any pre-emptive or other similar rights of any security holder of the Company or its subsidiary (as the case may be); and
 - (xxxiii) no taxation or duty (including any stamp or other issuance or transfer taxation or duty and any taxation or duty on capital gains or income, whether chargeable on a withholding basis or otherwise) is payable in connection with the creation, issue and allotment of the Rights Shares.
- (B) Each of the representations and warranties contained in Clause 9(A) shall be construed separately and shall not be limited or restricted by reference to or inference from the terms of any other of the representations or warranties or any other terms of this Agreement. The representations and warranties contained in Clause 9(A) are given as at the date hereof. In addition, they shall be deemed to be repeated on the Posting Date with respect (where relevant) to the Prospectus Documents in their final form and on the Acceptance Date and

the Settlement Date, in each case, with reference to the facts and circumstances then subsisting. The Company accepts that the Underwriter is entering into this Agreement in reliance on such representations and warranties. The Company shall not do or omit to do (and shall procure that no other member of the Group shall do or omit to do) any act or thing whereby any of the representations or warranties in Clause 9(A) would be untrue, incomplete or inaccurate in any material respect on the Posting Date, the Acceptance Date or the Settlement Date and the Company undertakes to notify the Underwriter of any matter or event coming to their attention prior to the despatch of the Prospectus Documents or prior to the Settlement Date which shows any representation or warranty to be or to have at any relevant time been untrue, incomplete or inaccurate in any material respect or which, had the representations and warranties contained in Clause 9(A) been repeated on each day prior to the Settlement Date, would have shown any representation or warranty to be or to have at any relevant time been untrue, incomplete or inaccurate in any material respect.

- (C) If, prior to the despatch of the Prospectus Documents or prior to 4:00 p.m. on the Business Day immediately following the Acceptance Date, any matter or event comes to the attention of the Company as a result of which any representation or warranty, if repeated immediately after the occurrence thereof, would be untrue, incomplete or inaccurate in any material respect or which would render untrue, incomplete, inaccurate in any material respect or misleading any statement, whether of fact or opinion, contained in the Prospectus Documents if the same were issued immediately after such occurrence, the Company shall forthwith notify the Underwriter pursuant to Clause 10, the Company and the Underwriter shall forthwith consult with a view to agreeing what steps should be taken (including without limitation notifying the Stock Exchange and taking any steps necessary to avoid a false market in the Rights Shares, what changes, if any, should be made to the Prospectus Documents or, if the Prospectus Documents have already been despatched, what announcement or circular, if any, should be made or despatched). The Company agrees not to make any such changes or announcements or despatch any such circular without the prior written consent of the Underwriter, such consent not to be unreasonably withheld or delayed.
- (D) The undertakings, representations, warranties and indemnities provided by the Company in this Agreement shall remain in full force and effect notwithstanding completion of the Rights Issue and all matters and arrangements referred to in or contemplated by this Agreement.
- (E) The Underwriter hereby represents, warrants and undertakes to the Company that:
 - (i) it has the authority to execute this Agreement and that its execution of this Agreement will not:
 - (a) result in a breach of any provision of its articles of association; or
 - (b) result in a breach of, or constitute a default under, any instrument to which it is party or by which it or its holding company or assets are bound; or
 - (c) result in a breach of any order, judgment or decree of any court or governmental agency to which it is a party or by its assets are bound;
 - (ii) it is licensed or registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for Type 1 regulated activity and its ordinary course of business includes underwriting of securities;

- (iii) it is not a connected person of the Company; and
- (iv) it has the necessary readily available financial resources to fulfil its obligations under its underwriting commitment under Clause 4(A) above.

10. TERMINATION AND FORCE MAJEURE

- (A) The Underwriter shall have the right to terminate the arrangements set out in this Agreement by notice in writing given to the Company at any time prior to the Long Stop Date, if:
- (i) the occurrence of the following events have or will, or is likely to, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or the success of the Rights Issue or dealings in the Rights Issue in the secondary market, or trading position or prospects of the Group as a whole or otherwise makes it impracticable, inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue on the terms and manner contemplated in the Announcement and the Prospectus Documents:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of this Agreement) of a political, military, financial, economic, industrial, legal, fiscal, regulatory or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
 - (c) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the New York Stock Exchange or any major disruption of any securities settlement or clearing services in Hong Kong or on commercial banking activities in Hong Kong, due to exceptional financial circumstances or otherwise;
 - (d) the occurrence of any change in market conditions or combination of circumstances in Hong Kong, the United States, the European Union, the United Kingdom or the PRC (including without limitation, any change in fiscal policy or money policy, or foreign exchange or currency markets, suspension or material restrict or trading in securities) which in the reasonable opinion of the Underwriter materially prejudicially affects the Rights Issue and make it impracticable, inadvisable or inexpedient to proceed therein;
 - (ii) the Company's application to the Main Board of the Stock Exchange for permission for the listing of the Rights Shares (nil-paid and fully-paid) and permission to deal in the Rights Shares (nil-paid and fully-paid) on the Stock Exchange is withdrawn by the Company and/or refused by the Stock Exchange;
 - (iii) there is any Material Adverse Change or prospective adverse change in the business

or in the financial or trading position or prospects of any member of the Group which in the reasonable opinion of the Underwriter acting in good faith is material in the context of the Rights Issue;

- (iv) any matter arises or is discovered which would, if the Prospectus was to be issued at the time, constitute material omission therefrom;
 - (v) the Company commits any material breach of any of the obligations or undertakings expressed to be assumed by it under this Agreement;
 - (vi) the Underwriter shall receive notification pursuant to Clause 9(B) or shall otherwise become aware of, the fact that any of the representations or warranties contained in Clause 9(A) was, when given, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate if repeated as provided in Clause 9(B) and the Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or
 - (vii) the Company shall, after any matter or event referred to in Clause 9(C) has occurred or come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.
- (B) For the purposes of Clause 10(A)(i), but without limiting the generality of the foregoing:
- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States of America shall be an event resulting or likely to result in a change in a currency nature; and
 - (ii) volatility in market conditions in Hong Kong or elsewhere on or before or after the date of this Agreement shall be a factor in determining whether there has been or there is likely to be an occurrence or change in market conditions.
- (C) Upon the giving of notice pursuant to Clause 10(A), all obligations of the Underwriter and the Company hereunder shall cease and determine (save for any antecedent breaches thereof) and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with this Agreement provided that Clause 11 shall remain in full force and effect.

11. **NOTICE**

All notices delivered hereunder shall be in writing and shall be communicated to the following addresses:

If to the Company to:
11th Floor, Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong
Facsimile: (852) 2785 2775

Attention: Company Secretary

If to the Underwriter to:

22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

Facsimile: (852) 2973 6741

Attention: Equity Capital Market

Any such notice shall be served either by hand or by sending it through the post or by facsimile. Any notice shall be deemed to have been served, if served by hand, when delivered; if sent by post, the second Business Day after it is posted and if sent by facsimile, on receipt of confirmation of transmission.

12. SUCCESSORS AND ASSIGNS

- (A) This Agreement shall be binding on and ensure for the benefit of each party's personal representatives, successors and (where permitted) assigns.
- (B) No part of this Agreement may be assigned by any party without the prior written consent of the other party hereto.

13. TIME OF THE ESSENCE

Time shall be of the essence of this Agreement, both as to times, dates and periods mentioned herein and as to any times, dates or periods which may by mutual agreement in writing be substituted therefor.

14. COUNTERPARTS

This Agreement may be executed in one or more counterparts each of which shall be binding on each party by whom or on whose behalf it is so executed, but which together shall constitute a single instrument. For the avoidance of doubt, this Agreement shall not be binding on any part hereto unless and until it shall have been executed by or on behalf of all persons expressed to be party hereto.

15. THIRD PARTY RIGHTS

Unless expressly provided to the contrary in this Agreement, a third party who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of this Agreement. Notwithstanding any term of this Agreement, the consent of any third party who is not a party to this Agreement is not required to rescind or vary this Agreement at any time.

16. GOVERNING LAW

This Agreement is governed by and shall be construed in accordance with the laws of Hong Kong and the parties hereto submit to the non-exclusive jurisdiction of the courts of Hong Kong in connection herewith.

17. INDEMNITY AND EXCLUSION OF LIABILITY

- (A) The Company undertakes with the Underwriter (for the Underwriter, all of its subsidiaries, branches, affiliates, directors, officers, employees, agents and its sub-underwriters (if

applicable) (each an “**indemnified party**”) that it will hold harmless and fully and effectively indemnify each of them against all actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgment, awards and proceedings, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or involving an indemnified party (“**Actions**”) and all losses, liabilities and damage suffered and all payments, expenses (including legal expenses and taxes (as well as stamp duty and any penalties and/or interest arising in respect of any taxes)), costs and charges (including, without limitation, all payments, expenses, costs or charges suffered, made or incurred arising out of, in relation to or in connection with the investigation, dispute, defence or settlement of or response to any such Actions or the enforcement of any such settlement or any judgment obtained in respect of any such Actions) which may be made or incurred or suffered by an indemnified party (except, in respect of the indemnity in favour of the Underwriter or an indemnified party, those finally judicially determined by a court of competent jurisdiction to have resulted solely from any gross negligence, wilful default or fraud on the part of the Underwriter or an indemnified party and except, in respect of the indemnity in favour of a sub-underwriter, those finally judicially determined by a court of competent jurisdiction to have resulted solely from any gross negligence, wilful default or fraud on the part of such sub-underwriter):

- (a) which the Underwriter may suffer or incur in connection with or arising out of:
 - (a) the proper performance of its obligations under this Agreement;
 - (b) the creation or issue of the Rights Shares; or
 - (c) the issue, circulation or distribution of the Announcement or the Prospectus Documents (or any of them); or
 - (d) the implementation of the Rights Issue;
- (b) which may be brought against or incurred by the Underwriter in connection with or arising out of:
 - (a) the issue, publication, distribution or making available of the Prospectus Documents (or any of them) or the Prospectus Documents (or any of them) not or alleged to be not containing sufficient information (which, according to the particular nature of the Group and the Rights Issue, is necessary or appropriate) to enable investors, transferors, transferees and sub-underwriters of Shares and/or Rights Shares to make an informed assessment of the activities, assets and liabilities, financial position, management, profits and losses and prospects of the Group or of the rights attaching to the Rights Shares;
 - (b) any of the Prospectus Documents being untrue, inaccurate, incomplete or misleading in any material respect or alleged to be untrue, inaccurate, incomplete or misleading in any material respect; or
 - (c) any breach of any of the representations, warranties or undertakings contained in Clause 9;
 - (d) any breach of the laws of any country or territory by the Company or other members of the Group, or resulting from the distribution of any of the

Prospectus Documents or any announcements, documents, materials, communications or information whatsoever made, given, released or issued arising out of, in relation to or in connection with the Company or the Rights Issue and/or any offer, sale or distribution of the Rights Shares;

- (e) any material failure by any of the directors of the Company to comply with their respective obligations under the Listing Rules; or
 - (f) any statement in any of the Prospectus Documents or any announcements, documents, materials, communications or information whatsoever made, given, released or issued arising out of, in relation to or in connection with the Company or the Rights Issue being or alleged to be defamatory of any person.
- (B) All amounts subject to indemnity under this Clause 17 shall be paid by the Company as and when they are incurred within 28 business days of a written notice (together with the relevant supporting documents) demanding payment being given to the Company by or on behalf of an indemnified party.
- (C) The foregoing provisions of this Clause 17 will continue in full force and effect notwithstanding the issue of the Rights Shares.
- (D) The Company will not, without the prior written consent of the relevant indemnified party, settle or compromise or consent to the entry of any judgment with respect to any claim in respect of which a claim may be brought by that relevant indemnified party under Clause 17(A) where such indemnified party is an actual or potential party to such claim unless such settlement, compromise or consent (i) includes an unconditional release of such indemnified party from all liabilities arising out of or in connection with such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party. The Company undertakes with each indemnified party that:
 - (i) if any taxation authority in any jurisdiction brings into any charge to taxation any sum payable under the indemnities contained in Clause 17(A), the amount so payable shall be increased by such amount as will ensure that the person to whom payment is made will retain, after deduction of the taxation so chargeable, the amount it would have retained had no such tax been payable; and
 - (ii) all sums payable under Clause 17(A) shall be paid in full, free and clear of all deductions or withholdings, unless the deduction or withholding is required by law, in which event the Company shall pay such additional amount as will be required to ensure that the person to whom payment is made will receive the net amount equal to the full amount which would have been received by it had no such deduction or withholding been made.
- (E) Notwithstanding any exclusion and limitation of liability of any professional adviser in its arrangement letter with the Company (the “**Limitation on Liability**”), if the Underwriter incurs any liability with such professional adviser to the Company or to any other person for whatever reason (whether or not under law, the arrangement letter or this Agreement), the Company shall:
 - (i) not be entitled to recover any amount from the Underwriter, which in the absence of the Limitation on Liability, the Company or the Underwriter would have been

entitled to recover;

- (ii) indemnify the Underwriter in respect of any increased cost or liability to any third party which would not have arisen in the absence of the Limitation on Liability; and
- (iii) take such other action as the Underwriter may require to ensure that the Underwriter is not prejudiced as a consequence of the Limitation on Liability.

For the purposes of this Clause 17(E) only, “Underwriter” shall be construed to include the Underwriter and its subsidiaries and holding companies and nominees and their respective directors, officers, employees and agents.

- (F) The Company and the Underwriter acknowledge and agree that:
 - (i) the underwriting contemplated under this Agreement is an arm’s-length commercial transaction between the Company and the Underwriter;
 - (ii) in connection with such underwriting and with the process leading to such underwriting, the Underwriter is not acting as an agent (in relation to the obligation to take up Shares itself pursuant to such underwriting only) or a fiduciary of the Company;
 - (iii) no indemnified party will be responsible to the Company or any other person responsible for the Prospectus Documents for verifying the accuracy or fairness of the contents of the Prospectus Documents or any other information published by the Company in connection with the Rights Issue; and
 - (iv) neither the Underwriter nor any other indemnified party has assumed any advisory or fiduciary responsibility in favour of the Company with respect to the underwriting contemplated under this Agreement, the Rights Issue or the process leading thereto or any other obligations to the Company.
- (G) The Company acknowledges that the Underwriter and its respective affiliates are engaged in investment business and conduct many different financial, banking, securities and other activities for their own account and for clients. As such, the Underwriter or a company with whom it has an association may from time to time have interests which conflict with its clients’ interests or with the duties that it owes to its clients. These include conflicts arising between the interests of the Underwriter, its associates and employees on the one hand and the interests of its clients on the other and also conflicts between clients. In certain circumstances these interests may be regarded as conflicting with the interests of the Company in relation to a particular transaction, or they may have some other material interest in such transaction (each a “**Material Interest**”). The Company acknowledges and accepts, so as to override any duty or restriction which would otherwise be implied by law, that the Underwriter and its affiliates may have a Material Interest and that employees or affiliates responsible for providing the services under this Agreement may be doing so despite the existence of a Material Interest.
- (H) The Company acknowledges and accepts that: (i) other parts of the Underwriter (together with its subsidiaries and affiliates) (the “**Underwriter’s Group**”) or any of its other divisions or teams may have interests or duties which conflict with the Company’s interests and which would or might otherwise conflict with the duties owed by the Underwriter to the Company; (ii) the Underwriter agreeing to provide services to the Company does not

require any other member of the Underwriter's Group or any of its other divisions or teams to restrict its activities in any way nor to provide the Company or the Underwriter or the division or team advising the Company with any information whatsoever about, or derived from, those activities nor, in most cases, does it create any obligation to advise the Company of any conflict of interest which exists or may arise; (iii) in acting for the Company the Underwriter will not be required to disclose to the Company, nor to make use for the Company's benefit of, any information known to the Underwriter or any individual acting on its behalf which (a) belongs to or is confidential to another client or (b) belongs to or is confidential to any of its affiliates or (c) belongs to or is confidential to the Underwriter and relates to some other part of its business; (iv) although some directors and employees of its affiliates are members of its board of directors and/or are involved in its management structure or prudential controls, they are bound by equivalent duties of confidentiality and so do not make available to the Underwriter any confidential information derived from their other activities in the Underwriter's Group; and (v) subject to relevant rules and regulations, the Underwriter reserves the right to deal with or otherwise engage the services of its affiliates and the Underwriter (and other members of the Underwriter's Group) will, without liability to account, remain entitled to retain any benefit resulting from such engagement or provision of service of any kind.

- (I) The Company acknowledges and accepts that, by reason of contractual, legal, regulatory or other obligations, the Underwriter and its respective affiliates may be prohibited from disclosing, or it may be inappropriate for them to disclose, information to the Company, in particular about a Material Interest.
- (J) The Underwriter hereby advises the Company (and it acknowledges receipt of such advice), pursuant to the obligation under paragraph 5.6 of the Corporate Finance Adviser Code of Conduct produced by the SFC as may be amended or replaced from time to time, that where information and representations are provided by the Company for incorporation in a public document or submission to the SFC and/or the Stock Exchange, the Company should take all reasonable steps to ensure that the information and representations provided are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld.

18. RESTRICTION ON DEALINGS

- (A) The Company undertakes to the Underwriter that for the period from the date of this Agreement and ending on the date which is 90 days from the Long Stop Date, the Company shall not (except for the Rights Shares):
 - (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares (except for the allotment or issue of Shares upon exercise of the outstanding Share Options);
 - (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in Clause 18(A)(i); or
 - (iii) announce any intention to enter into or effect any such transaction described in Clause 18(A)(i) or 18(A)(ii)

unless with the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed).

19. SUB-UNDERWRITING

Subject to any applicable law and regulation, the Underwriter shall be at liberty to sub-underwrite its underwriting obligations under this Agreement upon such terms and conditions as it deems fit. The Underwriter shall be responsible for all acts and matters done by the sub-underwriters appointed by it.

20. SEVERABILITY

If any provision of this Agreement is or is held to be invalid or unenforceable, then so far as it is invalid or unenforceable it has no effect and is deemed not to be included in this Agreement. This shall not invalidate any of the remaining provisions of this Agreement. The parties shall use all reasonable endeavours to replace any invalid or unenforceable provision by a valid provision the effect of which is as close as possible to the intended effect of the invalid or unenforceable provision.

SCHEDULE 1

List of Delivery Documents

1. The Company shall deliver to the Underwriter within five Business Days immediately following the execution of this Agreement (or otherwise as the Underwriter may agree), (i) a certified copy of the articles of association of the Company; (ii) a certified copy of the resolution or minutes of the Board approving and authorising the issue of the Announcement and the execution of this Agreement and the Placing Agreement; and (iii) a certified copy of the resolution or minutes of the board of directors of LSG approving and authorising the execution of the Irrevocable Undertaking and the performance of its obligations thereunder.

2. The Company shall deliver to the Underwriter not later than 7:00 p.m. on the Business Day immediately before the Posting Date (or otherwise as the Underwriter may agree),
 - (i) a certified copy of the resolution or minutes of the Board (or of the duly authorised committee of the Board) approving the bulk-printing and posting of the Prospectus Documents or the Prospectus only to the Excluded Shareholders and the provisional Rights Shares (and, if the said resolution or minutes is of such a committee, a certified copy of the resolution or minutes of the board of Directors appointing such committee (if not previously delivered to the Underwriter));
 - (ii) a certified copy of the certificate of authorization issued by the Stock Exchange for registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
 - (iii) a certified copy of the letter from the Registrar of Companies in Hong Kong confirming the registration of the Prospectus;
 - (iv) an original certificate as to the accuracy of the Chinese translation of the Prospectus Documents into the Chinese language for the purpose of Rule 9.22(c) of the Listing Rules given by the relevant translator thereof together with a certificate issued by the Company as to the competency of such translator;
 - (v) a certified copy of the letter from HKSCC confirming that the nil-paid Rights Shares have been admitted as eligible securities in CCASS;
 - (vi) a certified copy of the signed application made by the Company for the listing of and permission to deal in the Rights Shares (nil-paid and fully-paid) (Form C1) on the Stock Exchange, together with a copy of the confirmation received from the Stock Exchange approving the application for the listing and granting permission to list and deal in the Rights Shares (nil-paid and fully paid) on the Stock Exchange;
 - (vii) the Prospectus Documents, duly signed on behalf of the Company by a director duly authorised by the Board;
 - (viii) the Verification Notes duly signed (1) (a) by a director or an authorised representative for and on behalf of the Company and (b) by or on behalf of each director of the Company and (2) by all other persons referred to as being responsible in the Verification Notes;
 - (ix) an original certificate duly signed by an authorised officer of the Company in the agreed form and addressed to the Underwriter and dated the Posting Date, confirming

there is no material breach of any representation, warranty and undertakings of the Company;

- (x) certified copies of the responsibility letter and statement of interest addressed to the Company and the power of attorney (if any) and each signed by each director of the Company;
 - (xi) an original signed letter from the Board addressed to the Underwriter and dated the Posting Date, confirming the statement of indebtedness and other financial information contained in the Prospectus (in such form and substance to the reasonable satisfaction to the Underwriter) and a certified copy of any report (including the working capital report) prepared by the Board in relation to such letter;
 - (xii) a certified copy of the comfort letter from Ernst & Young, auditors to the Company, addressed to the Company and dated the Posting Date in relation to the statement of sufficiency of working capital in compliance with the requirements of the Listing Rules and in such form and substance to the reasonable satisfaction to the Underwriter;
 - (xiii) a certified copy of the comfort letter from Ernst & Young, auditors to the Company, addressed to the Company and dated the Posting Date in relation to pro forma net tangible assets, in compliance with the requirements of the Listing Rules and in such form and substance to the reasonable satisfaction to the Underwriter;
 - (xiv) an original signed legal opinion dated the Posting Date from Robertsons, the legal adviser of the Company as to Hong Kong laws, addressed to the Company and the Underwriter in relation to this Agreement and the Rights Issue (in such form and substance to the reasonable satisfaction of the Underwriter and customary to the market practice);
 - (xv) certified copies of the letters dated the Posting Date referred to in the paragraph headed "Expert and Consents" or similar heading in the Prospectus, containing consents from the experts, inter alia, to the issue of the Prospectus with the inclusion of references to their respective names and where relevant, their reports and letters in the form and context in which they are included; and
 - (xvi) a certified copy of each of the material contracts (if any) to be referred to in the Prospectus (other than this Agreement and the Placing Agreement).
3. The Company shall deliver to the Underwriter on the Business Day immediately following the allotment of the Rights Shares pursuant to Clause 6(A) (or otherwise as the Underwriter may agree), a certified copy of the resolution or minutes of the Board (or of the duly authorised committee of the Board) approving the basis of allotment of the Rights Shares and the confirmation of the allotment and issue of the Rights Shares (and, if the said resolution or minutes is of such a committee, a certified copy of the resolution or minutes of the Board appointing such committee (if not previously delivered to the Underwriter)).
4. Prior to 8:00 a.m. on the date of commencement of trading of the Rights Shares, the Company shall deliver to the Underwriter the signed original certificate by the Company, in the agreed form and addressed to the Underwriter which shall cover, inter alia, the truth and accuracy of the representations and warranties of the Company contained in this Agreement, satisfaction (unless waived by the Underwriter) of all conditions precedents under Clause 2 and absence of any termination events under Clause 10.

SCHEDULE 2

PROFESSIONAL INVESTOR TREATMENT NOTICE

PART A – INSTITUTIONAL INVESTOR TREATMENT NOTICE

1. You are a Professional Investor by reason of your being within a category of person described in paragraphs (a) to (i) of the definition of “professional investor” in Part 1 of Schedule 1 to the SFO and any subsidiary legislation thereunder (“**Institutional Professional Investor**”).
2. Since you are an Institutional Professional Investor, we are automatically exempt from certain requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC (the “**Code**”), we have no regulatory responsibility to do but may in fact do some or all of the following in providing services to you:
 - 2.1 Information about clients
 - (i) establish your financial situation, investment experience and investment objectives, except where we are providing advice on corporate finance work;
 - (ii) ensure that a recommendation or solicitation is suitable for you in the light of your financial situation, investment experience and investment objectives;
 - (iii) assess your knowledge of derivatives and characterize you based on your knowledge of derivatives;
 - 2.2 Client agreement
 - (i) enter into a written agreement complying with the Code in relation to the services that are to be provided to you and provide you with the relevant risk disclosure statements;
 - 2.3 Information for client
 - (i) disclose related information to you in respect of the transactions contemplated under this Agreement;
 - (ii) inform you about their business or the identity and status of employees and others acting on their behalf with whom you will have contact;
 - (iii) promptly confirm the essential features of a transaction after effecting a transaction for you;
 - (iv) provide you with documentation on the NASDAQ – Amex Pilot Program (the “**Program**”), if you wish to deal through the Stock Exchange in securities admitted to trading on the Program;
 - 2.4 Discretionary accounts
 - (i) obtain from you an authority in written form prior to effecting transactions

for you without your specific authority; and

(ii) explain the authority described under paragraph 2.4(i) and confirm it on an annual basis.

3. You agree and acknowledge that we will not provide you with any contract notes, statements of account or receipts under the Hong Kong Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong) where such would otherwise be required.

PART B – CORPORATE PROFESSIONAL INVESTOR TREATMENT NOTICE

1. You are a Professional Investor by reason of your being within a category of person described in sections 3, 4, 6 and 7 of the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong) (“**Professional Investor Rules**”) (“**Corporate Professional Investor**”).

1.1 The following persons are Corporate Professional Investors under Sections 4, 6 and 7 of the Professional Investor Rules:

(i) Trust corporations

A trust corporation having been entrusted under one or more trusts of which it acts as a trustee with total assets of not less than \$40 million at the relevant date or as ascertained in accordance with section 8.

(ii) Corporations

(A) A corporation having—

(I) a portfolio of not less than \$8 million; or

(II) total assets of not less than \$40 million,

at the relevant date or as ascertained in accordance with clause 1.4 below;

(B) a corporation which, at the relevant date, has as its principal business the holding of investments and is wholly owned by any one or more of the following persons:

(I) a trust corporation specified in (i) above;

(II) an individual specified in paragraph 1.2 below;

(III) a corporation specified in this paragraph or paragraph (a);

(IV) a partnership specified in section 1.1(iii);

(V) a professional investor within the meaning of paragraph (a), (d), (e), (f), (g) or (h) of the definition of *professional investor* in section 1 of Part 1 of Schedule 1 to the Ordinance; or

(C) a corporation which, at the relevant date, wholly owns a corporation referred to in paragraph 1.1(ii)(A) above.

(iii) Partnerships

A partnership having:

(A) a portfolio of not less than \$8 million; or

(B) total assets of not less than \$40 million,

at the relevant date or as ascertained in accordance with paragraph 1.4 below.

1.2 An individual specified for the purposes of paragraph 1.1 above, is an individual having a portfolio of not less than \$8 million at the relevant date or as ascertained in accordance with section 8, when any one or more of the following are taken into account:

- (i) a portfolio on the individual's own account;
- (ii) a portfolio on a joint account with the individual's associate;
- (iii) the individual's share of a portfolio on a joint account with one or more persons other than the individual's associate;
- (iv) a portfolio of a corporation which, at the relevant date, has as its principal business the holding of investments and is wholly owned by the individual.

1.3 For the purposes of paragraph 1.2(iii), an individual's share of a portfolio on a joint account with one or more persons other than the individual's associate is—

- (i) the individual's share of the portfolio as specified in a written agreement among the account holders; or
- (ii) in the absence of an agreement referred to in paragraph 1.3(i), an equal share of the portfolio.

1.4 For the purposes of ascertaining total assets or portfolio of Corporate Professional Investors in paragraph 1.1 above, the total assets entrusted to a trust corporation, the portfolio of an individual as referred to in paragraph 1.2 above, or the portfolio or total assets of a corporation or partnership, are to be ascertained by referring to any one or more of the following—

- (i) for a trust corporation, corporation or partnership, the most recent audited financial statement prepared within 16 months before the relevant date in respect of the trust corporation (or a trust of which it acts as a trustee), corporation or partnership;
- (ii) for a trust corporation, individual, corporation or partnership, any one or more of the following documents issued or submitted within 12 months before the relevant date:
 - (A) a statement of account or a certificate issued by a custodian;
 - (B) a certificate issued by an auditor or a certified public accountant;
 - (C) a public filing submitted by or on behalf of the trust corporation (whether on its own behalf or in respect of a trust of which it acts as a trustee), individual, corporation or partnership.

2. We have made an assessment on you in accordance with Paragraph 15.3A of the Code

(“CPI Assessment”) and concluded that:

- (a) You fall within the definition of “professional investor” as set out in paragraph 1 above and satisfy the criteria under the CPI Assessment. In particular that you have the appropriate corporate structure and investment process and controls, the person/s responsible for making investment decisions on behalf of you has/have sufficient investment background, and you are aware of the risks involved in relation to the relevant products and/or markets to be invested in under this Agreement.

OR

- (b) You fall within the definition of “professional investor” as set out in paragraph 1 above but do not satisfy the criteria under the CPI Assessment.

- 3. Where paragraph 2(a) is applicable, you consent to being treated as a Corporate Professional Investor, understand the risks and consequences of consenting to being treated as a Corporate Professional Investor and agree that we have no regulatory responsibility to do but may in fact do some or all of the following in providing services to you:

3.1 Information about clients

- (i) establish your financial situation, investment experience and investment objectives, except where the we are providing advice on corporate finance work;
- (ii) ensure that a recommendation or solicitation is suitable for you in the light of your financial situation, investment experience and investment objectives;
- (iii) assess your knowledge of derivatives and characterize you based on your knowledge of derivatives;

3.2 Client agreement

- (i) enter into a written agreement complying with the Code in relation to the services that are to be provided to you and provide you with the relevant risk disclosure statements;

3.3 Information for client

- (i) disclose related information to you in respect of the transactions contemplated under this Agreement;
- (ii) inform you about their business or the identity and status of employees and others acting on their behalf with whom you will have contact;
- (iii) promptly confirm the essential features of a transaction after effecting a transaction for you;
- (iv) provide you with documentation on the NASDAQ – Amex Pilot Program (the “**Program**”), if you wish to deal through the Stock Exchange in securities admitted to trading on the Program;

- 3.4 Discretionary accounts
- (i) obtain from you an authority in written form prior to effecting transactions for you without your specific authority; and
 - (ii) explain the authority described under paragraph 3.4(i) and confirm it on an annual basis.
4. Where paragraph 2(b) is applicable, you consent to being treated as a Professional Investor, understand the risks and consequences of consenting to being treated as a Professional Investor and agree that we have no regulatory responsibility to do but may in fact do some or all of the following in providing services to you:
- 4.1 Information for client
- (i) disclose related information to you in respect of the transactions contemplated under this Agreement;
 - (ii) inform you about their business or the identity and status of employees and others acting on their behalf with whom you will have contact;
 - (iii) promptly confirm the essential features of a transaction after effecting a transaction for you; and
 - (iv) provide you with documentation on the Program, if you wish to deal through the Stock Exchange in securities admitted to trading on the Program.
5. You have the right to withdraw from being treated as a Corporate Professional Investor at any time in respect of all or any investment products or markets by giving a written notice to us.
6. You agree and acknowledge that we will not provide you with any contract notes, statements of account or receipts under the Hong Kong Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong) where such would otherwise be required.

IN WITNESS whereof this Agreement has been entered into the day and year first before written.

SIGNED by

for and on behalf of

**LAI SUN DEVELOPMENT COMPANY
LIMITED**

in the presence of:



Wai Wai

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CHZW Fook Sun

IN WITNESS whereof this Agreement has been entered into the day and year first before written.

SIGNED by Ho, Kenneth Shiu Pong
for and on behalf of
**HAITONG INTERNATIONAL SECURITIES
COMPANY LIMITED**
in the presence of: Ryan Lee

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Annexure A

Draft Announcement

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

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

Distribution of this announcement into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this announcement should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction for which the Company will not accept any liability.

This announcement is not an invitation or offer of securities for sale in the United States and neither this announcement nor any copy thereof may be released or distributed in the United States or any other jurisdiction where such release might be unlawful or to any US Persons. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act of 1933 of the United States, as amended.



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON THE RECORD DATE;
(2) CLOSURE OF REGISTER OF MEMBERS;
AND
(3) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS UNDER
THE SHARE OPTION SCHEMES**

[Sole Global Coordinator and Underwriter]



[Placing Agent]



PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to (i) approximately HK\$794.5 million by way of the issue of [484,442,943] Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$803.1 million by way of the issue of [489,681,061] Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam's Share Options)]), at the Subscription Price of HK\$1.64 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

The net proceeds from the Rights Issue after deducting the expenses are estimated to be (i) approximately HK\$776.0 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$784.6 million (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam's Share Options)]).

The Company intends to apply the net proceeds from the Rights Issue for the repayment of outstanding banking facilities of the Group.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, all transfer documents of the Shares (together with the relevant share certificate(s)) must be lodged for registration with the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on [Thursday,] [1 December 2022].

IRREVOCABLE UNDERTAKING BY THE UNDERTAKING COVENANTORS

As at the date of this announcement, LSG (together with the LSG Subsidiaries) and Dr. Peter Lam held an aggregate of [515,389,531] Shares and [650,605] Shares, respectively, representing approximately [53.19]% and [0.07]% of the total number of issued Shares, respectively.

Pursuant to the Irrevocable Undertaking, LSG and Dr. Peter Lam have provided a joint, several, irrevocable and unconditional undertaking to the Company and the Underwriter, pursuant to which LSG and Dr. Peter Lam have irrevocably and unconditionally undertaken and warranted to the Company and the Underwriter, among other things:

- (i) to subscribe or procure the subscription (as the case may be) for an aggregate of [257,694,765] Rights Shares and [325,302] Rights Shares, to be provisionally allotted to LSG (or the LSG Subsidiaries, as the case may be) and Dr. Peter Lam, respectively; and
- (ii) (a) not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by them or any one of them, and (b) LSG will procure the LSG Subsidiaries not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by any of the LSG Subsidiaries, from the date of the Irrevocable Undertaking to the date of completion of the Rights Issue.

[Additionally, pursuant to the Irrevocable Undertaking, Dr. Peter Lam has irrevocably and unconditionally undertaken and warranted to the Company and the Underwriter that he will not exercise any of Dr. Peter Lam's Share Options from the date of the Irrevocable Undertaking to the Record Date.]

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

The Company will make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Arrangements for the NQS Rights Shares" in this announcement, by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. After the trading hours of the Stock Exchange on [10 November] 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.

THE UNDERWRITING AGREEMENT

On [10 November 2022] (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Untaken Shares, being all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing Completion Date, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment or waiver (as applicable) of the conditions contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

The Company shall make an application to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue.

As the proposed Rights Issue is subject to conditions, it may or may not proceed. Investors are advised to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATIONS FOR THE COMPANY

As the Rights Issue will not increase either the total number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of minority Shareholders in general meeting pursuant to Rule 7.19A of the Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from [Friday], [2 December 2022] to [Thursday], [8 December 2022] (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Shares will be registered.

GENERAL

The Prospectus Documents containing information on the Rights Issue are expected to be despatched to the Qualifying Shareholders on or around [Friday], [9 December 2022]. The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

As at the date of this announcement, there are [10,962,687] outstanding Share Options granted by the Company exercisable into [10,962,687] Shares. Pursuant to the terms of the Share Option Schemes, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Schemes. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sections headed “The Underwriting Agreement — Conditions of the Rights Issue and the Underwriting Agreement” and “The Underwriting Agreement — Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to (i) approximately HK\$794.5 million by way of the issue of [484,442,943] Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$803.1 million by way of the issue of [489,681,061] Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam’s Share Options)]), at the Subscription Price of HK\$1.64 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$ <u>1.64</u> per Rights Share
Number of Shares in issue as at the date of this announcement	:	968,885,887 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Not less than [484,442,943] Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than [489,681,061] Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam’s Share Options)]).
Number of issued Shares upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)	:	Not less than [1,453,328,830] Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) and not more than [1,469,043,183] Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam’s Share Options)] and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue).
Amount to be raised before expenses	:	Not less than approximately HK\$ <u>794.5</u> million and not more than approximately HK\$ <u>803.1</u> million.

As at the date of this announcement, there are [10,962,687] outstanding Share Options granted by the Company exercisable into [10,962,687] Shares. Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the [484,442,943] Rights Shares proposed to be issued pursuant to the Rights Issue represent approximately 33.3% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of outstanding Share Options (except for Dr. Peter Lam's Share Options) and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the [489,681,061] Rights Shares proposed to be issued pursuant to the Rights Issue represents approximately 33.3% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Qualifying Shareholders and Non-Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder. Shareholders having an address in Hong Kong as shown on the register of members of the Company at the close of business on the Record Date will qualify for the Rights Issue.

Shareholders having an address outside Hong Kong as shown on the register of members of the Company at the close of business on the Record Date will not qualify for the Rights Issue if the Board, after making relevant enquiries, considers that the exclusion of such Overseas Shareholders from the Rights Issue would be necessary or expedient on account either of legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place.

Shareholders with their Shares held by nominee(s) (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as a member of the Company by the Record Date, all transfer documents of the Shares (together with the relevant share certificates) must be lodged for registration with the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on [Thursday], [1 December 2022]. The last day for dealing in the Shares on a cum-rights basis is [Tuesday], [29 November 2022].

Holders of Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with the terms and conditions of the Share Option Schemes and be registered as holders of the Shares so allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied for with the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong on or before the Latest Time for Acceptance.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of PRC Southbound Trading Investors

According to the "Stock Connect Southbound Shareholding Search" available on the Stock Exchange's website, as at the date of this announcement, China Clear held [450] Shares, representing approximately [0.00005]% of the total number of the issued Shares.

The PRC Southbound Trading Investors may participate in the Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid Rights Shares through Shenzhen-Hong Kong Stock Connect and/or Shanghai-Hong Kong Stock Connect if such nil-paid Rights Shares are listed on the Stock Exchange; and/or (ii) subscribe (in full or in part) for their pro rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations.

In addition, the PRC Southbound Trading Investors (or the relevant China Clear participants, as the case may be) whose stock accounts in China Clear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares through Shenzhen-Hong Kong Stock Connect and/or Shanghai-Hong Kong Stock Connect if such nil-paid Rights Shares are listed on the Stock Exchange but cannot purchase any nil-paid Rights Shares nor transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors until after the Company completes its filing with the CSRC in accordance with the CSRC Notice.

The PRC Southbound Trading Investors should consult their intermediary (including brokers, custodians, nominees or China Clear participants) and/or other professional advisers for details of the logistical arrangements as required by China Clear, and provide instructions to such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the relevant dates stated in the section headed “Expected Timetable for the Rights Issue” of this announcement and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or China Clear in order to allow sufficient time to ensure that such instructions are given effect.

The Board was advised that, as the Prospectus Documents will not be and are not intended to be filed with or approved by the CSRC other than in accordance with the CSRC Notice, the Rights Shares in nil-paid or fully-paid forms issued to the PRC Southbound Trading Investors shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless through Shenzhen-Hong Kong Stock Connect and/or Shanghai-Hong Kong Stock Connect, or such person or entity has otherwise been exempt by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder’s address on the Company’s register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents to be despatched in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and the PRC in accordance with the notice issued by the CSRC of *Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect* (Announcement [2016] No. 21).

The Board notes the requirements specified in Rule 13.36(2)(a) of the Listing Rules and is in the process of making enquiries in the relevant jurisdictions as to the feasibility of extending the Rights Issue to the Overseas Shareholders. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Non-Qualifying Shareholders and the Rights Issue will not be extended to them. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements as at the close of business on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be offered for subscription by the Placing Agent to the Placees under the Placing.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Closure of register of members of the Company

The register of members of the Company will be closed from [Friday], [2 December 2022] to [Thursday], [8 December 2022] (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Shares will be registered.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Subscription Price

The Subscription Price is HK\$1.64 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 50.2% to the closing price of HK\$3.29 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 51.9% to the average closing price of approximately HK\$3.41 per Share for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 50.5% to the average closing price of approximately HK\$3.31 per Share for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 42.1% to the theoretical ex-rights price of approximately HK\$2.83 per Share, based on the closing price of HK\$3.29 per Share as quoted on the Stock Exchange on the Last Trading Day and number of Shares in issue as at the date of this announcement;
- (v) a discount of approximately 95.2% to the latest published consolidated net asset value per Share as at 31 July 2022 of approximately HK\$33.847 (as shown in the announcement of the Company in respect of the final results for the year ended 31 July 2022 published on 21 October 2022); and
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 17.4%, represented by the theoretical diluted price of approximately HK\$2.83 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$3.29 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$3.43 per Share) of approximately HK\$3.43 per Share.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$1.60 (assuming no change in the number of Shares in issue on or before the Record Date) and approximately HK\$1.60 (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam's Share Options)]). Since the Company is incorporated in Hong Kong, the Rights Shares have no nominal value.

The Subscription Price was determined by the Company with reference to, among others, (i) the recent closing prices of the Shares; (ii) prevailing market conditions and financial position of the Group; and (iii) the amount of funds the Company intends to raise under the Rights Issue.

The Directors consider that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group. After taking into consideration the reasons for the Rights Issue as stated in the section headed “Reasons for the Rights Issue and use of proceeds of the Rights Issue” below, the Directors consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of Rights Shares

The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid, the record dates of which are on or after the date of allotment and issue of the fully-paid Rights Shares.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, and any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment or waiver (as applicable) of the conditions of the Rights Issue as set out in the section headed “The Underwriting Agreement — Conditions of the Rights Issue and the Underwriting Agreement” in this announcement, share certificates for all fully-paid Rights Shares are expected to be posted on or about [Wednesday], [11 January 2023] by ordinary post to the allottees, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or does not become unconditional, refund cheques will be posted on or before [Wednesday], [11 January 2023] by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

Irrevocable Undertaking by the Undertaking Covenantors

As at the date of this announcement, LSG (together with the LSG Subsidiaries) and Dr. Peter Lam held an aggregate of [515,389,531] Shares and [650,605] Shares, respectively, representing approximately [53.19]% and [0.07]% of the total number of issued Shares, respectively.

Pursuant to the Irrevocable Undertaking, LSG and Dr. Peter Lam have provided a joint, several, irrevocable and unconditional undertaking to the Company and the Underwriter, pursuant to which LSG and Dr. Peter Lam have irrevocably and unconditionally undertaken and warranted to the Company and the Underwriter, among other things:

- (i) to subscribe or procure the subscription (as the case may be) for an aggregate of [257,694,765] Rights Shares and [325,302] Rights Shares, to be provisionally allotted to LSG (or the LSG Subsidiaries, as the case may be) and Dr. Peter Lam, respectively; and
- (ii) (a) not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by them or any one of them, and (b) LSG will procure the LSG Subsidiaries not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by any of the LSG Subsidiaries, from the date of the Irrevocable Undertaking to the date of completion of the Rights Issue.

[Additionally, pursuant to the Irrevocable Undertaking, Dr. Peter Lam has irrevocably and unconditionally undertaken and warranted to the Company and the Underwriter that he will not exercise any of Dr. Peter Lam's Share Options from the date of the Irrevocable Undertaking to the Record Date.]

Scale-down of subscriptions

To avoid the unwitting triggering of any GO Obligation and/or the Company's Public Float to decrease from that as at the date of this announcement, all applications for the Rights Shares by the Qualifying Shareholders under the PAL(s), or by transferees of nil-paid Rights Shares, are subject to the scaling-down mechanism as determined by the Company and will be made on the basis that the applications are to be scaled-down by the Company (further details of which are set out below) to such level which does not result in (a) any GO Obligation being triggered by those affected applicant(s) and/or group of affected applicant(s) (together with parties respectively acting in concert with him/her/it/them); and/or (b) the Company's Public Float to decrease from that as at the date of this announcement. Any subscription monies for the Scaled-down PAL Shares will be refunded to the affected applicants, and the Scaled-down PAL Shares will be offered to independent placees by the Placing Agent under the Placing Agreement.

Such scaling-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (a) where the scale-down is necessitated by the exceeding of shareholding by a group of Qualifying Shareholders acting in concert (the “**Affected Group(s) of Shareholders**”) rather than an individual Qualifying Shareholder, the allocations of PAL(s) to members of the Affected Group of Shareholders should be made by reference to the number of Shares held by the affected applicants on the Record Date; and (b) the allocations of PAL(s) to different Affected Groups of Shareholders and/or affected individual Qualifying Shareholders should be made by reference to the number of Shares held by the affected applicant(s) and/or affected group(s) of applicant(s) on the Record Date.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The nil-paid Rights Shares and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e., 300 Shares in one board lot. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in on any stock exchange other than the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on [Wednesday], [4 January 2023], acquirers for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the relevant No Action Shareholders and Non-Qualifying Shareholders as set out below:

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for, and where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL and where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and
- (ii) for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) and Non-Qualifying Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

THE PLACING AGREEMENT

On [10 November] 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

Date : [10 November] 2022 (after trading hours of the Stock Exchange)

Placing agent : [Haitong International Securities Company Limited] was appointed as the placing agent to place, or procure the placing of, up to [226,422,876] Unsubscribed Rights Shares (assuming no Shares being issued or bought back by the Company on or after the date of the Placing Agreement and on or before the Record Date); or up to [231,660,994] Unsubscribed Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options [(except for Dr. Peter Lam's Share Options)] but otherwise no Shares being issued or bought back by the Company on or after the date of the Placing Agreement and on or before the Record Date), on a best effort basis, to the Placee(s).

[Haitong International Securities Company Limited] and its ultimate beneficial owners are Independent Third Parties. The Placing Agent has also undertaken that before it engages sub-placing agent(s) to place the Unsubscribed Rights Shares, it will confirm with the Company and such sub-placing agent(s) that these sub-placing agent(s) and their ultimate beneficial owners are Independent Third Parties and that they are independent of and not acting in concert with the Underwriter and parties acting in concert with it.

Placing fee payable to the Placing Agent : The Company shall be responsible for all costs and expenses reasonably incurred in connection with or arising out of the Placing.

Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.

The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.

- Places : The Unsubscribed Rights Shares shall only be offered (i) to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties; and (ii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is subject to and conditional upon, inter alia, (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.
- Completion date of the Placing : Wednesday, 4 January 2023 or such other date as the Company and the Placing Agent may agree.]

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

THE UNDERWRITING AGREEMENT ▲

[On [10 November 2022] (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:]

[Underwriting Agreement

Date : [10 November 2022] (after trading hours)

Issuer : The Company

Underwriter : [Haitong International Securities Company Limited], a licensed corporation carrying out [type 1 (dealing in securities)] and [type 4 (advising on securities)] regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the date of this announcement, the Underwriter does not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

Number of Rights Shares underwritten by the Underwriter : [Up to [226,422,876] Rights Shares, being the minimum total number of Rights Shares issuable (assuming no Shares being issued or bought back by the Company on or after the date of the Underwriting Agreement and on or before the Record Date), or up to [231,660,994] Rights Shares, being the maximum total number of Rights Shares issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options [(except for Dr. Peter Lam's Share Options)] but otherwise no Shares being issued or bought back by the Company on or after the date of the Underwriting Agreement and on or before the Record Date), excluding the Undertaken Shares to be taken up by the Undertaking Covenantors.]

Underwriting commission : [2% of the aggregate Subscription Price in respect of the number of Underwritten Shares committed to be underwritten, subscribed for or procured to be subscribed for by the Underwriter in accordance with the Underwriting Agreement.

- Additional commission at the rate of 7% of the aggregate Subscription Price in respect of the number of Untaken Shares to be subscribed or procure to be subscribed by the Underwriter in accordance with the provision in the Underwriting Agreement.

[Pursuant to the Underwriting Agreement, the Underwriter shall ensure that (i) each of the subscribers of the Untaken Shares procured by it shall be an Independent Third Party; (ii) none of the subscribers of the Untaken Shares shall own 10% or more of the total number of Shares in issue immediately upon completion of the Rights Issue and otherwise becoming a core connected person of the Company; and (iii) none of the subscribers, together with any party(ies) acting in concert with it/them, will hold 30% (or such percentage which will trigger any GO Obligation under the Takeovers Code) or more of the voting rights of the Company upon completion of the Rights Issue.]

[The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the market practice. The Directors consider that the terms of the Underwriting Agreement, including the commission rate, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.]

[Subject to the fulfilment or waiver (as applicable) of all the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for or procure the subscription for, pursuant to the terms of Underwriting Agreement and the Prospectus Documents (insofar as the same are applicable), the Untaken Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement).]

[Conditions of the Rights Issue and the Underwriting Agreement

The completion of the Rights Issue and the obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment and despatch of the appropriate documents of title) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully- paid forms);
- (ii) the Rights Shares (in nil-paid form) having been provisionally allotted by a resolution of the Board (or a committee thereof) on the terms set out in the Prospectus Documents;
- (iii) each condition to enable the nil-paid Rights Shares and the fully-paid Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the listing approval of the Rights Shares under the Rights Issue) having been satisfied not later than two Business Days after the Record Date/prior to the first day of dealings in the nil-paid Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
- (iv) delivery of the duly executed counterparts of the Irrevocable Undertaking (in such form and substance to the reasonable satisfaction of the Underwriter) by the Undertaking Covenantors on the date of the Underwriting Agreement to the Company and the Underwriter;
- (v) compliance by the Undertaking Covenantors with all of their respective obligations under the Irrevocable Undertaking and the Irrevocable Undertaking not being terminated;
- (vi) receipt by the Underwriter of all relevant documents specified in the Underwriting Agreement (in the form and substance to the reasonable satisfaction of the Underwriter) to be provided by the Company by the times specified in the Underwriting Agreement;
- (vii) compliance by LSG and the Company with all of its obligations under the Underwriting Agreement or in relation to the publication of this announcement;
- (viii) the representations and warranties of the Company, referred to in the Underwriting Agreement remaining true and accurate in all material respects and none of the undertakings of the Company, referred to in the Underwriting Agreement having been breached;
- (ix) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong no later than the Posting Date of each of the Prospectus Documents and (where necessary) other documents in compliance with the Companies (WUMP) Ordinance and otherwise complying with the requirements of the Companies (WUMP) Ordinance, the Companies Ordinance and the Listing Rules;

- (x) the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date; and
- (xi) the Underwriting Agreement not having been terminated in accordance with its terms on or before the Latest Time for Termination.

Other than conditions [(vi) and (viii)] which can be waived in whole or in part by the Underwriter by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent above cannot be waived. In the event that the above conditions precedent have not been satisfied or waived on or before the Latest Time for Termination, all liabilities of the Company and the Underwriter under the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for any antecedent breach of the Underwriting Agreement.]

[Termination of the Underwriting Agreement

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to the Latest Time for Termination, if

- (i) the occurrence of the following events have or will, or is likely to, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or the success of the Rights Issue or dealings in the Rights Issue in the secondary market, or trading position or prospects of the Group as a whole or otherwise makes it impracticable, inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue on the terms and manner contemplated in this announcement and the Prospectus Documents:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, industrial, legal, fiscal, regulatory or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
 - (c) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the New York Stock Exchange or any major disruption of any securities settlement or clearing services in Hong Kong or on commercial banking activities in Hong Kong, due to exceptional financial circumstances or otherwise;

- (d) the occurrence of any change in market conditions or combination of circumstances in Hong Kong, the United States, the European Union, the United Kingdom or the PRC (including without limitation, any change in fiscal policy or money policy, or foreign exchange or currency markets, suspension or material restrict or trading in securities) which in the reasonable opinion of the Underwriter materially prejudicially affects the Rights Issue and make it impracticable, inadvisable or inexpedient to proceed therein;
- (ii) the Company's application to the Main Board of the Stock Exchange for permission for the listing of the Rights Shares (nil-paid and fully-paid) and permission to deal in the Rights Shares (nil-paid and fully-paid) on the Stock Exchange is withdrawn by the Company and/or refused by the Stock Exchange;
- (iii) there is any material adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the reasonable opinion of the Underwriter acting in good faith is material in the context of the Rights Issue;
- (iv) any matter arises or is discovered which would, if the Prospectus was to be issued at the time, constitute material omission therefrom;
- (v) the Company commits any material breach of any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (vi) the Underwriter shall receive notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate if repeated as provided in the Underwriting Agreement and the Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or
- (vii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.]

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

[Restriction on dealings

The Company has undertaken to the Underwriter that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the Latest Time for Termination, the Company shall not (except for the Rights Shares):

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares (except for the allotment or issue of Shares upon exercise of the outstanding Share Options);
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (i); or
- (iii) announce any intention to enter into or effect any such transaction described in paragraph (i) or (ii);

unless with the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed).]

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

Set out below is the expected timetable for the Rights Issue, which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled or otherwise waived:

<u>Event</u>	<u>2022</u>
Last day of dealings in the Shares on a cum-rights basis.....	[Tuesday], [29 November]
Commencement of dealings in the Shares on an ex-rights basis.....	[Wednesday], [30 November]
Latest time for lodging transfer documents of the Shares in order to be qualified for the Rights Issue.....	4:30 p.m. on [Thursday], [1 December]
Closure of the register of members of the Company for determining entitlements under the Rights Issue	[Friday], [2 December] to [Thursday], [8 December] (both days inclusive)

<u>Event</u>	<u>2022</u>
Record Date for determining entitlements under the Rights Issue	[Thursday], [8 December]
Re-opening of the register of members of the Company	[Friday], [9 December]
Despatch of the Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only)	[Friday], [9 December]
First day for dealings in nil-paid Rights Shares	[Tuesday], [13 December]
Latest time for splitting of nil-paid Rights Shares.....	4:30 p.m. on [Thursday], [15 December]
Last day for dealings in nil-paid Rights Shares.....	[Tuesday], [20 December]
Latest time for lodging transfer documents of nil-paid Right Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on [Friday], [23 December]
Latest time for acceptance of and payment for the Rights Shares.....	4:00 p.m. on [Friday], [23 December]
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements.....	[Thursday], [29 December]
Commencement of placing of Unsubscribed Right Shares by the Placing Agent	[Friday], [30 December]

<u>Event</u>	<u>2023</u>
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	[Wednesday], [4 January]
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on [Wednesday], [4 January]
Announcement of results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company	[Tuesday], [10 January]

<u>Event</u>	<u>2023</u>
Despatch of Share certificates for fully-paid Rights Shares and completion of Placing to take place	[Wednesday], [11 January]
Despatch of refund cheques, if any, if the Rights Issue is terminated	[Wednesday], [11 January]
Commencement of dealings in fully-paid Rights Shares.....	9:00 a.m. on [Thursday], [12 January]
Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders and net proceeds from the sale of nil-pail Rights Shares to the relevant Non-Qualifying Shareholders (if any).....	9:00 a.m. on [Tuesday], [31 January]

All times and dates in this announcement refer to Hong Kong local times and dates. The dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company in agreement with the Underwriter in accordance with the Listing Rules. The Company will make an announcement to notify the Shareholders and the Stock Exchange in the event of any changes to the expected timetable as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning or “extreme conditions” caused by super typhoons as announced by the Government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on [Friday], [23 December 2022]. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on [Friday], [23 December 2022]. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on [Friday], [23 December 2022], the dates mentioned in the section headed “Expected timetable for the Rights Issue” above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full; (iii) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (other than the Undertaking Covenantors and the LSG Subsidiaries pursuant to the Irrevocable Undertaking) have taken up any entitlements of the Rights Shares and all the Unsubscribed Right Shares are placed to the Placees under the Compensatory Arrangements; and (iv) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (other than the Undertaking Covenantors and the LSG Subsidiaries pursuant to the Irrevocable Undertaking) have taken up any entitlements of the Rights Shares and none of the Unsubscribed Right Shares are placed to the Placees under the Compensatory Arrangements:

(a) assuming no outstanding Share Options being exercised and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

	Immediately after completion of the Rights Issue							
	As at the date of this announcement		Assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares other than the Undertaking Covenantors and the LSG Subsidiaries pursuant to the Irrevocable Undertaking and all of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements		Assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares other than the Undertaking Covenantors and the LSG Subsidiaries pursuant to the Irrevocable Undertaking and none of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements	
	<i>No. of issued Shares</i>	<i>Approx. %⁽¹⁾</i>	<i>No. of issued Shares</i>	<i>Approx. %</i>	<i>No. of issued Shares</i>	<i>Approx. %</i>	<i>No. of issued Shares</i>	<i>Approx. %</i>
Non-public Shareholders								
LSG ⁽²⁾	[515,389,531]	[53.19]	[773,084,296]	[53.19]	[773,084,296]	[53.19]	[773,084,296]	[53.19]
Dr. Peter Lam ⁽²⁾	[650,605]	[0.07]	[975,907]	[0.07]	[975,907]	[0.07]	[975,907]	[0.07]
Mr. Chew Fook Aun ⁽³⁾	[1,831,500]	[0.19]	[2,747,250]	[0.19]	[1,831,500]	[0.13]	[1,831,500]	[0.13]
Mr. Lau Shu Yan, Julius ⁽⁴⁾	[395,250]	[0.04]	[592,875]	[0.04]	[395,250]	[0.03]	[395,250]	[0.03]
Madam U ⁽⁵⁾	[40,378]	[0.004]	[60,567]	[0.004]	[40,378]	[0.003]	[40,378]	[0.003]
Other Shareholders holding above 10%								
Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk ⁽⁶⁾	[271,740,000]	[28.05]	[407,610,000]	[28.05]	[271,740,000]	[18.70]	[271,740,000]	[18.70]
Public Shareholders	[178,838,623]	[18.46]	[268,257,935]	[18.46]	[178,838,623]	[12.31]	[178,838,623]	[12.31]
Places	—	—	—	—	[226,422,876]	[15.57]	—	—
Underwriter	—	—	—	—	—	—	[226,422,876]	[15.57]
Total	<u>[968,885,887]</u>	<u>100.00</u>	<u>[1,453,328,830]</u>	<u>100.00</u>	<u>[1,453,328,830]</u>	<u>100.00</u>	<u>[1,453,328,830]</u>	<u>100.00</u>

Notes:

- (1) The [515,389,531] Shares were directly held by LSG and the LSG Subsidiaries. Dr. Peter Lam was deemed to be interested in the [515,389,531] Shares by virtue of, in aggregate, his personal and deemed interests of approximately [41.93]% in the issued share capital of LSG. LSG is approximately [12.70]% owned by Dr. Peter Lam and is approximately 29.23% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Peter Lam.
- (2) The [1,831,500] Shares were owned by The Orchid Growers Association Limited. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in these [1,831,500] Shares. Mr. Chew Fook Aun is an executive Director.
- (3) Mr. Lau Shu Yan, Julius is an executive Director.
- (4) Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of [5,812,553] Shares, representing approximately [0.60]% of the issued share capital of the Company.
- (5) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held [271,740,000] Shares (representing approximately [28.05]% of the issued share capital of the Company) according to the Individual Substantial Shareholder Notice (Form 1) filed with the Stock Exchange on [26 July 2022].

Certain figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

(b) assuming all the outstanding Share Options [(except for Dr. Peter Lam's Share Options)] being exercised on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

	As at the date of this announcement		Upon full exercise of the outstanding Share Options [(except for Dr. Peter Lam's Share Options)] on or before the Record Date		Assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Immediately after completion of the Rights Issue			
							Assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares other than the Undertaking Covenants and the LSG Subsidiaries pursuant to the Irrevocable Undertaking and all of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements		Assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares other than the Undertaking Covenants and the LSG Subsidiaries pursuant to the Irrevocable Undertaking and none of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements	
	No. of issued Shares	Approx %	No. of issued Shares	Approx %	No. of issued Shares	Approx %	No. of issued Shares	Approx %	No. of issued Shares	Approx %
Non-public Shareholders										
LSG ⁽¹⁾	[515,389,531]	[53.19]	[515,389,531]	[52.63]	[773,084,296]	[52.63]	[773,084,296]	[52.63]	[773,084,296]	[52.63]
Dr. Peter Lam ⁽¹⁾	[650,605]	[0.07]	[650,605]	[0.07]	[975,907]	[0.07]	[975,907]	[0.07]	[975,907]	[0.07]
Mr. Chew Fook Aun ⁽²⁾	[1,831,500]	[0.19]	[1,831,500]	[0.19]	[2,747,250]	[0.19]	[1,831,500]	[0.12]	[1,831,500]	[0.12]
Mr. Lau Shu Yan, Julius ⁽³⁾	[395,250]	[0.04]	[2,827,509]	[0.29]	[4,241,263]	[0.29]	[2,827,509]	[0.19]	[2,827,509]	[0.19]
Madam U ⁽⁴⁾	[40,378]	[0.004]	[40,378]	[0.004]	[60,567]	[0.004]	[40,378]	[0.003]	[40,378]	[0.003]
Mr. Lam Hau Yin, Lester ⁽⁵⁾	—	—	[4,864,519]	[0.50]	[7,296,778]	[0.50]	[4,864,519]	[0.33]	[4,864,519]	[0.33]
Mr. Lee Tze Yan, Ernest ⁽⁶⁾	—	—	[969,854]	[0.10]	[1,454,781]	[0.10]	[969,854]	[0.07]	[969,854]	[0.07]
Other core connected persons of the Company	—	—	[731,497]	[0.07]	[1,097,246]	[0.07]	[731,497]	[0.05]	[731,497]	[0.05]
Other Shareholders holding above 10%										
Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk ⁽⁷⁾	[271,740,000]	[28.05]	[271,740,000]	[27.75]	[407,610,000]	[27.75]	[271,740,000]	[18.50]	[271,740,000]	[18.50]
Public Shareholders										
Holders of outstanding Share Options (other than the Directors)	—	—	[1,478,106]	[0.15]	[2,217,159]	[0.15]	[1,478,106]	[0.10]	[1,478,106]	[0.10]
Others	[178,838,623]	[18.46]	[178,838,623]	[18.25]	[268,257,936]	[18.25]	[178,838,623]	[12.17]	[178,838,623]	[12.17]
Places	—	—	—	—	—	—	[231,660,994]	[15.77]	—	—
Underwriter	—	—	—	—	—	—	—	—	[231,660,994]	[15.77]
Total	[968,885,887]	100.00	[979,362,122]	100.00	[1,469,043,183]	100.00	[1,469,043,183]	100.00	[1,469,043,183]	100.00

Notes:

- (1) The [515,389,531] Shares were directly held by LSG and the LSG Subsidiaries. Dr. Peter Lam was deemed to be interested in the [515,389,531] Shares by virtue of, in aggregate, his personal and deemed interests of approximately [41.93]% in the issued share capital of LSG. LSG is approximately [12.70]% owned by Dr. Peter Lam and is approximately 29.23% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Peter Lam. [Pursuant to the Irrevocable Undertaking, Dr. Peter Lam has undertaken not to exercise Dr. Peter Lam's Share Options from the date of the Irrevocable Undertaking to the Record Date.]
- (2) The [1,831,500] Shares were owned by The Orchid Growers Association Limited. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in these [1,831,500] Shares. Mr. Chew Fook Aun is an executive Director.
- (3) Mr. Lau Shu Yan, Julius is an executive Director.
- (4) Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of [5,812,553] Shares, representing approximately [0.60]% of the issued share capital of the Company.
- (5) Mr. Lam Hau Yin, Lester, an executive Director, held [4,864,519] underlying Shares comprised in the Share Options.
- (6) Mr. Lee Tze Yan, Ernest, an executive Director, held [969,854] underlying Shares comprised in the Share Options.
- (7) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held [271,740,000] Shares (representing approximately [28.05]% of the issued share capital of the Company) according to the Individual Substantial Shareholder Notice (Form 1) filed with the Stock Exchange on [26 July 2022].

Certain figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS OF THE RIGHTS ISSUE

The Group is principally engaged in property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. The Company has always been identifying suitable investment opportunities for its property investment and development businesses. [For the year ended 31 July 2022, the Group has successfully secured 3 residential projects, which are 116 Waterloo Road project, 79 Broadcast Drive project and 1&1A Kotewall Road project. Whilst the Group has successfully completed the issuance of a US\$250 million guaranteed notes in July 2021 (“**LSD 2021 Notes**”), the US\$250 million tap issue in September 2021 (being consolidated with and forming a single series with the LSD 2021 Notes) as well as the HK\$180 million and HK\$205 million guaranteed notes issued under the MTN Programme in November 2021 through private placement and has steady access to funds, the management has also considered other fund-raising alternatives available to the Group that can optimise the Company's capital structure, while maintaining a reasonable level of gearing and interest expense.]

It is considered that the Rights Issue would give the Qualifying Shareholders an equal opportunity to participate in the growth of the Group. Given it is pre-emptive in nature, it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs. Accordingly, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Rights Issue after deducting the expenses are estimated to be (i) approximately HK\$776.0 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$784.6 million (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options [(except for Dr. Peter Lam's Share Options)]).

The Company intends to apply the net proceeds from the Rights Issue for the repayment of outstanding banking facilities of the Group.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

As at the date of this announcement, there are [10,962,687] outstanding Share Options granted by the Company exercisable into [10,962,687] Shares. Pursuant to the terms of the Share Option Schemes, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Schemes. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has not conducted any equity fund raising activities.

LISTING RULES IMPLICATIONS FOR THE COMPANY

As the Rights Issue will not increase either the total number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of minority Shareholders in general meeting pursuant to Rule 7.19A of the Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

GENERAL

The Prospectus Documents containing further details of the Rights Issue are expected to be despatched to the Qualifying Shareholders on or around [Friday], [9 December 2022]. The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sections headed “The Underwriting Agreement — Conditions of the Rights Issue and the Underwriting Agreement” and “The Underwriting Agreement — Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which “extreme conditions” caused by a super typhoon or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Clear”	China Securities Depository and Clearing Corporation Limited
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (Announcement [2016] No. 21)
“Director(s)”	the director(s) of the Company
“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, an executive Director and the chairman of the Board, and a controlling shareholder of the Company
[“Dr. Peter Lam’s Share Options”	the Share Options held by Dr. Peter Lam as at the date of this announcement, comprising a total of [486,452] underlying Shares, for which he has undertaken not to exercise from the date of the Irrevocable Undertaking to the Record Date]
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 11 December 2015
“Former Share Option Scheme”	the former share option scheme adopted by the Company on 22 December 2006 and terminated on 23 December 2015
“GO Obligation”	the obligation to make a general offer under Rule 26 of the Takeovers Code
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any individual or company not being the connected persons of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associates

“Irrevocable Undertaking”	the irrevocable undertaking dated [10 November 2022] given by Dr. Peter Lam and LSG in favour of the Company and the Underwriter
“Last Trading Day”	[10 November 2022], being the last trading day for the Shares on the Stock Exchange immediately before the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on [Friday], [23 December 2022], or such later time or date as may be agreed by the Company and the Underwriter in writing, being the latest time and date for acceptance of and payment for the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on [Wednesday], [4 January 2023], or such later time or date as may be agreed by the Company and the Underwriter in writing, being the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LSG”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued LSG Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191) and is the ultimate holding company of the Company
“LSG Group”	LSG and its subsidiaries (excluding, for the avoidance of doubt, the Group)
“LSG Share(s)”	ordinary share(s) in the share capital of LSG
“LSG Shareholder(s)”	holder(s) of the LSG Share(s)
“LSG Subsidiaries”	Joy Mind Limited, a company incorporated in Hong Kong with limited liability, and Zimba International Limited, a company incorporated in the British Virgin Islands with limited liability, both being wholly-owned subsidiaries of LSG and together with LSG beneficially owned an aggregate of [515,389,531] Shares as at the date of this announcement

“Madam U”	Madam U Po Chu, a non-executive Director
“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Right Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Board, after making relevant enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with the Underwriter and parties acting in concert with it and/or the connected persons of the Company, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 231,660,994 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agent”	[Haitong International Securities Company Limited], a licensed corporation carrying out [type 1 (dealing in securities)] and [type 4 (advising on securities)] regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement

“Placing Agreement”	the placing agreement dated [10 November 2022] entered into between the Company and the Placing Agent in relation to the Placing
“Placing Amount”	the total aggregate amount of money (total monetary value) derived from multiplying (a) the price at which the Unsubscribed Rights Shares are subscribed for by the Placees procured by the Placing Agent by (b) the actual number of Unsubscribed Rights Shares actually subscribed for by the Placees procured by the Placing Agent
“Placing Completion Date”	<u>Wednesday, 4 January 2023</u> or such other date as the Company and the Placing Agent may agree
“Posting Date”	[Friday], [9 December 2022], or such other date as the Company and the Underwriter may agree in writing for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“PRC Southbound Trading Investor(s)”	the PRC investor(s) who hold Shares through China Clear as nominee under the Shenzhen-Hong Kong Stock Connect and the Shanghai-Hong Kong Stock Connect
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Public Float”	the percentage of Shares held by the public
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	[Thursday], [8 December 2022], or such other date as the Company and the Underwriter may agree in writing, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined

“Registrar”	Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, the Company’s share registrar and transfer office
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price, payable in full on acceptance and on the terms and subject to the conditions of the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	not less than [484,442,943] new Shares and not more than [489,681,061] new Shares to be allotted and issued pursuant to the Rights Issue
“Scaled-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in either the triggering of a GO Obligation on the part of the applicant or the Public Float is further decreased from its current percentage as at the date of this announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shanghai Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shanghai
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Option(s)”	the total of [10,962,687] outstanding share options to subscribe for [10,962,687] Shares granted under the Share Option Schemes
“Share Option Schemes”	collectively, the Existing Share Option Scheme and the Former Share Option Scheme
“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shenzhen Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shenzhen

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$ <u>1.64</u> for each Rights Share under the Rights Issue
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Undertaken Shares”	[258,020,067] Rights Shares, being the aggregate number of Rights Shares which the Undertaking Covenantors have undertaken to subscribe or procure the subscription for pursuant to the Irrevocable Undertaking
“Undertaking Covenantors”	collectively, Dr. Peter Lam and LSG
“Underwriter”	[Haitong International Securities Company Limited], a licensed corporation carrying out [type 1 (dealing in securities)] and [type 4 (advising on securities)] regulated activities under the SFO and its ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated [10 November 2022] entered into between the Company and the Underwriter in relation to the Rights Issue, as revised, supplemented or amended from time to time in accordance with its terms
“Underwritten Shares”	[up to [226,422,876] Rights Shares, being the minimum total number of Rights Shares issuable (assuming no Shares being issued or bought back by the Company on or after the date of the Underwriting Agreement and on or before the Record Date), or up to [231,660,994] Rights Shares, being the maximum total number of Rights Shares issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options [(except for Dr. Peter Lam’s Share Options)] but otherwise no Shares being issued or bought back by the Company on or after the date of the Underwriting Agreement and on or before the Record Date), excluding the Undertaken Shares to be taken up by the Undertaking Covenantors, to be underwritten by the Underwriter pursuant to the terms and conditions under the Underwriting Agreement]

“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in this announcement
“Untaken Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the places have not paid therefor at 4:00 p.m. on the Placing Completion Date
“US\$”	United States dollars, the lawful currency of the United States
“US Person(s)”	any person(s) or entity(ies) deemed to be a US Person for the purposes of Regulation S under the US Securities Act of 1933, as amended
“%”	per cent

By order of the Board
Lai Sun Development Company Limited
Chew Fook Aun
Executive Director and Deputy Chairman

Hong Kong, [10 November 2022]

As at the date of this announcement, the Board comprises five executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer), Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Lee Tze Yan, Ernest; one non-executive Director, namely Madam U Po Chu; and three independent non-executive Directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.