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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in CSI Properties Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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

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**CSI PROPERTIES LIMITED**  
**資本策略地產有限公司\***  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 497)

**(1) STRATEGIC FUNDRAISING LED BY  
CONTROLLING SHAREHOLDER AND GAW CAPITAL  
(THROUGH ITS MANAGED FUNDS)  
TO RAISE A TOTAL OF HK\$1,992 MILLION  
BY WAY OF**

- (i) AN UNDERWRITTEN RIGHTS ISSUE OF HK\$1,492 MILLION PRICED  
AT AN APPROX. 5.88% PREMIUM TO CLOSING PRICE;**
- (ii) ISSUE OF A HK\$500 MILLION 4-YEAR SENIOR UNSECURED NOTE;**
- (2) ISSUE OF BONUS WARRANTS TO SHAREHOLDERS;**
- (3) PROPOSED SHARE CONSOLIDATION;**
- (4) AUTHORISED SHARE CAPITAL INCREASE;**
- (5) CHANGE IN BOARD LOT SIZE; AND**
- (6) CLOSURE OF REGISTER OF MEMBERS**

Financial adviser to the Company



Underwriter of the Rights Issue



Independent Financial Adviser to the Independent Board  
Committee and the Independent Shareholders



Capitalised terms used on this cover page have the same meanings as defined in this circular, unless the context requires otherwise.

This circular contains the "Letter from the Board" (pages 1 to 68), "Letter from the Independent Board Committee" (pages IBC-1 to IBC-2) and "Letter from the Independent Financial Adviser" (pages IFA-1 to IFA-43).

It should be noted that the Shares will be dealt in on an ex-entitlement basis from Tuesday, 11 March 2025. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 25 March 2025 to Tuesday, 1 April 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Rights Issue Underwriting Agreement is terminated, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 25 March 2025 to Tuesday, 1 April 2025 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form is recommended to consult his/her/its/their own professional advisers.

A notice convening the SGM to be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 6 March 2025 at 11:00 a.m. is set out on pages SGM-1 to SGM-5 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 11:00 a.m. on Tuesday, 4 March 2025 (Hong Kong time)) before the time scheduled for the SGM. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

It should be noted that the Rights Issue Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are summarised in the section headed "Termination of the Rights Issue Underwriting Agreement" of this circular. If the Rights Issue Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:*

|                                     |  |
|-------------------------------------|--|
| “2021 Guaranteed Notes”             | the notes guaranteed by the Company in the aggregate principal amount of US\$300 million issued by Estate Sky Limited, a wholly-owned subsidiary of the Company, to institutional investors on 22 July 2021, which carry interest at the rate of 5.45% per annum and payable semi-annually in arrears  |
| “associate”                         | the meaning ascribed to that term in the Listing Rules   |
| “Announcement”                      | the announcement of the Company dated 2 February 2025 in relation to, among other things, the Strategic Funding & Partnership Proposal, the Share Consolidation, the Authorised Share Capital Increase, the Rights Issue, the Facilitation Agreement, the Rights Issue Underwriting Agreement, the Note Subscription Agreement, and the Bonus Warrants Issue |
| “Authorised Share Capital Increase” | the proposed increase, after the proposed Share Consolidation, in the authorised share capital of the Company from HK\$180,000,000 divided into 11,250,000,000 Consolidated Shares each to HK\$500,000,000 divided into 31,250,000,000 Consolidated Shares with par value HK\$0.016 each   |
| “Board”                             | the board of Directors   |
| “Bonus Warrant(s)”                  | the warrant(s) proposed to be issued by the Company entitling the holders to subscribe for Bonus Warrant Shares at a price of HK\$0.22 per Bonus Warrant Share, subject to adjustments   |
| “Bonus Warrants Issue”              | the proposed issue of Bonus Warrants by the Company to Qualifying Shareholders on the basis of one (1) Bonus Warrant for every ten (10) Consolidated Shares (which is equivalent to every twenty (20) Existing Shares prior to the Share Consolidation) held on the Record Date  |
| “Bonus Warrant Share(s)”            | the new Consolidated Share(s) to be allotted and issued pursuant to the exercise of the subscription rights attached to the Bonus Warrants   |
| “Business Day(s)”                   | a day on which the Stock Exchange is open for the transaction of business  |
| “Business Plans”                    | the business plans described in the section headed “Business Plans” in the “Letter from the Board” in this circular  |
| “BVI”                               | British Virgin Islands   |

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## DEFINITIONS

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|--------------------------------|--|
| “CCASS”                        | the Central Clearing and Settlement System established and operated by HKSCC   |
| “CCASS Operational Procedures” | the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force  |
| “Change in Board Lot Size”     | the proposed change in board lot size of the issued Shares for trading, from 10,000 Existing Shares to 20,000 Consolidated Shares  |
| “Closing Price”                | the closing price of HK\$0.0850 per Existing Share as quoted on the Stock Exchange on the Last Trading Day equivalent to HK\$0.17 per Consolidated Share   |
| “Company”                      | CSI Properties Limited, a company incorporated in Bermuda with limited liability and having its shares listed and traded on the Main Board of the Stock Exchange   |
| “connected person(s)”          | the meaning ascribed thereto in the Listing Rules  |
| “Consolidated Share(s)”        | ordinary share(s) of HK\$0.016 each in the share capital of the Company immediately following the Share Consolidation becoming effective   |
| “Digisino”                     | Digisino Assets Limited a company incorporated in the BVI with limited liability, wholly-owned by Mr. Chung  |
| “Director(s)”                  | the directors of the Company   |
| “EAFs”                         | the excess application form(s) to be issued by the Company for use by Qualifying Shareholders who wish to apply for excess Rights Shares   |
| “Earnest Equity”               | Earnest Equity Limited, a wholly-owned subsidiary of Newco, incorporated in the BVI with limited liability and the controlling entity of the Company, controlling 5,179,172,062 Existing Shares (or 2,589,586,031 Consolidated Shares after taking into account the Share Consolidation), or approximately 56.24% of the issued share capital of the Company as at the Latest Practicable Date |
| “Existing Share(s)”            | ordinary share(s) of HK\$0.008 each in the share capital of the Company prior to the Share Consolidation having become effective   |

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## DEFINITIONS

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| “Facilitation Agreement”                               | the agreement dated 23 January 2025 between the Company and the Investor to pay an amount of HK\$22 million to the Investor in consideration of the Investor’s contributions to the Company under the Strategic Funding & Partnership Proposal and agreeing to provide funding support under the Strategic Funding & Partnership Proposal   |
| “Gaw Capital”  | Gaw Capital Partners, an exempted company incorporated in the Cayman Islands with limited liability   |
| “Golden Boost”   | Golden Boost Limited a company incorporated in the BVI with limited liability and, a wholly-owned subsidiary of Newco, controlling 20,000 Existing Shares (or 10,000 Consolidated Shares after taking into account the Share Consolidation), or approximately 0.0002% of the issued share capital of the Company as at the Latest Practicable Date  |
| “Group”  | the Company and its subsidiaries  |
| “HK\$”   | Hong Kong dollar(s), 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 Shareholder(s)”                           | Shareholders other than Earnest Equity, Golden Boost and their respective associates  |
| “Independent Board Committee”                          | the independent board committee of the Company, comprising all the independent non-executive Directors, which has been established to advise Independent Shareholders on the Rights Issue, Note Subscription Agreement and Facilitation Agreement   |
| “Independent Financial Adviser”<br>or “Optima Capital” | Optima Capital Limited, a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and Independent Shareholders in respect of the Rights Issue, Note Subscription Agreement and Facilitation Agreement |
| “Independent Third Party(ies)”                         | third party(ies) independent of and not connected with the Company and its connected persons  |
| “Investor”   | Petto Bell Limited, a company incorporated in the Cayman Islands with limited liability owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.)   |

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## DEFINITIONS

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| “Irrevocable Undertaking”                | the irrevocable undertaking dated 23 January 2025 given by Newco in favour of the Company with details in the section headed “Irrevocable Undertaking” in the “Letter from the Board” in this circular  |
| “Last Trading Day”                       | 22 January 2025, being the last trading day immediately before the trading halt in the Shares pending the publication of the Announcement   |
| “Latest Practicable Date”                | 14 February 2025, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein   |
| “Latest Time for Acceptance”             | 4:00 p.m. on Monday, 7 April 2025, or such later time or date as may be determined by the Company, being the latest time and date for acceptance of and payment for the provisional allotments of Rights Shares and applications for excess Rights Shares |
| “Latest Time for Termination”            | 4:00 p.m. on Friday, 11 April 2025, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Rights Issue Underwriting Agreement  |
| “Listing Committee”                      | the meaning ascribed to it under the Listing Rules  |
| “Listing Rules” or “LR”                  | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “Mr. Chung” or “Controlling Shareholder” | Mr. Chung Cho Yee, Mico, a director and the Chairman of the Company   |
| “NAV”                                    | net asset value   |
| “Newco”                                  | Grand Future Ventures Limited, a company incorporated in the BVI with limited liability and controlled by Mr. Chung as at the Latest Practicable Date   |
| “Note Issuer”                            | Affinity Ocean Limited, a BVI business company incorporated with limited liability under the laws of BVI  |
| “Note Issue Date”                        | the date on which the Senior Unsecured Note is issued by the Note Issuer to the Note Subscriber   |
| “Note Maturity Date”                     | the fourth anniversary of the Note Issue Date   |

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## DEFINITIONS

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| “Note Subscriber”               | Kenton Harmony Limited, a company incorporated in the Cayman Islands with limited liability owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.)  |
| “Note Subscription Agreement”   | the subscription agreement dated 23 January 2025 entered into amongst the Note Issuer, the Company and the Note Subscriber in relation to the issue of the Senior Unsecured Note   |
| “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 jurisdiction(s), considers it necessary or expedient not to offer the Rights Shares or issue the Bonus Warrants on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction |
| “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 renounceable provisional allotment letter(s) for the Rights Shares to be issued to the Qualifying Shareholders in respect of their entitlements under the Rights Issue   |
| “PRC”                           | the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular  |
| “Prospectus”                    | the prospectus to be issued in connection with the Rights Issue and the Bonus Warrants Issue   |
| “Prospectus Documents”          | collectively, the Prospectus, the PAL and the EAF  |
| “Prospectus Posting Date”       | Friday, 21 March 2025 or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders (or in case of Non-Qualifying Shareholder(s), the Prospectus only)   |
| “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 Non-Qualifying Shareholder(s)   |
| “Record Date”                   | Thursday, 20 March 2025, or such other date as the Company may determine, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue and the Bonus Warrants Issue will be determined   |

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## DEFINITIONS

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| “Rights Issue Underwriting Agreement” | the underwriting agreement dated 23 January 2025 entered into among the Company and the Underwriter in relation to the Rights Issue   |
| “Rights Issue”                        | the proposed offer by way of rights of the Rights Shares to Qualifying Shareholders on the basis of eighteen (18) Rights Shares for every ten (10) Consolidated Shares held on the Record Date at the Subscription Price, payable in full on acceptance and on the terms and subject to the conditions of the Prospectus Documents  |
| “Rights Share(s)”                     | the new Consolidated Share(s) to be allotted and issued under the Rights Issue, being in aggregate 8,288,810,708 Rights Shares (assuming no change in the total number of issued Consolidated Shares on or before the Record Date)  |
| “Senior Unsecured Note”               | a 4-year Senior Unsecured Note to be issued by the Note Issuer to the Note Subscriber in a principal amount of HK\$500 million  |
| “SFC”                                 | the Securities and Futures Commission of Hong Kong  |
| “SFO”                                 | the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)   |
| “SGM”                                 | the special general meeting of the Company, the notice of which is set out in SGM-1 to SGM-5 of this circular, to be convened for the consideration and, if thought fit, approval of, among other things, the Authorised Share Capital Increase, the Share Consolidation, the Rights Issue, the Note Subscription Agreement, the Facilitation Agreement and the Bonus Warrants Issue and the transactions contemplated thereunder |
| “Share Consolidation”                 | the consolidation of every two (2) issued and unissued Existing Shares of HK\$0.008 each into one (1) Consolidated Share of HK\$0.016   |
| “Share(s)”                            | the Existing Share(s) and/or the Consolidated Share(s), as the case may be  |
| “Shareholder(s)”                      | the holder(s) of the Share(s) in issue  |
| “Shareholders Agreement”              | the shareholders agreement dated 23 January 2025 entered into amongst Digisino, the Investor and Newco  |



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## DEFINITIONS

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| “Share Registrar”  | the branch share registrar and transfer office of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong   |
| “Singapore Exchange”                                       | The Singapore Exchange Securities Trading Limited  |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited  |
| “Strategic Funding & Partnership Proposal” or “Proposal”   | the strategic funding and fundraising proposal summarised in this circular in relation to Gaw Capital, through its managed funds, becoming an investor in the Company, and the Company raising an aggregate of up to HK\$1,992 million (before the discount on issue of the Senior Unsecured Note, and expenses) including approximately HK\$1,492 million from the Rights Issue and HK\$500 million from the issuance of the Senior Unsecured Note (before the discount on issue of the Senior Unsecured Note and expenses), and the payment by the Company to the Investor of HK\$22 million as stipulated in the Facilitation Agreement |
| “Strategic Funding & Partnership Proposal Completion Date” | the later of (a) the date on which dealings in fully paid Rights Shares commence on the Stock Exchange and (b) the date on which the Senior Unsecured Note is issued in accordance with the terms of the Note Subscription Agreement   |
| “Subscription Agreement”                                   | the subscription agreement dated 23 January 2025 entered into amongst Digisino, the Investor and Newco   |
| “Subscription Price”                                       | the subscription price of HK\$0.18 for each Rights Share under the Rights Issue  |
| “Takeovers Code”   | the Code on Takeovers and Mergers issued by the SFC  |
| “Undertaken Shares”  | the Rights Shares undertaken to be accepted or applied for pursuant to the Irrevocable Undertaking, being a total of 6,435,997,850 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Share Consolidation) comprising (a) 4,661,272,854 Rights Shares to be provisionally allotted to subsidiaries of Newco and (b) 1,774,724,996 excess Rights Shares to be applied for by Golden Boost as a Qualifying Shareholder following the completion of the Subscription Agreement, on an EAF  |

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## DEFINITIONS

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|-------------------------------|---|
| “Underwriter”                 | VMS Securities Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO, and its ordinary course of business includes underwriting of securities    |
| “Underwritten Shares”         | the Rights Shares underwritten under the Rights Issue Underwriting Agreement, being a maximum of 1,852,812,858 Rights Shares, which represents the maximum of 8,288,810,708 Rights Shares minus the Undertaken Shares |
| “Waiver”                      | the waiver granted by the SFC on 5 February 2025 pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code in relation to the transactions contemplated under the Strategic Funding & Partnership Proposal             |
| “Warrant Expiry Date”         | Wednesday, 7 April 2027, the second anniversary of the date of issue of the Bonus Warrants which is expected to be Monday, 7 April 2025   |
| “Warrant Subscription Price”  | the subscription price of HK\$0.22 for each Bonus Warrant Share (subject to adjustment) under the proposed Bonus Warrants Issue   |
| “Warrant Subscription Rights” | the rights of the holders of the Bonus Warrants to subscribe for 1 Bonus Warrant Share per Bonus Warrant pursuant to the Bonus Warrants   |
| “%”                           | per cent.   |

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## EXPECTED TIMETABLE

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*The expected timetable for the Strategic Funding & Partnership Proposal set out below is for indicative purposes only and has been prepared on the assumption that the conditions of the Share Consolidation, the Authorised Share Capital Increase, the Change in Board Lot Size, the Rights Issue and the Bonus Warrants Issue will be fulfilled. All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable is subject to change, and any changes will be announced by the Company as and when appropriate.*

| Events  | Date<br>(Hong Kong time)                                |
|---|---|
| Latest time for lodging transfers of Shares to qualify<br>for attendance and voting at the SGM . . . . .  | 4:30 p.m. on Wednesday, 26 February 2025                |
| Closure of register of members of the Company to<br>determine entitlement to attend and vote at the SGM<br>(both dates inclusive) . . . . .                             | Thursday, 27 February 2025 to<br>Thursday, 6 March 2025 |
| Latest time for lodging proxy forms for the SGM . . . . .   | 11:00 a.m. on Tuesday, 4 March 2025                     |
| Record date for determining attendance and<br>voting at the SGM . . . . .   | Thursday, 6 March, 2025                                 |
| <b>Date and time of the SGM . . . . .</b>   | <b>11:00 a.m. on Thursday, 6 March 2025</b>             |
| Announcement of poll results of the SGM . . . . .   | Thursday, 6 March 2025                                  |
| Register of members of the Company re-opens . . . . .   | Friday, 7 March 2025                                    |
| <b>Effective date of the Share Consolidation and<br/>Authorised Share Capital Increase . . . . .</b>  | <b>Monday, 10 March 2025</b>                            |
| First day of free exchange of existing share certificates<br>for Existing Shares for new share certificates<br>for the Consolidated Shares . . . . .                    | Monday, 10 March 2025                                   |
| Commencement of dealings in the Consolidated Shares. . . . .  | 9:00 a.m. on Monday, 10 March 2025                      |
| Original counter for trading in Existing Shares<br>in board lots of 10,000 Existing Shares (in the form of<br>existing share certificates) temporarily closes . . . . . | 9:00 a.m. on Monday, 10 March 2025                      |
| Temporary counter for trading in the Consolidated Shares<br>in board lots of 5,000 Consolidated Shares (in the form of<br>existing share certificates) opens . . . . .  | 9:00 a.m. on Monday, 10 March 2025                      |

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## EXPECTED TIMETABLE

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Last day of dealings in the Consolidated Shares on  
a cum-entitlement (relating to the Rights Issue and  
the Bonus Warrants Issue) basis . . . . . Monday, 10 March 2025

First day of dealings in the Consolidated Shares on  
an ex-entitlement (relating to the Rights Issue and  
the Bonus Warrants Issue) basis . . . . . Tuesday, 11 March 2025

Latest time for Shareholders to lodge transfer documents of  
the Consolidated Shares in order to qualify for  
the Rights Issue and the Bonus Warrants Issue. . . . . 4:30 p.m. on Wednesday, 12 March 2025

Closure of register of members to determine eligibility  
for the Rights Issue and the Bonus Warrants Issue  
(both dates inclusive) . . . . . Thursday, 13 March 2025 to  
Thursday, 20 March 2025

**Record Date for participation in the Rights Issue and  
Bonus Warrants Issue . . . . . Thursday, 20 March 2025**

Register of members of the Company re-opens . . . . . Friday, 21 March 2025

Prospectus Documents (in the case of the Non-Qualifying  
Shareholder(s), the Prospectus only) are despatched to  
the Qualifying Shareholders) . . . . . Friday, 21 March 2025

Original counter for trading in the Consolidated Shares  
in board lots of 20,000 Consolidated Shares  
(in the form of new share certificates) reopens. . . . . 9:00 a.m. on Monday, 24 March 2025

Parallel trading in the Consolidated Shares (in the form of  
both existing share certificates and new share certificates)  
commences. . . . . Monday, 24 March 2025

Designated broker starts to stand in the market to provide  
matching services for odd lots of the Consolidated Shares . . . . . 9:00 a.m. on Monday, 24 March 2025

First day for dealings in nil-paid Rights Shares and  
new board lot size for nil-paid and fully-paid Rights Shares . . . . . Tuesday, 25 March 2025

Latest time for splitting PALs/nil-paid Rights Shares . . . . . 4:00 p.m. on Thursday, 27 March 2025

Last day for dealings in nil-paid Rights Shares . . . . . Tuesday, 1 April 2025

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## EXPECTED TIMETABLE

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### **Latest time for acceptance of and payment**

**for the Rights Shares and for application and**

**payment for excess Rights Shares . . . . . 4:00 p.m. on Monday, 7 April 2025**

**Certificates for the Bonus Warrants to be despatched . . . . . On or before Monday, 7 April 2025**

Commencement of dealings in the Bonus Warrants . . . . . Tuesday, 8 April 2025

Latest time to terminate the Rights Issue Underwriting

Agreement and for the Rights Issue to become

unconditional . . . . . 4:00 p.m. on Friday, 11 April 2025

Designated broker ceases to provide matching services

for odd lots of the Consolidated Shares . . . . . 4:00 p.m. on Monday, 14 April 2025

Temporary counter for trading in the Consolidated Shares

in board lots of 5,000 Consolidated Shares

(in the form of existing share certificates) closes . . . . . 4:10 p.m. on Monday, 14 April 2025

Parallel trading in Consolidated Shares (represented by both

existing share certificates and new share certificates) ends . . . . . 4:10 p.m. on Monday, 14 April 2025

Announcement of the results of the Rights Issue including

applications for excess Rights Shares published on the

Stock Exchange's website and the Company's website . . . . . Monday, 14 April 2025

Despatch of certificates for fully-paid Rights Shares and

refund cheques (if any). . . . . Tuesday, 15 April 2025

Commencement of dealings in fully-paid Rights Shares . . . . . 9:00 a.m. on Wednesday, 16 April 2025

Latest time for free exchange of existing share certificates

for new share certificates . . . . . 4:30 p.m. on Wednesday, 16 April 2025

### **Effect of Bad Weather or Extreme Conditions on the Latest Time for Acceptance and Payment for the Rights Shares**

The Latest Time for Acceptance of and payment for the Rights Shares will change if:

1. typhoon signal No. 8 (or above);
2. "extreme conditions" as announced by the Hong Kong Government; or

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## EXPECTED TIMETABLE

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3. a “black” rainstorm warning
- (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance changes, the dates mentioned in the “Expected timetable” above may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE RIGHTS ISSUE UNDERWRITING AGREEMENT

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The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Rights Issue Underwriting Agreement, if at or prior to the Latest Time for Termination there is:

- (a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreak of diseases and such related/ mutated forms, economic sanctions, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong or PRC;
- (b) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Rights Issue Underwriting Agreement;
- (c) any local, national or international event or change of a social, political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (d) the occurrence of any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) in Hong Kong and PRC;
- (e) any material adverse change, determined by the Underwriter in its sole and absolute opinion, after the signing of the Rights Issue Underwriting Agreement in (i) any aspects of the Rights Issue (including but not limited to its structure, timing or any prior understanding between the parties insofar as the underwriting arrangement therein is concerned) or (ii) the business or in the financial or trading position of any member of the Group;
- (f) the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (g) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in Hong Kong or adversely affecting an investment in the Rights Shares;

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## TERMINATION OF THE RIGHTS ISSUE UNDERWRITING AGREEMENT

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- (h) there has come to the notice of the Underwriter any statement contained in the Prospectus Documents, the Announcement and/or this circular, and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Rights Issue Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Rights Issue (including any supplement or amendment thereto but excluding information relating to the Underwriter) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
- (i) any non-compliance of the Announcement, this circular and/or the Prospectus Documents, (or any other documents used in connection with the contemplated subscription and sale of the Rights Shares) or any aspect of the Rights Issue with the Listing Rules or any other applicable laws (including, without limitation, the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) and regulations;
- (j) any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group;
- (k) any matter which, had it arisen or been discovered immediately before the date of despatch of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the sole and absolute opinion of the Underwriter, a material omission in the context of the Rights Issue;
- (l) any contravention by the Company or any member of the Group of any applicable laws and regulations including the Listing Rules and the Takeovers Code; or
- (m) any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or any resolution for the winding-up of any material member of the Group or the appointment of a provisional liquidator, receiver or manager over all or substantially all of the material assets or undertaking of any material member of the Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Underwriter:–

- (i) has or will or may have a material adverse effect on the business or financial position of the Group taken as a whole;
- (ii) has or will or may have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken-up; or
- (iii) has or will or is likely to have the effect of making any part of the Rights Issue Underwriting Agreement (including underwriting) inadvisable, incapable or impractical of performance in accordance with its terms or preventing or pursuant to the underwriting of the Rights Issue.



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## TERMINATION OF THE RIGHTS ISSUE UNDERWRITING AGREEMENT

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In the event the Underwriter exercises its right to terminate the Rights Issue Underwriting Agreement before the Latest Time for Termination, the obligations of all parties thereunder shall terminate forthwith (save in respect of certain rights and obligations under the Rights Issue Underwriting Agreement), provided that such termination shall be without prejudice to any rights or obligations which may have accrued under the Rights Issue Underwriting Agreement prior to such termination.

**If the Underwriter exercises such right, the Rights Issue will not become unconditional and the Rights Issue will not proceed. An announcement will be made if the Rights Issue Underwriting Agreement is terminated by the Underwriter.**

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## LETTER FROM THE BOARD

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### CSI PROPERTIES LIMITED

### 資本策略地產有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 497)**

*Executive Director:*

Mr. Chung Cho Yee, Mico (*Chairman*)

Mr. Kan Sze Man

Mr. Chow Hou Man

Mr. Ho Lok Fai

Mr. Leung King Yin, Kevin

Ms. Chung Yuen Tung, Jasmine

*Independent non-executive Directors:*

Mr. Cheng Yuk Wo

Mr. Shek Lai Him, Abraham, *GBS, JP*

Dr. Lo Wing Yan, William, *JP*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

31/F., Bank of America Tower

12 Harcourt Road

Central Hong Kong

17 February 2025

*To the Shareholders*

Dear Sir/Madam,

**(1) STRATEGIC FUNDRAISING LED BY  
CONTROLLING SHAREHOLDER AND GAW CAPITAL  
(THROUGH ITS MANAGED FUNDS)  
TO RAISE A TOTAL OF HK\$1,992 MILLION  
BY WAY OF**

- (i) AN UNDERWRITTEN RIGHTS ISSUE OF HK\$1,492 MILLION PRICED AT  
AN APPROX. 5.88% PREMIUM TO CLOSING PRICE;**
- (ii) ISSUE OF A HK\$500 MILLION 4-YEAR SENIOR UNSECURED NOTE;**
- (2) ISSUE OF BONUS WARRANTS TO SHAREHOLDERS;**
- (3) PROPOSED SHARE CONSOLIDATION;**
- (4) AUTHORISED SHARE CAPITAL INCREASE;**
- (5) CHANGE IN BOARD LOT SIZE; AND**
- (6) CLOSURE OF REGISTER OF MEMBERS**

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### I. INTRODUCTION

On 2 February 2025, the Company announced the Strategic Funding & Partnership Proposal under which, Gaw Capital, at the invitation of the Controlling Shareholder, will, through its managed funds, become a new long-term strategic investor in the Company. Gaw Capital is a well-regarded institutional real estate investor with a strong track record of investing in Asia and other major international markets.

The Board considers the invitation by the Controlling Shareholder to Gaw Capital to become a co-investor in Newco, through its managed funds, to partly fund the Rights Issue at a Subscription Price that is at a premium to the Closing Price and the Note Subscriber's direct subscription of the Senior Unsecured Note to be a sound financial solution to address the Company's immediate liquidity needs, in comparison to other less favourable alternatives in the current market environment.

#### **The Strategic Funding & Partnership Proposal**

To facilitate the introduction of Gaw Capital as a strategic investor (through its managed funds) and allowing Shareholders to participate in the Company's future growth, Digisino, the Investor, and the Company have agreed to the Strategic Funding & Partnership Proposal with a view to raising aggregate proceeds of approximately HK\$1,992 million (before the discount on issue of the Senior Unsecured Note, and expenses) involving:

1. **the proposed Rights Issue**, being a rights issue of 8,288,810,708 Rights Shares on the basis of eighteen (18) Rights Shares for every ten (10) Consolidated Shares held on the Record Date at a premium to the Closing Price to raise aggregate gross proceeds of approximately HK\$1,492 million, before expenses, of which approximately HK\$1,158 million has been committed under the Irrevocable Undertaking. Pursuant to the Irrevocable Undertaking, Newco has irrevocably undertaken to, and shall procure that Newco's subsidiaries or nominees (including the CCASS participant(s) holding any such Shares on behalf of any of them) to, amongst other things, (i) accept and take up in full a total of 4,661,272,854 nil-paid Rights Shares to be provisionally allotted or transferred to it/them, equivalent to approximately HK\$839 million; and (ii) apply (by way of excess application) for 1,774,724,996 Rights Shares, equivalent to approximately HK\$319 million. The remaining balance of approximately HK\$334 million is fully underwritten by the Underwriter. For details of the Irrevocable Undertaking and the underwriting arrangement, please refer to the sections headed "Irrevocable Undertaking" and "THE RIGHTS ISSUE UNDERWRITING AGREEMENT" of this Letter from the Board.

The Subscription Price is set at HK\$0.1800 per Rights Share, which represents a premium of approximately 5.88% over the theoretical closing price of HK\$0.1700 per Consolidated Share based on the Closing Price, and a premium of approximately 2.04% over the theoretical ex-entitlement price of approximately HK\$0.1764 per Consolidated Share based on (i) the theoretical closing price of HK\$0.1700 per Consolidated Share based on the Closing Price, (ii) the gross proceeds of the Rights Issue of approximately HK\$1,492 million and (iii) the total number of theoretical Consolidated Shares upon completion of the Rights Issue, reflecting intention that the Rights Issue should not be price dilutive. For more details of the Rights Issue, please refer to the section headed "THE RIGHTS ISSUE" in this Letter from the Board; and

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## LETTER FROM THE BOARD

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2. **the proposed Senior Unsecured Note**, being a 4-year senior unsecured note to be issued to the Note Subscriber by the Note Issuer in a principal amount of HK\$500 million on normal commercial terms with an interest rate of 8.22% per annum. For details of the Note Subscription Agreement, please refer to the section headed “ISSUE OF THE SENIOR UNSECURED NOTE” of this Letter from the Board.

In addition to the Rights Issue and the Senior Unsecured Note, the Board also proposes the **Bonus Warrants Issue** alongside the Strategic Funding & Partnership Proposal with the aim to further enhance Shareholders’ participation in the Company’s future development.

Under the proposed Bonus Warrants Issue, all Qualifying Shareholders will be entitled to receive Bonus Warrants on the basis of one (1) Bonus Warrant for every ten (10) Consolidated Shares held on the Record Date. Holders of the Bonus Warrants will be entitled to subscribe for Consolidated Shares at an initial Warrant Subscription Price of HK\$0.22, subject to adjustment, at any time before the Warrant Expiry Date. Please refer to the section headed “PROPOSED BONUS WARRANTS ISSUE” of this Letter from the Board for more details of the Bonus Warrants Issue.

The purpose of this circular is to provide you with, among other things, (i) further details of the Strategic Funding & Partnership Proposal, including the Rights Issue, the Facilitation Agreement, the Rights Issue Underwriting Agreement and the Note Subscription Agreement; (ii) further details of the Bonus Warrants Issue; (iii) further details of the proposed Share Consolidation, Authorised Share Capital Increase and Change in Board Lot Size; (iv) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in regard to the aforesaid; (vi) other information required under the Listing Rules; and (vii) a notice convening the SGM.

## II. BACKGROUND OF THE STRATEGIC FUNDING & PARTNERSHIP PROPOSAL

### Formation of Newco, the Subscription Agreement and the Shareholders Agreement

In connection with the Strategic Funding & Partnership Proposal, the Subscription Agreement and the Shareholders Agreement were entered into on 23 January 2025 (before trading hours of the Stock Exchange) amongst Digisino, the Investor and Newco.

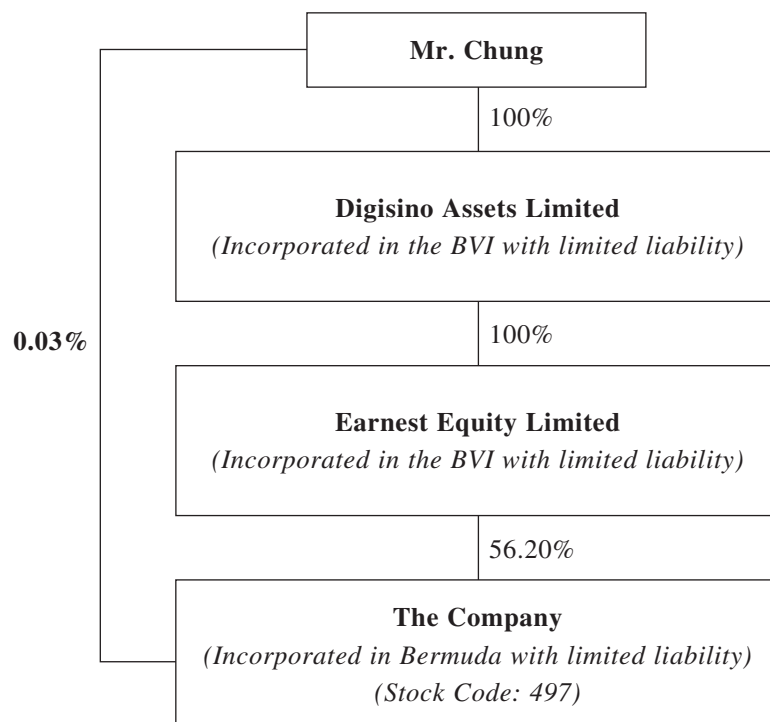
Prior to entering into and the implementation of the Subscription Agreement and the Shareholders Agreement, Mr. Chung beneficially owned (directly and indirectly) 5,179,192,062 Existing Shares in the Company (approximately 56.24% of the total issued share capital of the Company), of which the beneficial interest in 3,045,000 Existing Shares, representing approximately 0.03% of the total issued share capital of the Company, was held directly by Mr. Chung, and the beneficial interest in 5,176,147,062 Existing Shares (representing approximately 56.20% of the total issued share capital in the Company) was held through Earnest Equity, a company indirectly wholly-owned by Mr. Chung.

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## LETTER FROM THE BOARD

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The following diagram sets out the shareholding structure in respect of the ownership and control of the Company by Mr. Chung, as the ultimate beneficial owner of Earnest Equity prior to entering into and the implementation of the Subscription Agreement and the Shareholders Agreement:



Pursuant to the Subscription Agreement, Digisino transferred to Newco the entire issued share capital of Earnest Equity and Mr. Chung transferred all Shares he personally held to Earnest Equity and Golden Boost.

Digisino and the Investor agreed to provide Newco loans of HK\$400 million and approximately HK\$758 million (together, the “**Loan Funds**”), respectively, to fund the obligation of Earnest Equity and Golden Boost, respectively, to participate in the Rights Issue upon obtaining all relevant approvals and passing of resolutions in relation to the transactions contemplated by the Strategic Funding & Partnership Proposal.

The Subscription Agreement further provides that, on completion of the Rights Issue, the Loan Funds shall be converted into shares in Newco proportionate to the Rights Shares to be held by Newco indirectly via Earnest Equity and Golden Boost respectively, with Mr. Chung continuing to maintain statutory and Takeovers Code control over Newco. The Investor held less than 1% of the issued shares in Newco.

The boards of (i) Newco, (ii) Earnest Equity; and (iii) Golden Boost each comprise not less than three directors, respectively. The Investor has the right to appoint one director to each board, while Mr. Chung, through Digisino, has the right to appoint an unlimited of persons as directors, to ensure that at all times Mr. Chung remains in control of the underlying shares in the Company.

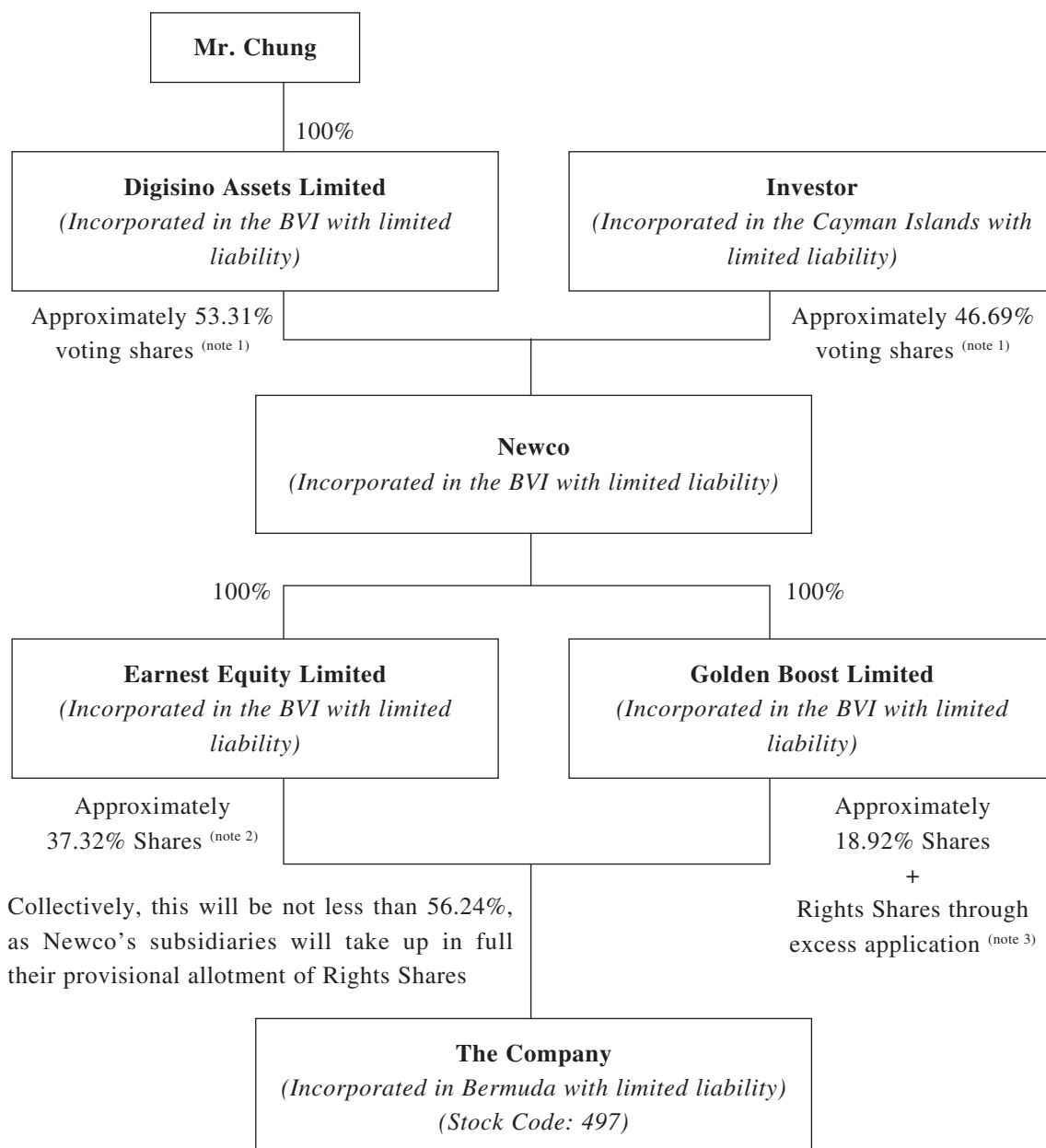
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## LETTER FROM THE BOARD

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Should the Rights Issue not proceed or should the excess application by Golden Boost only be partially accepted, the Loan Funds, or the residual amount of the Loan Funds, will be repaid to the respective parties.

The following diagram sets out the shareholding structure in respect of the ownership and control of the Company by Mr. Chung immediately after completion of the Rights Issue:



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## LETTER FROM THE BOARD

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*Notes:*

1. Assuming the excess application for 1,774,724,996 excess Rights Shares to be applied for by Golden Boost is fully accepted, Mr. Chung's beneficial shareholding in Newco will be approximately 53% and the Investor's beneficial shareholding in Newco will be approximately 47%.
2. Represents (i) 2,589,586,031 Consolidated Shares (or the 5,179,172,062 Existing Shares) held by Earnest Equity as at the Latest Practicable Date) and (ii) the 2,222,222,222 Rights Shares to be taken up by Earnest Equity using the HK\$400 million loan provided by Digisino (which will in turn be funded by Mr. Chung). Earnest Equity will transfer the remaining 2,439,032,632 nil paid Rights Shares to Golden Boost.
3. Represents (i) 10,000 Consolidated Shares (or 20,000 Existing Shares) held by Golden Boost as at the Latest Practicable Date); (ii) the 2,439,050,632 nil paid Rights Shares which will be taken up by Golden Boost; and (iii) no more than 1,774,724,996 excess Rights Shares to be applied (by way of excess application) by Golden Boost. In particular, Golden Boost will apply approximately HK\$439 million of the loan provided by the Investor to take up the 2,439,050,632 nil paid Rights Shares (including 2,439,032,632 nil paid Rights Shares transferred to Golden Boost from Earnest Equity). Golden Boost will also apply the approximately HK\$319 million of the loan provided by the Investor towards the excess application for no more than 1,774,724,996 excess Rights Shares.

Pursuant to the Shareholders Agreement, Digisino and the Investor have agreed, amongst other terms, that during the term of the Shareholders Agreement: (i) the Investor and its affiliates shall not acquire or dispose of any Shares without the prior written consent of Digisino; and (ii) Digisino will make all decisions as to how votes attached to the Shares indirectly held by Newco are to be cast. The Shareholders Agreement further provides a lock-up period of five (5) years from the date of the Shareholders Agreement, during which the Investor may request the disposal of all the Shares directly held by Golden Boost after four (4) years.

### **Business Plans**

As disclosed in the Company's interim results announcement on 28 November 2024, the Board will continue to improve and secure the Company's liquidity and financial standing, so as to cover its maturing liabilities as they fall due and provide working capital for future business plans. In the future, the Board will review various business plans and opportunities that align with the Company's strategic objectives and its current growth trajectory. These plans, which are by no means exhaustive, and are subject to market conditions, include the following:

- de-leverage the balance sheet of the Group to a more conservative level;
- continue with the Group's current sales programme, targeting to achieve at least HK\$9,000 million in sales (based on a gross asset value attributable to the Group) within the next four (4) financial years ending 31 March 2029 to generate sufficient funds for debt repayment and to monetise its property portfolio, with the aim of reducing the disparity between the Company's consolidated NAV and the trading price of the Shares. In the event that the aforementioned sales target is not met, the Group will seek to increase its sales efforts to close the gap;

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## LETTER FROM THE BOARD

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- conduct business as usual but with a heightened strategic focus on exploring ways to reduce the discount of the trading price of the Shares to their attributable NAV, aiming to attract a market revaluation of the trading price of the Shares for the benefit of the Shareholders; and
- not engage in new significant investments or acquisitions without first obtaining approval from an investment committee, which will be established subsequent to the completion of the Strategic Funding & Partnership Proposal. The Company has not contemplated any new significant investments or acquisitions as at the Latest Practicable Date.

### **Continuity of Ownership and Management Control**

By owning, through Digisino, approximately 53.31% of the total issued voting shares in Newco after the completion of the Rights Issue and full conversion of the Loan Funds into voting shares of Newco, Mr. Chung will continue to maintain statutory control over the Company through Newco.

Thus, the implementation of the Proposal will not result in a change of management, leadership or control of the Company. The Board is encouraged by the financial support demonstrated by the Investor and its commitment to work with the Board and management to implement the Group's business and strategic plans going forward.

### **Rationale and Expected Benefits of the Proposal**

The Company reported a consolidated loss for the 2024 financial year and the interim period ended 30 September 2024, being the Company's first reported annual and interim losses since Mr. Chung acquired control of the Company in 2004. Considering the uncertain capital markets environment and significant downturn of the real estate sector in Hong Kong, the Board has been actively seeking longer-term funding to reposition the Group's balance sheet and in particular, to provide a safety margin to the Group's upcoming debt repayment obligations.

The following are the principal factors considered in arriving at the structure and terms of the Strategic Funding & Partnership Proposal:

- (a) the Group's requirement of up to HK\$2,000 million to strengthen its liquidity and financial stability and enable it to repay the Group's maturing indebtedness and for working capital;
- (b) the formation of Newco and its related arrangements to anchor the commitment of the Investor while allowing sufficient capital from the Investor to be injected into the Company such that Mr. Chung's control of the Company will be maintained without any obligation to make a mandatory general offer under the Takeovers Code, and at the same time ensuring the Group's ongoing compliance with the covenants of its existing banking facilities, which include the Controlling Shareholder and his family maintaining a minimum of 30% beneficial interest in the issued share capital of the Company and being the single largest shareholder of the Company, based on its Business Plans to deleverage and target HK\$9,000 million property sales to enhance Shareholders' value;



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## LETTER FROM THE BOARD

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- (c) the Rights Issue will allow Shareholders to participate fairly pro rata to their existing shareholding in the Company and avoid equity dilution by discounted share placements or, issue of equity or quasi-equity instruments to third parties;
- (d) avoiding dilution for existing Shareholders through pricing the Rights Shares at a premium to the Closing Price; and
- (e) to structure the transaction such that funds to be raised through the Rights Issue and the Senior Unsecured Note satisfies (a) to (d) above.

The Board initially explored debt financing to address the capital needs of approximately HK\$2,000 million, including the possibility of borrowing the entire amount from Mr. Chung and/or the Investor. However, the Board concluded that relying solely on debt financing would not be an optimal solution given the Group's objective of optimising its capital structure amid the prolonged high interest rates environment and challenging market conditions. Additionally, securing a loan of such substantial amount for a property development and investment company under the prevailing market conditions would likely have been both difficult and costly. Consequently, the Board determined equity fundraising would be a more effective and sustainable approach.

Nonetheless, a placing of new Shares under the general mandate would not have been sufficient to meet the Group's large funding requirements and could have led to unfavourable market reactions. While a private placement to the Investor was considered as a potential alternative, it was ultimately deemed undesirable, as it would have resulted in significant dilution of the existing Shareholders' holdings. Furthermore, the Group's existing banking facilities contains covenants that restrict changes to Mr. Chung's shareholding control in the Company. As a result, conducting a private placement with the Investor would not have been a viable option under these circumstances.

The Board considers that the Strategic Funding & Partnership Proposal has addressed all the above considerations and presents a fair proposal taking into account of the interests of the Shareholders and the investors of the Company.

### **Expected Benefits**

The investment by Gaw Capital, through its managed funds, together with the Controlling Shareholder's new cash commitment, will bring much needed equity capital and also potentially bring new opportunities in the future.

The Directors consider the Proposal to be a milestone for the Company, positioning it for growth. Having Gaw Capital through its managed funds as the Company's long-term strategic investor and business partner, the Company will be well positioned to gain access to the business and funding opportunities that Gaw Capital brings.

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## LETTER FROM THE BOARD

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The Board is aware of the significant discount of the market price of the Company's Shares to the NAV and anticipates to work with Gaw Capital in reducing this discount given its institutional perspectives and expertise across different international markets. The Directors are confident that the participation of Gaw Capital, through its managed funds, will enhance shareholder value together with the Company's management, which has delivered sustained reported profits (except for the last annual and interim results) since the Controlling Shareholder taking control of the Company in 2004.

The Strategic Funding & Partnership Proposal is consistent with the Company's stated objectives in its interim results announcement dated 28 November 2024, including prudent risk management and optimising the Company's capital structure to ensure adequate liquidity for debt obligations and potential future opportunities.

The Board is committed to further enhance the Company's capital structure. Should favourable market conditions present themselves, the Company plans to potentially leverage both equity and debt capital markets with the aim of strengthening its balance sheet.

### **Intended Use of Proceeds**

The Strategic Funding & Partnership Proposal is expected to generate additional liquidity through raising of approximately HK\$1,992 million (or net proceeds of approximately HK\$1,919.5 million, after the discount on issue of the Senior Unsecured Note, and expenses), to strengthen further the Company's financial position.

As at the date of this Letter from the Board and subject to the assumptions stated below, the Board intends to apply the proceeds from the Proposal before 2027 in the allocation as follows:

- (i) HK\$800 million (including all proceeds of the Senior Unsecured Note) to refinance and/or repay indebtedness falling due in 2025 including the 2021 Guaranteed Notes; and the coupon payable thereunder. The Company is currently exploring various means to finance or fund any remaining shortfall including but not limited to utilising its existing cash reserves, future sale proceeds and/or other potential refinancing options; and
- (ii) approximately HK\$1,119.5 million will be allocated to cash reserves primarily for working capital requirements as a buffer to ensure a prudent level of liquidity. The Company currently expects (i) approximately 25% of this amount to be allocated for administrative expenses for the next two years; and (ii) approximately 75% of this amount to be designated for debt servicing and as a liquidity buffer for other upcoming financial obligations. As a property development and investment company, the Company believes it is imperative to maintain an adequate cash reserve to address the ongoing market volatility and macroeconomic uncertainties. This approach is designed to safeguard operational continuity by covering near-term expenses and meet financial obligations (including interest expenses) as they arise.

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## LETTER FROM THE BOARD

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Given the covenants in the Company's existing banking facilities that restrict changes in Mr. Chung's shareholding control, as well as the Company's objective of maximising fundraising through equity financing, the Company decided to allocate HK\$1,492 million through the Rights Issue and HK\$500 million (before the discount on the issuance of the Senior Unsecured Note and expenses) through the Senior Unsecured Note. This transaction structure allows the Company to raise the required HK\$2 billion as efficiently as possible while ensuring that Mr. Chung's control in the Company is maintained through equity investment. Following the new capital raised through the Strategic Funding & Partnership Proposal, the Group will benefit from enhanced financial flexibility and a strengthened liquidity buffer to support its operations, despite the relatively slow turnover of property assets.

The Company has allocated approximately HK\$800 million from the proceeds for the repayment of indebtedness maturing in 2025, including the 2021 Guaranteed Notes due in July 2025 and the associated coupon payments. To address any remaining shortfall, the Company is actively exploring various financing options, including but not limited to utilising its existing cash reserves, future sale proceeds, and other potential refinancing alternatives. For the bank borrowings that are set to mature, which are secured by the Group's property assets, the Company plans to negotiate with the lender for renewal and/or refinancing of the majority of these loans while settling a portion of the borrowings using its internal resources.

The Group will continue to assess opportunities to monetise its property assets and optimise its capital structure, ensuring that it can generate recurring income from its core businesses to meet future debt repayment obligations. Additionally, the Group aims to maintain a sufficient financial buffer to manage maturing indebtedness prudently and adapt to changing market conditions as necessary.

The aforementioned allocation is dependent on prevailing market conditions and is based on the assumption that there will be no material adverse changes. This presupposes stability in economic conditions, the absence of unforeseen capital expenditures or bad debts, and the successful refinancing of the Group's bank loans upon their maturity.

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## LETTER FROM THE BOARD

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### III. THE RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$1,492 million by issuing 8,288,810,708 Rights Shares at the Subscription Price of HK\$0.18 per Rights Share on the basis of eighteen (18) Rights Shares for every ten (10) Consolidated Shares held on the Record Date.

Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will be underwritten by the Underwriter. The Rights Issue will be made available to Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The principal terms of the Rights Issue are set out below:

#### Rights Issue Statistics

|   |  |
|---|--|
| Basis of the Rights Issue:  | Eighteen (18) Rights Shares for every ten (10) Consolidated Shares held by Qualifying Shareholders at the close of business on the Record Date and so in proportion for any other number of whole multiples of ten (10) Consolidated Shares then held. |
|   | Shareholders will be allotted nil-paid Rights Shares strictly based on whole multiples of ten (10) Consolidated Shares held. Accordingly, Qualifying Shareholders with fewer than ten (10) Consolidated Shares will not be allotted any Rights Share.  |
| Subscription Price:   | HK\$0.18 per Rights Share  |
| Number of Existing Shares in issue as at the Latest Practicable Date:                   | 9,209,789,676 Existing Shares  |
| Number of Consolidated Shares in issue upon the Share Consolidation becoming effective: | 4,604,894,838 Consolidated Shares  |
| Maximum number of Rights Shares to be issued under the Rights Issue:                    | 8,288,810,708 Rights Shares <sup>(Note 1)</sup>  |

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## LETTER FROM THE BOARD

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|---|---|
| Undertaken Shares:  | A total of 6,435,997,850 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Share Consolidation) comprising: <ul style="list-style-type: none"><li>(a) 4,661,272,854 Rights Shares to be provisionally allotted to the relevant subsidiaries of Newco; and</li><li>(b) 1,774,724,996 excess Rights Shares to be applied for by Golden Boost as a Qualifying Shareholder following the completion of the Subscription Agreement on an EAF</li></ul> |
| Number of Rights Shares underwritten:   | 1,852,812,858 Rights Shares (assuming no Shares will be issued or repurchased by the Company on or before the Record Date), being 8,288,810,708 Rights Shares minus the 6,435,997,850 Undertaken Shares   |
| Total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares (assuming the Rights Issue is fully taken up): | 12,893,705,546 Consolidated Shares <sup>(Note 1)</sup>  |
| Amount to be raised before expenses (assuming the Rights Issue is fully taken up):  | Approximately HK\$1,492 million <sup>(Note 1)</sup>   |
| Rights of excess applications:  | Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments   |

*Note:*

1. Assuming no change in the total number of issued Existing Shares or Consolidated Shares (as the case may be) on or before the Record Date.

Under the Rights Issue, the Company proposes to provisionally allot 8,288,810,708 Rights Shares (assuming no change in the total number of issued Existing Shares or Consolidated Shares (as the case may be) on or before the Record Date), representing approximately 180.00% of the total issued Consolidated Shares and approximately 64.29% of the total issued Consolidated Shares as enlarged by the Rights Shares after the Share Consolidation becomes effective. Assuming the Share Consolidation becomes effective and the completion of the Rights Issue, the aggregate nominal value of the Rights Shares will be approximately HK\$132.62 million.

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## LETTER FROM THE BOARD

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Subject to the passing of the necessary resolutions to approve the Share Consolidation, Authorised Share Capital Increase and the transactions contemplated by the Strategic Funding & Partnership Proposal at the SGM expected to be held on Thursday, 6 March 2025, the Company proposes to grant one (1) Bonus Warrant to holders of every ten (10) Consolidated Shares and so in proportion for any integral multiple of ten (10) Consolidated Shares then held. Please refer to the section headed “PROPOSED BONUS WARRANTS ISSUE” in this Letter from the Board for further details of the proposed grant of Bonus Warrants. As at the Latest Practicable Date, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Consolidated Shares.

The Board considers that the Rights Issue is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

### **Subscription Price**

The Subscription Price of HK\$0.1800 per Rights Share will be payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or, where applicable, applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 5.88% over the theoretical closing price of HK\$0.1700 per Consolidated Share based on the Closing Price;
- (ii) a premium of approximately 5.14% over the average theoretical closing price of HK\$0.1712 per Consolidated Share based on the average closing price of HK\$0.0856 per Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 5.26% over the average theoretical closing price of HK\$0.1710 per Consolidated Share based on the average closing price of HK\$0.0855 per Existing Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 2.04% over the theoretical ex-entitlement price of HK\$0.1764 per Consolidated Share derived from (a) the theoretical closing price of HK\$0.1700 per Consolidated Share based on the Closing Price, (b) the gross proceeds of the Rights Issue of approximately HK\$1,492 million and (c) the total number of theoretical Consolidated Shares upon completion of the Rights Issue;
- (v) a premium of approximately 5.88% over the theoretical closing price of HK\$0.1700 per Consolidated Share based on the closing price of HK\$0.0850 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

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## LETTER FROM THE BOARD

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- (vi) a discount of approximately 93.55% to the latest published consolidated NAV of approximately HK\$2.7899 per Consolidated Share based on the consolidated NAV attributable to the Shareholders as at 30 September 2024 of approximately HK\$12,847.27 million as disclosed in the interim report of the Company for the six months ended 30 September 2024 and 4,604,894,838 Consolidated Shares in issue upon the Share Consolidation becoming effective; and
- (vii) no theoretical dilution effect (as defined under LR7.27B of the Listing Rules) of the theoretical diluted price of approximately HK\$0.1769 per Consolidated Share to the benchmarked price of HK\$0.1712 per Consolidated Share (as defined under LR7.27B of the Listing Rules, taking into account the Closing Price and the average of the closing prices as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the date of the Announcement of HK\$0.0856 per Existing Share).

The net price per Rights Share (i.e. the Subscription Price less costs and expenses incurred in the Rights Issue) to be received by the Company upon full acceptance of the provisional allotments of Rights Shares is estimated to be approximately HK\$0.1766 (assuming no change in the total number of issued Existing Shares or Consolidated Shares on or before the Record Date).

The Subscription Price was determined by the Company with reference to, in principal, (i) the intention that the Rights Issue should be non-price dilutive; (ii) the amount of funds the Company intends to raise under the Rights Issue; (iii) the theoretical market price of the Consolidated Shares under the market conditions preceding and including the date of the Announcement; and (iv) the intention of the Board to issue at a premium to the theoretical market price of the Consolidated Shares which Board considers will send a positive signal to the market and demonstrate the Investor's confidence in the Company, and thus be acceptable and welcomed by the Shareholders.

### **Qualifying Shareholders**

The Rights Issue will only be available to Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders should consult their professional advisers if they are in doubt.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Share Registrar by no later than 4:30 p.m. Wednesday, 12 March 2025.

The last day of dealings in the Shares on cum-entitlement basis is expected to be Monday, 10 March 2025. The Shares are expected to be dealt with on an ex-entitlement basis from Tuesday, 11 March 2025.

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## LETTER FROM THE BOARD

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The Company will send the Prospectus Documents to Qualifying Shareholders only. Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Prospectus Documents will be made available and/or despatched (as the case may be) to the Qualifying Shareholders on the Prospectus Posting Date. Copies of the Prospectus Documents will also be made available on the websites of the Company ([www.csigroup.hk](http://www.csigroup.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Prospectus only (excluding the PAL and EAF) will be made available and/or despatched (as the case may be) to the Non-Qualifying Shareholders for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable. The Company will send the PAL(s) to the Qualifying Shareholders individually in printed form. The Company will send the EAF(s) to the Qualifying Shareholders individually by email. If the Company does not possess the email address of a Qualifying Shareholder or the email address provided is not functional, the Company will send the EAF(s) in printed form together with a request form for soliciting the Shareholder's functional email address to facilitate electronic dissemination of Actionable Corporate Communications (as defined under the Listing Rules) in the future. The Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled, and Non-Qualifying Shareholders, should note that their shareholdings in the Company will be diluted.

### **Rights of the Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

In compliance with the requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the Latest Practicable Date, there was only one Overseas Shareholder, with a registered address situated in Canada, which is interested in 2,500 Existing Shares (representing approximately 0.000027% of the total issued share capital of the Company).

In the event additional Overseas Shareholder(s) is/are identified as at the Record Date, pursuant to Rule 13.36(2) of the Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholder(s) (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges.

The basis for excluding Non-Qualifying Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL and EAF) and a letter explaining the circumstances in which Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to Non-Qualifying Shareholders for their information only.

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 LR13.36(2)(a) of the Listing Rules.



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## LETTER FROM THE BOARD

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The Rights Issue will not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

### **Status of the Rights Shares**

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the Consolidated 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.

### **No fractional entitlements to the Rights Shares**

Shareholders will be allotted nil-paid Rights Shares strictly based on whole multiples of ten (10) Consolidated Shares held on the Record Date. The Company will not provisionally allot or issue, and will not accept applications for, any fraction of the Rights Shares and the provisional allotments of Qualifying Shareholders will be rounded down to the nearest whole number. All fractions of Rights Shares will be aggregated. All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) to a nominee and sold in the market for the benefit of the Company if a premium (net of expenses) can be obtained, and the Company will retain the proceeds from such sale. Any unsold Rights Shares arising from such aggregation will be made available for excess application by Qualifying Shareholders under the EAFs.

### **Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply, by way of excess application under the EAF(s), for additional Rights Share(s) in excess of their provisional allotments. Applications for excess Rights Shares may be made for:

- (i) any Rights Shares which would have been provisionally allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders;
  - (ii) any Rights Shares provisionally allotted to but not validly accepted by Qualifying Shareholders or otherwise subscribed for by renouncees or transferees of Rights Shares in nil-paid form; and
  - (iii) any unsold Rights Shares created by aggregating fractions of Rights Shares in nil-paid form,
- (i) to (iii) are collectively referred to as “excess Rights Shares”.

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## LETTER FROM THE BOARD

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Pursuant to LR7.21(3)(a) of the Listing Rules, the Company will allocate the excess Rights Shares (if any) at their discretion but on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for;
- (ii) reference will only be made to the number of excess Rights Shares applied for and no reference will be made to the number of Rights Shares comprised in a Shareholder's PAL or the number of Consolidated Shares held by a Qualifying Shareholder on the Record Date; and
- (iii) if the aggregate number of Rights Shares not taken up by Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for excess Rights Shares all excess Rights Shares applied for by Qualifying Shareholder.

In applying the above principles, reference will only be made to the number of excess Rights Shares being applied for. No preference will be given to topping up odd lots to whole board lots.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotments must complete the EAF in addition to the PAL.

Applications for excess Rights Shares can be made only by Qualifying Shareholders and only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Monday, 7 April 2025 or such later date as the Company may determine.

Pursuant to LR7.21(3)(b) of the Listing Rules, the Company will take steps to identify the excess applications made by Mr. Chung and/or his associates (collectively the "**Relevant Shareholders**"), whether in their own names or through nominees. The Company shall disregard excess applications made by the Relevant Shareholders to the extent that the total number of excess Rights Shares the Relevant Shareholders have applied for exceeds the maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their provisional allotment of Rights Shares.

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## LETTER FROM THE BOARD

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Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders should consult their professional advisors if they are in any doubt as to their status. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 12 March 2025.

### **Taxation**

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

### **CCASS**

The nil-paid Rights Shares and fully-paid Rights Shares will have the same board lot size as the Consolidated Shares.

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 may be 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 arrangement and how such arrangements will affect their rights and interests.

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## LETTER FROM THE BOARD

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### **Procedures in respect of Rights Shares of Non-Qualifying Shareholders**

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to 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 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 made available for excess applications by Qualifying Shareholders under the EAFs.

### **Stamp duty and other applicable fees**

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 Shares**

Subject to the fulfilment or waiver (as applicable) of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses, at their own risks, on or before Tuesday, 15 April 2025. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be despatched on or before Tuesday, 15 April 2025 to the applicants without interest at their registered addresses by ordinary post at their own risks.

If the Rights Issue does not become unconditional or does not proceed, the monies received in respect of the relevant provisional allotments and/or applications for excess Rights Shares (if any) will be refunded to Qualifying Shareholders or such other person to whom the Rights Shares in nil-paid form have been validly renounced or transferred or, in the case of joint acceptances, to the first-named person, without interest and by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other person to their registered addresses by the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, on or before Tuesday, 15 April 2025.

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## LETTER FROM THE BOARD

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### **Irrevocable Undertaking**

#### *Irrevocable Undertaking by Newco*

As at the Latest Practicable Date, Newco, through Earnest Equity and Golden Boost, beneficially owned 5,179,192,062 Existing Shares, representing approximately 56.24% of the currently issued Share capital of the Company.

Immediately after the completion of the Share Consolidation, Newco, through entities controlled by it, will beneficially own 2,589,596,031 issued Consolidated Shares, representing approximately 56.24% of the total number of issued Consolidated Shares then in issue.

Pursuant to the Irrevocable Undertaking, Newco undertook in favour of the Company, among other things, that:

- (a) Newco shall procure that, before the Record Date, Newco shall acquire a total of 5,179,192,062 Existing Shares or, upon the Share Consolidation becoming effective, a total of 2,589,596,031 Consolidated Shares through its wholly-owned subsidiaries (whether directly or through CCASS), out of which 5,179,172,062 Existing Shares shall be acquired by Earnest Equity and 20,000 Existing Shares shall be acquired by Golden Boost;
- (b) Newco shall remain as the beneficial owner of all the 2,589,596,031 Consolidated Shares as at the close of business on the Record Date;
- (c) Newco will remain as the legal and beneficial owner of the entire issued share capital of each of its wholly-owned subsidiaries holding the 5,179,192,062 Existing Shares or, upon the Share Consolidation becoming effective, 2,589,596,031 Consolidated Shares, and will procure such Existing Shares or (as the case may be) the Consolidated Shares held by them to remain registered in the name of, or held by, such subsidiary until the commencement of dealings in the Rights Shares in fully-paid form;
- (d) Newco shall or shall procure Newco's subsidiaries or nominees (including the CCASS participant(s) holding any such Shares on behalf of any of them) to accept and take up in full a total of 4,661,272,854 nil-paid Rights Shares to be provisionally allotted or transferred to it/them at or before the Latest Time for Acceptance (out of which 2,222,222,222 nil paid Rights Shares will be taken up by Earnest Equity, and 2,439,050,632 nil paid Rights Shares will be taken up by Golden Boost);

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## LETTER FROM THE BOARD

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- (e) Newco shall or shall procure that Newco's subsidiaries or nominees (including the CCASS participant(s) holding any such Shares on behalf of any of them) to apply (by way of excess application) for 1,774,724,996 Rights Shares;
- (f) Newco will arrange for sufficient funds in Hong Kong dollars for payment of the subscription monies upon the lodging of the PAL(s) and the EAF(s) by Newco or any of its subsidiaries and procure full payment of the same by such subsidiary(ies); and
- (g) to the extent permitted by the Listing Rules, Newco shall and shall procure its subsidiaries as shareholders of the Company to vote all their Shares in favour of all resolutions to be proposed at the SGM.

The agreement of the parties in the Irrevocable Undertaking is conditional on any waivers, consents, authorisations, clearances and approvals which are required under the Listing Rules and the Takeovers Code for the Irrevocable Undertaking and the transactions contemplated therein having been granted, fulfilled or given (as applicable), and all such waivers, consents, authorisations, clearances and approvals not having been revoked or withdrawn.

### *Irrevocable Undertaking by Mr. Kan Sze Man*

At the Latest Practicable Date, Mr. Kan Sze Man, a Director, beneficially owned 23,790,500 Existing Shares, representing approximately 0.26% of the currently issued Share capital of the Company. Immediately after the completion of the Share Consolidation, Mr. Kan Sze Man will beneficially own 11,895,250 issued Consolidated Shares, representing approximately 0.26% of the total number of issued Consolidated Shares then in issue.

On 23 January 2025 (before trading hours of the Stock Exchange), Mr. Kan Sze Man made an irrevocable undertaking, pursuant to which, Mr. Kan Sze Man undertook in favour of the Company, among other things that:

- (a) in respect of the 23,790,500 Existing Shares owned by him, he shall remain as the sole beneficial owner of all of such Existing Shares (or upon the Share Consolidation becoming effective, such 11,895,250 Consolidated Shares) from the date of the irrevocable undertaking until the close of business on the Record Date;
- (b) he shall not take up any of the 21,411,450 Rights Shares to be provisionally allotted to him or for his benefit under PALs pursuant to the Rights Issue;
- (c) he shall not apply for any excess Rights Shares under the EAFs; and
- (d) to the extent permitted by the Listing Rules, he shall vote all his 23,790,500 Existing Shares in favour of all resolutions to be proposed at the SGM that are required to give effect to the Strategic Funding & Partnership Proposal and other transactions contemplated by the Announcement.

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## LETTER FROM THE BOARD

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Save for the above, the Company has not received any information or irrevocable undertakings from any other Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

### **Other Undertakings**

#### *Nomination of one Director*

On 23 January 2025 (before trading hours of the Stock Exchange), Digisino, Newco and the Company entered into a letter of undertaking in favour of the Investor, pursuant to which, among other things:

- (a) Digisino and Newco irrevocably agreed and undertook in favour of the Investor, with effect from the Strategic Funding & Partnership Proposal Completion Date and for so long as the Investor remains a shareholder of Newco, to use their respective best endeavours, by exercising or procuring the exercise of all of their and Mr. Chung's votes at the board of directors (subject to his fiduciary duties) and the general meetings at their subsidiaries' level and at the Company level, to (i) procure the appointment of one individual to be nominated by the Investor in writing from time to time (the "**Investor Nominee**") as a non-executive Director; and (ii) ensure that the Investor Nominee will not be removed save and except where the Investor has requested for such removal in writing, and to give effect to the Investor's written request to replace the Investor Nominee from time to time, and, in each case subject to the requirements of the Listing Rules and the memorandum of association and bye-laws of the Company; and
- (b) the Company undertook in favour of the Investor to sign all such documents and do all such things necessary for the appointment of the Investor Nominee on the Strategic Funding & Partnership Proposal Completion Date and any of his/her replacement as notified by the Investor thereafter as a non-executive Director, subject to the requirements of the Listing Rules and the memorandum of association and bye-laws of the Company.

If the Rights Issue is terminated this undertaking shall lapse.

### **Fully Underwritten Basis**

The Rights Issue, other than all the Rights Shares undertaken to be taken up or subscribed for by Newco's subsidiaries, is fully underwritten by the Underwriter.

The obligations of the Underwriter to underwrite the Underwritten Shares are conditional on (i) the satisfaction (or, as applicable, waiver) of the conditions of the Rights Issue Underwriting Agreement referred to in the section headed "THE RIGHTS ISSUE UNDERWRITING AGREEMENT" in this Letter from the Board below, and (ii) the Rights Issue Underwriting Agreement not being terminated. If the conditions of the Rights Issue Underwriting Agreement are not fulfilled (or waived where permitted) or the Rights Issue Underwriting Agreement is terminated, the Rights Issue will not proceed.

## LETTER FROM THE BOARD

### Conditions to the Rights Issue

The Rights Issue will be conditional on (i) the approval of the Rights Issue, Share Consolidation, Authorised Share Capital Increase and Facilitation Agreement and transactions contemplated by them by those Shareholders (other than those who are required to abstain by the Listing Rules) at the SGM; (ii) the granting of the Waiver and (iii) all of the Rights Issue Underwriting Agreement, the Note Subscription Agreement and the Facilitation Agreement having become unconditional, and not having been terminated. None of the above conditions can be waived.

As announced by the Company on 5 February 2025, the Waiver has been granted by the SFC on 5 February 2025. As at the Latest Practicable Date, no other conditions had been fulfilled.

### Effect of the Rights Issue on the Shareholding Structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance by Qualifying Shareholders other than Mr. Kan Sze Man; and (iii) immediately after completion of the Rights Issue (assuming that, save for Newco subsidiaries, none of the Qualifying Shareholders has taken up any Rights Shares in their provisional allotments, and the Underwriter fully takes up all Underwritten Shares) in each case assuming no change in the total number of issued shares on or before the Record Date. The scenarios assume:

- (i) the passing at the SGM of the necessary resolutions to approve the Share Consolidation; and
- (ii) no Bonus Warrant is exercised.

| Shareholders (Note 1)               | As at the<br>Latest Practicable Date                         |        | All Rights Shares are<br>subscribed by Qualifying<br>Shareholders other than<br>Mr. Kan Sze Man<br>(Note 2) (Note 3) |        | No Rights Shares are<br>subscribed by Shareholders<br>other than Earnest Equity and<br>Golden Boost and all Rights<br>Shares are all taken up by<br>Earnest Equity, Golden Boost<br>and the Underwriter |          |
|-------------------------------------|--|--------|--|--------|---|----------|
|                                     | No. of<br>Consolidated<br>Shares (on a<br>theoretical basis) | %      | No. of<br>Consolidated<br>Shares   | %      | No. of<br>Consolidated<br>Shares  | %        |
| Mr. Chung, Newco & subsidiaries     | 2,589,596,031  | 56.24% | 7,272,280,336  | 56.40% | 9,025,593,881   | 70.00%   |
| Mr. Kan Sze Man                     | 11,895,250   | 0.26%  | 11,895,250   | 0.10%  | 11,895,250  | 0.10%    |
| Public                              |  |        |  |        |   |          |
| – Public Shareholders               | 2,003,403,557  | 43.50% | 5,609,529,960  | 43.50% | 2,003,403,557   | 15.54%   |
| – Underwriter                       | –  | –      | –  | –      | 1,852,812,858   | 14.36%   |
|                                     |  |        |  |        | (Note 4)  | (Note 4) |
| Total number of Consolidated Shares | 4,604,894,838  | 100%   | 12,893,705,546   | 100%   | 12,893,705,546  | 100%     |



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## LETTER FROM THE BOARD

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*Notes:*

1. As at the Latest Practicable Date, the Company does not hold any legal or beneficial interest in treasury Shares.
2. Pursuant to the irrevocable undertaking made by Mr. Kan Sze Man, Mr. Kan Sze Man undertook not to take up any of 21,411,450 Rights Shares to be provisionally allotted to him or for his benefit under PALs pursuant to the Rights Issue and not to apply for any excess Rights Shares under the EAFs. For details of the irrevocable undertaking made by Mr. Kan Sze Man, please refer to the section headed “Irrevocable Undertaking” in this Letter from the Board. The 21,411,450 Rights Shares not to be accepted by Mr. Kan Sze Man have been assumed to be taken up by Newco and its subsidiaries.
3. As disclosed in the section headed “No fractional entitlements to the Rights Shares” in this Letter from the Board, Shareholders will be allotted nil-paid Rights Shares strictly based on whole multiples of ten (10) Consolidated Shares held on the Record Date. The Company will not provisionally allot or issue, and will not accept applications for, any fraction of the Rights Shares and the provisional allotments of Qualifying Shareholders will be rounded down to the nearest whole number. All fractions of Rights Shares will be aggregated and made available for excess application i.e., a fractions pool. Given the complexity to estimate the number Rights Shares which will be aggregated into the fractions pool through estimating the number of fractional Shares held by each respective Shareholder on the Record Date, this scenario illustrates the effect of the Rights Issue on the shareholding structure of the Company that all Shareholders will be allotted Rights Shares arising from fractional entitlements on a pro-rata basis (i.e., number of Consolidated Shares (on a theoretical basis) multiplied by 1.8).
4. Represents total percentage of shareholding which will be held by the Underwriter and potential subscribers procured by it. The Rights Issue Underwriting Agreement has set out the undertakings of the Underwriter for, among other things, ensuring that it and the subscribers procured by it (including any direct and indirect sub-underwriters) would not, by itself or together with its associates, be a substantial shareholder or hold 10% or more of the voting rights of the Company as at the date of the Rights Issue Underwriting Agreement or immediately upon completion of the Rights Issue.

Shareholders and public investors should note that the above information is for illustration only and the actual shareholding structure of the Company upon completion of the Rights Issue is subject to various variables.

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## LETTER FROM THE BOARD

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### IV. THE RIGHTS ISSUE UNDERWRITING AGREEMENT

The Rights Shares (other than the Undertaken Shares, i.e., those agreed to be taken up, and applied for, pursuant to the Irrevocable Undertaking) will be fully underwritten by the Underwriter in accordance with the terms of the Rights Issue Underwriting Agreement. The principal terms and conditions of the Rights Issue Underwriting Agreement are summarised below:

|  |   |
|--|---|
| Date:  | 23 January 2025 (before trading hours of the Stock Exchange)  |
| Issuer:  | The Company   |
| Underwriter:   | <p>The Underwriter, a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO, the ordinary course of business of which includes underwriting of securities.</p> <p>To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. The Underwriter has confirmed that it has complied with LR7.19(1)(a) of the Listing Rules.</p>  |
| Number of Rights Shares to be underwritten by the Underwriter: | Up to 1,852,812,858 Rights Shares (assuming no Shares will be issued or repurchased by the Company on or before the Record Date), being the number of Rights Shares of 8,288,810,708 less the Undertaken Shares of 6,435,997,850  |
| Underwriting Commission:                                       | 2% of the amount equal to the Subscription Price multiplied by the number of Underwritten Shares  |
| Undertaking in respect of public float:                        | To comply with the public float requirements in the Listing Rules, the Rights Issue Underwriting Agreement expressly set out the undertakings of the Underwriter for, among other things, ensuring that it and the subscribers procured by it (including any direct and indirect sub-underwriters) would not, by itself or together with its associates, be substantial shareholder or hold 10% or more of the voting rights of the Company as at the date of the Rights Issue Underwriting Agreement or immediately upon completion of the Rights Issue. |

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## LETTER FROM THE BOARD

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Subject to the fulfilment or waiver (where permitted) of the conditions precedent contained in the Rights Issue Underwriting Agreement and provided that the Rights Issue Underwriting Agreement is not terminated before the Latest Time for Termination in accordance with the terms thereof or otherwise, the Underwriter has agreed to subscribe or procure subscribers for the underwritten Rights Shares. The Company has confirmed with the Underwriter that no sub-underwriting will be undertaken in respect of the Rights Issue.

To give effect to the undertaking in respect of public float as mentioned above, the Underwriter would obtain from each subscriber its confirmation to the effect that each subscriber and its ultimate beneficial owners (i) are not, and will not be, a connected person of the Company; and (ii) are and will be independent of the Company or any of its subsidiaries or any existing shareholder of the Company or any of its subsidiaries or any of their respective close associates or any connected person of the Company. The public float requirement under Rule 8.08 of the Listing Rules shall be fulfilled by the Company at all times.

The terms of the Rights Issue Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the parties with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and within the range of commission rates charged by underwriters in recent rights issue transactions by companies listed on the Stock Exchange. The Directors are of the view that the terms of the Rights Issue Underwriting Agreement (including the commission rate) are fair and reasonable, and the transactions contemplated under the Rights Issue Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Rights Issue Underwriting Agreement**

The Rights Issue Underwriting Agreement is conditional upon the fulfilment (or waiver, where permitted, by the Underwriter) of the following conditions:

- (a) (i) the passing by the Shareholders at the SGM of ordinary resolution(s) to approve the Share Consolidation and Authorised Share Capital Increase; and (ii) the passing by Independent Shareholders at the SGM of ordinary resolution(s) to approve the Rights Issue and the transactions contemplated thereunder in accordance with the Listing Rules, by no later than the date of despatch of the Prospectus Documents;
- (b) the Stock Exchange issuing a certificate of authorisation for registration of the Prospectus, and the Companies Registry in Hong Kong issuing written confirmation of the registration of the Prospectus, not later than the date of despatch of the Prospectus Documents in compliance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the applicable legal requirements;
- (c) the posting of the Prospectus Documents to Qualifying Shareholders on or before the date of despatch of the Prospectus Documents;

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## LETTER FROM THE BOARD

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- (d) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares to be in issue on the Share Consolidation becoming effective, and the Rights Shares, in both their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Underwriter accept, by no later than the date of despatch of the Prospectus Documents, and such listing and permission to deal not having been withdrawn or revoked and such conditions (if any and where relevant) having been satisfied or not breached;
- (e) the Rights Issue Underwriting Agreement not having been terminated in accordance with its terms;
- (f) the Company having complied with and performed all its undertakings and obligations under the Rights Issue Underwriting Agreement, and the warranties, representations and undertakings of the Company in the Rights Issue Underwriting Agreement remaining true and correct, and not misleading, in each case in material respects;
- (g) any waivers, consents, authorisations, clearances and approvals which are required under the Listing Rules and the Takeovers Code for the Rights Issue Underwriting Agreement and the transactions contemplated therein having been granted, fulfilled or given (as applicable), and all such waivers, consents, authorisations, clearances and approvals not having been revoked or withdrawn at any time up to the Latest Time for Termination;
- (h) the delivery of a certified copy of the Irrevocable Undertaking to the Underwriter, the compliance with, and performance of all obligations specified in the Irrevocable Undertaking, and the Irrevocable Undertaking remaining in full force and effect; and
- (i) each condition to enable the Rights Shares (in their nil-paid or fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused.

Apart from the condition precedent set out in sub-paragraph (f) above which can be waived in whole or in part by the Underwriter unilaterally (but not by the Company) by notice in writing to the Company prior to the Latest Time for Termination, all the conditions precedent are incapable of being waived. If any of the conditions precedent (save and except those that have been waived) are not satisfied by the Latest Time for Termination (or where appropriate, the times stipulated above or such other time and/or date as the Underwriter may agree with the Company in writing), the Rights Issue Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

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## LETTER FROM THE BOARD

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### Termination of the Rights Issue Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Rights Issue Underwriting Agreement, if at or prior to the Latest Time for Termination:

- (a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreak of diseases and such related/ mutated forms, economic sanctions, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong or the PRC;
- (b) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Rights Issue Underwriting Agreement;
- (c) any local, national or international event or change of a social, political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (d) the occurrence of any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) in Hong Kong and the PRC;
- (e) any material adverse change, determined by the Underwriter in its sole and absolute opinion, after the signing of the Rights Issue Underwriting Agreement in (i) any aspects of the Rights Issue (including but not limited to its structure, timing or any prior understanding between the parties insofar as the underwriting arrangement therein is concerned) or (ii) the business or in the financial or trading position of any member of the Group;
- (f) the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (g) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in Hong Kong or adversely affecting an investment in the Rights Shares;

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## LETTER FROM THE BOARD

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- (h) there has come to the notice of the Underwriter any statement contained in the Prospectus Documents, the Announcement and/or this circular, and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Rights Issue Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Rights Issue (including any supplement or amendment thereto but excluding information relating to the Underwriter) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
- (i) any non-compliance of the Announcement, this circular and/or the Prospectus Documents, (or any other documents used in connection with the contemplated subscription and sale of the Rights Shares) or any aspect of the Rights Issue with the Listing Rules or any other applicable laws (including, without limitation, the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) and regulations;
- (j) any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group;
- (k) any matter which, had it arisen or been discovered immediately before the date of despatch of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the sole and absolute opinion of the Underwriter, a material omission in the context of the Rights Issue;
- (l) any contravention by the Company or any member of the Group of any applicable laws and regulations including the Listing Rules and the Takeovers Code; or
- (m) any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or any resolution for the winding-up of any material member of the Group or the appointment of a provisional liquidator, receiver or manager over all or substantially all of the material assets or undertaking of any material member of the Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Underwriter:–

- (i) has or will or may have a material adverse effect on the business or financial position of the Group taken as a whole;
- (ii) has or will or may have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken-up; or
- (iii) has or will or is likely to have the effect of making any part of the Rights Issue Underwriting Agreement (including underwriting) inadvisable, incapable or impractical of performance in accordance with its terms or preventing or pursuant to the underwriting of the Rights Issue.

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## LETTER FROM THE BOARD

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In the event the Underwriter exercises its right to terminate the Rights Issue Underwriting Agreement before the Latest Time for Termination, the obligations of all parties thereunder shall terminate forthwith (save in respect of certain rights and obligations under the Rights Issue Underwriting Agreement), provided that such termination shall be without prejudice to any rights or obligations which may have accrued under the Rights Issue Underwriting Agreement prior to such termination.

If the Underwriter exercises such right, the Rights Issue will not become unconditional and the Rights Issue will not proceed. An announcement will be made if the Rights Issue Underwriting Agreement is terminated by the Underwriter.

### **V. ISSUE OF THE SENIOR UNSECURED NOTE**

In connection with the Strategic Funding & Partnership Proposal, on 23 January 2025 (before trading hours of the Stock Exchange), the Note Issuer, the Company and the Note Subscriber, a company owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.), entered into the Note Subscription Agreement, pursuant to which the Note Issuer has conditionally agreed to issue, and the Note Subscriber has conditionally agreed to subscribe for, the Senior Unsecured Note in the principal amount of HK\$500 million. Details of the Note Subscription Agreement are set out below.

#### **The Note Subscription Agreement**

##### **Date**

23 January 2025 (before trading hours of the Stock Exchange)

##### **Parties to the Note Subscription Agreement**

- (a) The Note Issuer, as issuer;
- (b) The Company, as guarantor; and
- (c) The Note Subscriber, as subscriber

##### **Subscription Price and Basis of Determination**

The Note Subscriber has conditionally agreed to subscribe for the Senior Unsecured Note in the principal amount of HK\$500 million at a subscription price of 93% of its face amount with an interest of 8.22% per annum, payable semi-annually in arrears and on the Note Maturity Date or, if earlier, upon redemption of the Senior Unsecured Note. The subscription price shall be payable by the Note Subscriber (or its affiliate, if applicable) to the Note Issuer on the Note Issue Date.

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## LETTER FROM THE BOARD

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Such subscription price was determined after arm's length negotiations between the Company and the Note Subscriber having taken into account (i) the rate of return required by the Note Subscriber in light of the current high-interest rate economic environment, as explained in more detail in the section headed "Rationale and Expected Benefits of the Proposal" in this Letter from the Board, and (ii) the difficulties and uncertainties faced by the Group in securing substantial amounts of long-term funding in the current adverse market conditions.

### Conditions Precedent

Completion of the Note Subscription Agreement is conditional upon:

- (a) the receipt by the Note Subscriber in form and substance satisfactory to it, all the required documents and evidence listed in the Note Subscription Agreement and all necessary information enabling the Note Subscriber to make payment for the purposes of closing, on or prior to the date falling 10 business days prior to the Note Issue Date (or such shorter period as may be agreed between the Note Issuer and the Note Subscriber);
- (b) on or prior to the Note Issue Date, the receipt by the Note Subscriber in form and substance satisfactory to it evidence of (i) the commencement of the dealings of fully-paid Rights Shares; and (ii) any waivers, consents, authorisations, clearances and approvals which are required under the Listing Rules and the Takeovers Code for the Note Subscription Agreement and the transactions contemplated thereunder have been granted, fulfilled or given (as applicable), and all such waivers, consents, authorisations, clearances and approvals have not been revoked or withdrawn;
- (c) on the Note Issue Date, no default under the Note Subscription Agreement is continuing or would result from the issue of the Senior Unsecured Note; and
- (d) on the Note Issue Date, the representations made by the Note Issuer and the Company under the Note Subscription Agreement are true in all material respects.

The conditions above may be amended or waived only with the consent from both the holder of the Senior Unsecured Note and the Note Issuer. The Company will comply with all relevant requirements of the Listing Rules in respect of the Note Subscription Agreement and/or Senior Unsecured Note from time to time, if applicable. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

### Completion

The completion of the Note Subscription Agreement shall take place on the Note Issue Date (being a date selected by the Note Issuer) by delivery of a duly completed subscription request to the Note Subscriber not later than 5:00 p.m. (Hong Kong time) on the date falling ten (10) business days before the proposed Note Issue Date (or such shorter period as may be agreed between the Note Issuer and the Note Subscriber) pursuant to the terms of the Note Subscription Agreement and at completion, the Note Issuer will deliver to the Note Subscriber the Senior Unsecured Note in the form of a note certificate dated the Note Issue Date against payment by the Note Subscriber to the Note Issuer of the net proceeds of the issue of the Senior Unsecured Note.



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## LETTER FROM THE BOARD

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### Principal Terms of the Senior Unsecured Note

|                    |   |
|--------------------|---|
| Note Issuer        | Affinity Ocean Limited, a wholly-owned subsidiary of the Company                |
| Guarantor          | the Company   |
| Principal amount   | HK\$500,000,000   |
| Subscription price | 93% of the principal amount of the Senior Unsecured Note, being HK\$465,000,000 |
| Interest rate      | 8.22% per annum   |

The Note Issuer shall pay accrued interest on the last day of each interest period. Each interest period shall have a duration of six months or such other period agreed between the Note Issuer and the holder of the Senior Unsecured Note.

|      |   |
|------|---|
| Fees | An extension fee of 3% of the principal amount (if any) of the Senior Unsecured Note outstanding on the first, second, and third anniversaries of the Note Issue Date is payable. |
|------|---|

|          |   |
|----------|---|
| Maturity | The fourth anniversary of the Note Issue Date |
|----------|---|

|   |   |
|---|---|
| Redemption at the option of the Note Issuer | The Note Issuer shall be entitled to redeem in whole or in part of the outstanding principal amount of the Senior Unsecured Note at any time on or after the day immediately prior to the second anniversary of the Note Issue Date at the following redemption price, together with interest accrued to such date: |
|---|---|

- (i) on the day immediately prior to the second anniversary of the Note Issue Date: 95.4% of the principal amount of the Senior Unsecured Note;
- (ii) on or after the second anniversary of the Note Issue Date but before the third anniversary of the Note Issue Date: 97.8% of the principal amount of the Senior Unsecured Note; and
- (iii) on or after the third anniversary of the Note Issue Date but before the Note Maturity Date: 100.5% of the principal amount of the Senior Unsecured Note.

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## LETTER FROM THE BOARD

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Early redemption on Change of Control at the option of the Note Issuer

At any time following the occurrence of a Change of Control Event (as defined in the terms and conditions of the Senior Unsecured Note), the holder of the Senior Unsecured Note will have the right, at such holder's option, to require the Note Issuer to redeem the Senior Unsecured Note on the Change of Control Event Put Date (as defined below) at the following prices:

- (1) in the case of a Change of Control Event Put Date falling on a date prior to the third anniversary of the Note Issue Date, 100% of its principal amount together with interest accrued to such date; or
- (2) in the case of a Change of Control Event Put Date falling on a date on or after the third anniversary of the Note Issue Date, 100.5% of its principal amount together with interest accrued to such date.

Under the terms and conditions of the Senior Unsecured Note, **"Change of Control Event"** occurs:

- (a) if Mr. Chung does not or ceases to hold, directly or indirectly, at least 30% of the voting rights of the issued share capital of the Company, or he ceases to be the largest single shareholder of the Company;
- (b) the Company does not or ceases to directly own 100% of the issued shares of and voting rights in the Note Issuer; or
- (c) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any person other than Mr. Chung, unless the consolidation, merger, sale or transfer will result in Mr. Chung:
  - holding, directly or indirectly, at least 30% of the voting rights of the issued share capital of the Company (in the case of a consolidation or merger) or the successor entity (in the case of a sale or transfer); or
  - being the largest single shareholder of the Company (in the case of a consolidation or merger) or the successor entity (in the case of a sale or transfer).

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## LETTER FROM THE BOARD

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If a Change of Control Event occurs, the Note Issuer shall promptly notify the holder of the occurrence of such event in writing. The holder must, during the period of 14 days after the date of such notice from the Note Issuer, deposit with the Company the certificate relating to the Senior Unsecured Note and a duly completed put option notice. The **Change of Control Event Put Date** shall be the day after the last day of the 14-day period.

Redemption at maturity

The Note Issuer shall on the Note Maturity Date redeem the Senior Unsecured Note at a price equal to 100.5% of its principal amount.

Status of the Senior Unsecured Note

The Senior Unsecured Note will constitute an unsubordinated and unsecured obligation of the Note Issuer which ranks at least *pari passu* with all other existing and future unsecured and unsubordinated obligations of the Note Issuer, save for such obligations that may be preferred by provisions of law that are mandatory.

Transferability

The prior written consent of the Note Issuer is required for any assignment or transfer by the holder unless the transfer is (i) to an affiliate of the holder; (ii) to a fund which is a related fund of the holder or (iii) made at a time when an event of default is continuing.

Voting

The Note Subscriber will not by reason only of being the holder of the Senior Unsecured Note be entitled to attend or vote at any general meeting of the Company or the Note Issuer.

Acceleration

On and at any time after the occurrence of an event of default which is continuing, the holder of the Senior Unsecured Note may, by notice to the Note Issuer:

- (i) declare the Senior Unsecured Note together with accrued interest, and all other amounts accrued or outstanding under the Note Subscription Agreement, the Senior Unsecured Note or other finance documents (collectively, the “**Finance Documents**”) be immediately due and payable, whereupon they shall become immediately due and payable; and/or

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## LETTER FROM THE BOARD

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- (ii) declare that the Senior Unsecured Note be payable on demand, whereupon it shall immediately become payable on demand by the holder of the Senior Unsecured Note.

### Events of Default

The material events of default of the Senior Unsecured Note are summarised below:

- (a) the Note Issuer or the Company (each an “**Obligor**”) fails to pay any amount due and payable pursuant to a Finance Document under the provisions specified therein;
- (b) the requirement of the financial covenant given by the Note Issuer that, at any time, the aggregate value of the total assets of the Company (on a consolidated basis) less the aggregate value of the total liabilities of the Company (on a consolidated basis), as determined by reference to the most recent financial statements of the Company delivered to the holder of the Senior Unsecured Note, is not less than HK\$7,000 million, is not satisfied;
- (c) if any Obligor fails to comply with any other provisions of the Finance Documents;
- (d) a representation or statement made or deemed to be made by any Obligor in the Finance Documents or other related documents delivered thereunder by an Obligor is or proves to have been incorrect or misleading in any material respect;
- (e) if an event of cross default occurs (including where the financial indebtedness of any member of the Group not paid when due, or a creditor of any member of the Group becomes entitled to declare financial indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described) which is reasonably likely to have a material adverse effect, save where the financial indebtedness in aggregate is less than HK\$50 million);
- (f) if any Obligor or any material subsidiary of the Company is involved in any insolvency event or insolvency proceedings or creditors’ process;

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## LETTER FROM THE BOARD

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- (g) if any Obligor or material subsidiary of the Company fails to comply with or pay by the required time any sum due from it under any final judgment or any final order made or given by a court (unless it is discharged within 30 days); and
- (h) if any Obligor repudiates or purports to repudiate a Finance Document.

### Listing

No application shall be made for the listing of the Senior Unsecured Note on the Stock Exchange or in any other jurisdiction or quoted in any over-the-counter exchange.

Any term of the Note Subscription Agreement may be amended or waived only with the consent from both the holder of the Senior Unsecured Note and the Note Issuer. The Company will comply with all relevant requirements of the Listing Rules in respect of the Note Subscription Agreement and/or Senior Unsecured Note from time to time.

In determining the fairness and reasonableness of the Senior Unsecured Note, the Board considers a comparison with the 2021 Guaranteed Notes is appropriate since it is the only outstanding listed unsecured debt of the Company and it best reflects the market's required return for the perceived risk associated with a senior-ranked unsecured debt issued by the Company. The Board considered the overall effective cost of debt in assessing the fairness and reasonableness of the terms of the Senior Unsecured Note, including: (i) an annual interest rate of 8.22%, (ii) a subscription price of 93%, (iii) an annual extension fee of 3% (assuming full extension), and (iv) a redemption price of 100.5% at maturity. Based on these terms, the effective cost of debt is approximately 13.35%. This figure falls within the trading yield range of the 2021 Guaranteed Notes, which ranged from 13.18% to 47.23% over the twelve months preceding the Latest Practicable Date. This range reflects the market's required cost of debt, taking into account recent assessments of the Company's credit profile, the overall economic conditions, and the maturity date of the 2021 Guarantee Notes. Given the longer maturity of the Senior Unsecured Note, the Board considers the effective cost of debt of approximately 13.35%, which is positioned near the lower end of the range, to be favourable and indicative of the Company's current credit standing and prevailing market conditions.

Further, given that the Senior Unsecured Note will be issued to an investor who, unlike the providers of its current banking facilities, does not have an established banking relationship with the Company and is hence less likely to be willing to accept lower return, the Board considers that a comparison against the Company's outstanding bank loans is not appropriate when evaluating the fairness and reasonableness of the terms of the Senior Unsecured Note.

In addition to above, the Board has also taken into account the prevailing uncertainties within capital markets, the significant downturn in Hong Kong's real estate sector, and the challenges associated with securing additional credit from its current credit facility providers. Accordingly, the Board considers the terms of the Senior Unsecured Note to be fair and reasonable so far as the Shareholders are concerned.

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## LETTER FROM THE BOARD

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### VI. THE FACILITATION AGREEMENT

#### Date

23 January 2025 (before trading hours of the Stock Exchange)

#### Parties

- (i) The Company;
- (ii) The Investor

#### Background, Consideration and Basis of Determination

Pursuant to the Facilitation Agreement, the Company agreed, amongst other things, to pay or procure to pay the Investor an amount of HK\$22 million on the Strategic Funding & Partnership Proposal Completion Date.

The amount to be paid to the Investor was agreed by the Company in consideration of the Investor's contributions to the Company under the Strategic Funding & Partnership Proposal and agreeing to provide funding support under the Strategic Funding & Partnership Proposal.

The amount to be paid to the Investor was determined after arm's length negotiations between the Company and the Investor having taken into account:

- (a) the overall difficulty and uncertainty faced by the Group in securing substantial amount of long-term funding in the current adverse market condition and high-interest rate economic environment, and the benefits that would be brought to the Group by the Strategic Funding & Partnership Proposal as explained in more detail in the section headed "Rationale and Expected Benefits of the Proposal" in this Letter from the Board; and
- (b) the Strategic Funding & Partnership Proposal consist fund-raising exercises through issuance of both equity and debt. In evaluating the fairness and reasonableness of the facilitation payment contemplated under the Facilitation Agreement, the Board considered the fees typically charged by independent underwriters for securing equity investments in an issuer, as well as the fees charged by banks for debt underwriting. The amount of HK\$22 million to be paid to the Investor under the Facilitation Agreement represents 1.75% of the total amount to be raised under the Strategic Funding & Partnership Proposal, which is (i) lower than the 2% charged by the Underwriter under the Rights Issue Underwriting Agreement and underwriting commission charged by the underwriters in other recent rights issues, and (ii) slightly above the 1.55% charged by banks to the Company in an issuance of unsecured syndicated loan in 2024 (which was payable regardless of the amount drawn down) and the approximately 1.2% charged by the underwriter of the unsecured 2021 Guaranteed Notes (together with other fees).

The Board considers that the Facilitation Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

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## LETTER FROM THE BOARD

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### **Obligations**

The Company shall use its best endeavours to implement the Strategic Funding & Partnership Proposal in accordance with the timetable and the Investor shall provide such co-operation and assistance to the Company as the Company may reasonably request in writing in connection therewith.

Except as otherwise required by applicable laws, the Company undertakes not to withdraw the Strategic Funding & Partnership Proposal or allow the transactions contemplated by the Strategic Funding & Partnership Proposal to lapse or procure their withdrawal without the prior written consent of the Investor.

### **Condition**

The Company's obligation to pay the amount under the Facilitation Agreement is conditional on any waivers, consents, authorisations, clearances and approvals which are required under the Listing Rules and the Takeovers Code for the Facilitation Agreement and the transactions contemplated therein having been granted, fulfilled or given (as applicable), and all such waivers, consents, authorisations, clearances and approvals not having been revoked or withdrawn. The above condition cannot be waived. As at the Latest Practicable Date, the condition above had not been fulfilled.

### **Termination**

If the Rights Issue is terminated the rights and obligations of the Investor and the Company under the Facilitation Agreement shall lapse and neither party shall have any claim against the other under or in connection with the Facilitation Agreement, save in respect of antecedent breaches of the Facilitation Agreement.

## **VII. PROPOSED BONUS WARRANTS ISSUE**

The Board proposes, subject to the satisfaction of the conditions referred to below, to make the Bonus Warrants Issue to Qualifying Shareholders on the basis of one (1) Bonus Warrant for every ten (10) Consolidated Shares (or every twenty (20) Existing Shares prior to the Share Consolidation) held on the Record Date and so in proportion for any other number of integral multiples of ten (10) Consolidated Shares then held.

Qualifying Shareholders will receive Bonus Warrants strictly based on whole multiples of ten (10) Consolidated Shares held. Accordingly, Qualifying Shareholders with fewer than ten (10) Consolidated Shares will not be entitled to any Bonus Warrant.

### **Special Mandate**

Bonus Warrants and Bonus Warrant Shares will be issued pursuant to a specific mandate to be sought at the SGM. As no Shareholders have any interest in the Bonus Warrants Issue that is different to that of Shareholders generally, no Shareholder will be required to abstain from voting in favour of the resolution relating to the Bonus Warrants Issue at the SGM.

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## LETTER FROM THE BOARD

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### **Shares to be Issued Upon Exercise of the Bonus Warrants**

Each Bonus Warrant will entitle the holder thereof to subscribe in cash for one (1) Bonus Warrant Share at a Warrant Subscription Price of HK\$0.22 (subject to adjustment). Based on the 9,209,789,676 issued Existing Shares at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to the Record Date, the maximum number of Bonus Warrants to be issued will be 460,489,483 Bonus Warrants and upon the full exercise of the Warrant Subscription Rights attaching to the Bonus Warrants, a maximum of 460,489,483 Bonus Warrant Shares will be issued, representing 10% of the number of issued Shares as at the Latest Practicable Date, approximately 3.57% of the number of enlarged Consolidated Shares immediately after the Share Consolidation and Rights Issue, and approximately 3.45% of the Consolidated Shares as enlarged by the Rights Issue and the Bonus Warrant Shares to be issued upon the exercise of Warrant Subscription Rights attaching to all Bonus Warrants. The entitlement to the Bonus Warrants is non-renounceable. Based on the initial Warrant Subscription Price of HK\$0.22 per Bonus Warrant Share, the Company would receive total gross subscription monies of approximately HK\$101 million upon the exercise of all Bonus Warrants.

Shares which are allotted and issued on the exercise of the subscription rights attaching to the Bonus Warrants will rank *pari passu* in all respects with the then Shares in issue on the date of such allotment and issue.

### **Conditions of the Bonus Warrants Issue**

The Bonus Warrants Issue is conditional upon (i) the passing at the SGM of the necessary resolutions to approve the issue of the Bonus Warrants and the Bonus Warrant Shares, the Share Consolidation, the Authorised Share Capital Increase and the transactions contemplated by the Strategic Funding & Partnership Proposal; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, Bonus Warrants and Bonus Warrant Shares. Neither of the above conditions can be waived. As at the Latest Practicable Date, none of the conditions above had been fulfilled.

### **Subscription Price and Subscription Period**

The Bonus Warrants will be issued in registered form and each Bonus Warrant will entitle the holder thereof to subscribe in cash for one (1) Bonus Warrant Share at an initial Warrant Subscription Price of HK\$0.22, subject to customary anti-dilutive adjustments typical in securities of this type in certain events, including, among other things, share consolidations, share subdivisions, capitalisation issues and capital distributions, at any time from the date of issue of the Bonus Warrants to Warrant Expiry Date, which is expected to be from Monday, 7 April 2025 to Wednesday, 7 April 2027 (both dates inclusive). A summary of the material terms of the Bonus Warrants is set out in Appendix III to this circular.



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## LETTER FROM THE BOARD

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The initial Warrant Subscription Price of HK\$0.2200 represents:

- (i) a premium of approximately 29.41% over the theoretical closing price per Consolidated Share of HK\$0.1700 based on the Closing Price;
- (ii) a premium of approximately 28.50% over the theoretical average closing price of HK\$0.1712 per Consolidated Share based on the closing price of HK\$0.0856 per Existing Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 28.65% over the theoretical average closing price of HK\$0.1710 per Consolidated Share based on the closing price of HK\$0.0855 per Existing Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 28.35% over the theoretical average closing price of HK\$0.1714 per Consolidated Share based on the closing price of HK\$0.0857 per Existing Share as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day;
- (v) a premium of approximately 29.41% over the theoretical closing price of HK\$0.17 per Consolidated Share based on the closing price of per 0.085 Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 24.72% over the theoretical ex-entitlement price of approximately HK\$0.1764 per Consolidated Share based on (a) the theoretical closing price of HK\$0.1700 per Consolidated Share based on the Closing Price, (b) the gross proceeds of the Rights Issue of approximately HK\$1,492 million and (c) the total number of theoretical Consolidated Shares upon completion of the Rights Issue.

The initial Warrant Subscription Price was determined with reference to the theoretical market price of the Consolidated Shares and is at a premium to the theoretical market price of the Consolidated Shares that the Board considers attractive to the Shareholders as the Bonus Warrant Issue is to provide Shareholders with an incentive to support the proposal. Accordingly, the Directors consider the terms of the Bonus Warrants Issue, including the initial Warrant Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming all the Bonus Warrants are exercised, a maximum amount of gross proceeds and net proceeds of approximately HK\$101.31 million and HK\$99.36 million, respectively, will be raised. The net price per Bonus Warrant Share is therefore approximately HK\$0.2158. If Bonus Warrants and Bonus Warrant Shares are issued after the Share Consolidation has become effective and the satisfaction of the above condition, the maximum nominal value of all the Bonus Warrant Shares that may fall to be issued is approximately HK\$7.37 million.

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## LETTER FROM THE BOARD

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### **Fractional Entitlements**

Fractional entitlements to the Bonus Warrants (if any) will not be issued to Qualifying Shareholders but will, where practicable, be aggregated and sold in the market. The net proceeds of sale will be retained for the benefit of the Company.

### **Overseas Shareholders**

The Bonus Warrants Issue will not be registered or filed under any securities legislation in any jurisdiction outside Hong Kong.

In determining whether it would be necessary or expedient to exclude from the Bonus Warrants Issue an Overseas Shareholder who is registered as a member of the Company on the Record Date, the Directors will make an enquiry regarding the feasibility of extending the Bonus Warrants Issue to the Overseas Shareholder(s) (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory body or stock exchange of the relevant place in which such Overseas Shareholder is residing. If the Directors are of the view that, after such enquiry, the exclusion of such Overseas Shareholder is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, Bonus Warrants will not be granted to such Overseas Shareholder. The basis for excluding Overseas Shareholders(s), if any, from the Bonus Warrants Issue will be set out in the Prospectus.

As at the Latest Practicable Date, there was only one Overseas Shareholder, with a registered address situated in Canada, which is interested in 2,500 Existing Shares (representing approximately 0.000027% of the total issued share capital of the Company). In the event additional Overseas Shareholder(s) is/are identified as at the Record Date, pursuant to Rule 13.36(2) of the Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the Bonus Warrants Issue to such Overseas Shareholder(s) (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges.

Bonus Warrants which would otherwise be issued to Non-Qualifying Shareholder(s) under the Bonus Warrants Issue will be sold in the market as soon as possible after the commencement of dealings in the Bonus Warrants, if a premium (net of expenses) can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to such Non-Qualifying Shareholder(s) pro rata to their respective holdings of Shares. Remittance thereof will be posted to them, at their own risk, unless the amount falling to be distributed to such person(s) is less than HK\$100, in which case it will be retained for the benefit of the Company.

All Overseas Shareholders should consult their professional advisers as to whether or not they are permitted to participate in the Bonus Warrants Issue or whether any government or other consents are required, or other formalities need to be observed.

### **Reasons for the Bonus Warrants Issue**

The Directors believe that the Bonus Warrants Issue will provide the Shareholders with an opportunity to participate in the growth of the Company.

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## LETTER FROM THE BOARD

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### **Intended Use of Proceeds**

In the event that any Bonus Warrants are exercised, the Company expects to allocate the net proceeds received for general corporate purposes including working capital and operational expenditures. The Company will adhere to the disclosure requirements under the Listing Rules and will promptly notify shareholders of any material changes to the use of proceeds, if applicable.

### **Fundraising Activities of the Group in the Past Twelve Months**

The Company has not conducted any fundraising activities by issue of equity securities in the twelve months immediately before the Latest Practicable Date.

### **Listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares, the Rights Shares (in both their nil-paid and fully-paid forms), the Bonus Warrants and the Bonus Warrant Shares. 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.

The Bonus Warrants Issue will be conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Warrants and the Bonus Warrant Shares.

### **Certificates for the Bonus Warrants and Board Lot**

Subject to the satisfaction of the conditions to the Bonus Warrants Issue, it is expected that certificates for the Bonus Warrants will be despatched on or before Monday, 7 April 2025 at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company.

Dealings in the Bonus Warrants are expected to commence on the Stock Exchange on Tuesday, 8 April 2025. The Bonus Warrants are expected to be traded on the Stock Exchange in board lots of 20,000 Bonus Warrants.

### **Record Date and Closure of Register of Members**

The last day for dealings in Shares cum-entitlements to the Bonus Warrants Issue will be Monday, 10 March 2025. In order to qualify for the Bonus Warrants Issue, all outstanding transfer of Shares should be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 12 March 2025.

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## LETTER FROM THE BOARD

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### **VIII. PROPOSED SHARE CONSOLIDATION, AUTHORISED SHARE CAPITAL INCREASE, PROPOSED CHANGE IN BOARD LOT AND ODD LOT ARRANGEMENT**

#### **Proposed Share Consolidation**

Given the current trading price of the Existing Shares is below HK\$0.1 and the price per board lot is considerably less than HK\$2,000, the Board has considered the implications of LR13.64 and the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (updated in June 2024).

As a result, the Board intends to put forward to the Shareholders to effect the Share Consolidation which involves the consolidation of every two (2) issued and unissued Existing Shares of par value of HK\$0.008 each into one (1) Consolidated Share of par value of HK\$0.016. Following the Share Consolidation, the board lot size for trading will change from 10,000 Existing Shares to 20,000 Consolidated Shares per board lot. The Strategic Funding & Partnership Proposal will be executed after the Share Consolidation and the Change in Board Lot Size become effective.

#### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following:

- (i) the passing at the SGM of the necessary resolutions to approve the Share Consolidation, Authorised Share Capital Increase and transactions contemplated by the Strategic Funding & Partnership Proposal at the SGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of Bermuda and Hong Kong (where applicable) and the Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

As no Shareholders have any interest in the Share Consolidation that is different to that of Shareholders generally, no Shareholder will be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the SGM. None of the above conditions can be waived. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

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## LETTER FROM THE BOARD

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### Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$180,000,000 divided into 22,500,000,000 Existing Shares with par value of HK\$0.008 each, of which 9,209,789,676 Existing Shares have been issued and are fully paid or credited as fully paid.

Assuming no further Existing Shares will be issued or repurchased between the Latest Practicable Date and the date of the SGM, immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue, the authorised share capital of the Company will be HK\$180,000,000 divided into 11,250,000,000 Consolidated Shares with par value of HK\$0.016 each, of which 4,604,894,838 Consolidated Shares (all fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's bye-laws.

No fractional Consolidated Shares will be issued by the Company to the Shareholders. Any fractional Consolidated Shares will be aggregated, and if possible, sold and with any proceeds retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Consolidated Shares regardless of the number of share certificates held by such holder.

Other than the relevant expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group and that on the date the Share Consolidation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due. The Share Consolidation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

### Other securities of the Company

The Company has no outstanding convertible securities, options or warrants in issue which are convertible or exchangeable into shares in the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **Exchange of existing share certificates for certificates for Consolidated Shares**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Monday, 10 March 2025 to Wednesday, 16 April 2025 (both days inclusive), submit their share certificates for Existing Shares to the Share Registrar, Computershare Hong Kong Investor Services Limited, in exchange, at the expense of the Company, for new share certificates for the Existing Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares but will not be acceptable for trading, settlement and registration purposes.

The new share certificates for the Consolidated Shares will be issued in Red colour in order to distinguish them from the existing share certificates in Yellow colour.

### **Listing and Dealings**

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as may be 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

### **Authorised Share Capital Increase**

The Board also proposes the Authorised Share Capital Increase that upon the Share Consolidation becoming effective, the authorised share capital of the Company be increased from HK\$180,000,000 divided into 11,250,000,000 Consolidated Shares of par value HK\$0.016 each to HK\$500,000,000 divided into 31,250,000,000 Consolidated Shares of par value HK\$0.016 each so as to make available sufficient authorised but unissued Consolidated Shares for the allotment and issue of other new Consolidated Shares under the Rights Issue and the exercise of the Bonus Warrants in the future.

The proposed Authorised Share Capital Increase is conditional upon the passing of the necessary resolutions to approve the Share Consolidation, Authorised Share Capital Increase and the transactions contemplated by the Strategic Funding & Partnership Proposal at the SGM. The above condition cannot be waived. As at the Latest Practicable Date, the condition above had not been fulfilled.

Subject to such condition being fulfilled, the proposed Authorised Share Capital Increase is expected to become effective when the Share Consolidation becomes effective.

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## LETTER FROM THE BOARD

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### **Proposed Change in Board Lot Size**

The Existing Shares are currently traded on the Stock Exchange in a board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size for trading from 10,000 Existing Shares to 20,000 Consolidated Shares upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.0850 per Existing Share (equivalent to the theoretical closing price of HK\$0.1700 per Consolidated Share) at the Last Trading Day, (i) the value per board lot of 10,000 Existing Shares is HK\$850; and (ii) the value of each board lot of 20,000 Consolidated Shares will be HK\$3,400 assuming the Share Consolidation becoming effective.

### **Reasons for the Share Consolidation, Authorised Share Capital Increase and Change in Board Lot Size**

Pursuant to LR 13.64 of the Listing Rules, where the market price of the share approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the listed issuer to either change the trading method or to proceed with a consolidation or splitting of the existing shares. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (and updated in June 2024) has further stated that (i) the market price of the share at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under LR 13.64 of the Listing Rules; and (ii) taking into account that the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the prevailing trading price of the Shares at a level below HK\$0.10 and the value per board lot being substantially less than HK\$2,000, the Board proposes that upon the Share Consolidation becoming effective, based on the Closing Price, the theoretical share price of the Company be adjusted to HK\$0.1700 per Consolidated Share. With a board lot size of 20,000 Consolidated Shares, the theoretical new board lot value would be HK\$3,400, which would enable the Company to comply with the trading requirements under the Listing Rules. The Share Consolidation will increase the nominal value of the Shares. Accordingly, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but should also attract more investors and hence broaden the Shareholder base.

The Authorised Share Capital Increase will give the Company sufficient authorised but unissued Consolidated Shares for the allotment and issue of other new Consolidated Shares under the Rights Issue, and the Bonus Warrant Shares on the exercise of the Bonus Warrants in the future.

The Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, save for the Share Consolidation, Authorised Share Capital Increase and proposed Rights Issue, the Company has no intention to carry out any corporate action or arrangement, including further share consolidation, share sub-division and capital reduction, in the next 12 months, which may have an effect of undermining or negating the intended purpose of the Share Consolidation, Authorised Share Capital Increase and Change in Board Lot Size.

### **Odd Lot Arrangement**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation and the Change in Board Lot Size or the Rights Issue, the Company has appointed Computershare Hong Kong Investor Services Limited to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Monday, 24 March 2025 to 4:00 p.m. on Monday, 14 April 2025 (both days inclusive). Holders of the Consolidated Shares in odd lots represented by valid share certificates for the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 4:30 p.m.) Holders of the Consolidated Shares who would like to match odd lots have to make an appointment in advance by dialling the telephone number of Computershare Hong Kong Investor Services Limited set out above. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

### **IX. PREVIOUS EQUITY FUND RAISING BY THE COMPANY**

The Company has not undertaken any equity fund raising exercise in the 12-month period immediately preceding the date of the Announcement or the Latest Practicable Date.

### **X. INFORMATION OF THE GROUP**

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the business of property development and investment, and securities investment.



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## LETTER FROM THE BOARD

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### **XI. INFORMATION OF THE INVESTOR, THE NOTE SUBSCRIBER AND GAW CAPITAL**

The Investor and the Note Subscriber are special purpose vehicles formed to invest in the Company (through the Rights Issue and the Senior Unsecured Note, respectively). They are each owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P., a limited partnership established in Singapore with a wide investor base and engaged principally in investment in any direct or indirect interests relating to real estate assets and non-real estate related assets or operations in Asia Pacific). Gaw Capital is a private equity fund management company focusing on real estate and private equity markets in Asia Pacific and other high barrier-to-entry markets globally. The firm's investments span the entire spectrum of real estate sectors, including residential development, offices, retail malls, hospitality, logistics warehouses and internet data centre projects. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Investor and the Note Subscriber are principally engaged in investment holding.

### **XII. INFORMATION OF NEWCO, EARNEST EQUITY AND GOLDEN BOOST**

Newco is an investment holding company incorporated in the BVI with limited liability and is 99.9996% owned by Mr. Chung (with the remaining 0.0004% owned by the Investor) at the Latest Practicable Date. It is principally engaged in investment holding through Earnest Equity and Golden Boost, which together held approximately 56.24% of the Company's Shares as at the Latest Practicable Date.

Earnest Equity is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, it directly held approximately 56.24% of the Company's Shares and is a wholly-owned subsidiary of Newco.

Golden Boost is also an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, it directly held approximately 0.0002% of the Company's Shares and is a wholly-owned subsidiary of Newco. It is established for the purpose of investment holding.

### **XIII. CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 27 February 2025 to Thursday, 6 March 2025 (both dates inclusive) for the purpose of determining the identity of the Shareholders entitled to attend and vote at the SGM. No transfers of Shares will be registered during the book closure periods. In order to be entitled to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 26 February 2025.

The register of members of the Company will be closed from Thursday, 13 March 2025 to Thursday, 20 March 2025 (both dates inclusive) for the purpose of determining the identity of the Shareholders entitled to the Rights Issue and the Bonus Warrants Issue. No transfers of Shares will be registered during the book closure period. In order to be entitled to participate in the Rights Issue and the Bonus Warrants Issue, all transfer forms accompanied by the relevant share certificates must be lodged with the Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12 March 2025.

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## LETTER FROM THE BOARD

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### **XIV. IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE LISTING RULES**

#### **Change of Shareholding Structure of the Company**

The acquisition of more than 30% of the voting rights in the Company by Earnest Equity as a result of the Subscription Agreement would trigger an obligation to make a mandatory general offer for all the issued shares of the Company pursuant to Rule 26.1 of the Takeovers Code, unless a waiver is granted by the SFC.

In this regard, the Company has been informed by Mr. Chung that Newco, has applied for, and the SFC has on 5 February 2025 granted, the Waiver from the obligation to make a mandatory general offer pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code in relation to the transactions contemplated under the Strategic Funding & Partnership Proposal.

#### **Proposed Share Consolidation and Authorised Share Capital Increase**

The proposed Share Consolidation and Authorised Share Capital Increase are conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

As no Shareholders have any interest in the Share Consolidation and Authorised Share Capital Increase that is different to that of Shareholders generally, no Shareholder will be required to abstain from voting in favour of the resolution relating to the Share Consolidation and Authorised Share Capital Increase at the SGM.

#### **The Strategic Funding & Partnership Proposal and proposed Bonus Warrants Issue**

##### *Proposed Rights Issue*

In accordance with LR7.19A(1) and LR7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Consolidated Shares of the Company by more than 50% within the 12 months period immediately preceding the date of the Announcement (after taking into account the effect of the Authorised Share Capital Increase), the Rights Issue is thus conditional upon Independent Shareholders' approval at the SGM, and any controlling shareholders of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM. Pursuant to LR7.27A, Mr. Chung, through Newco and its subsidiaries including (i) Earnest Equity, which is interested in 5,179,172,062 Existing Shares, representing approximately 56.24% of the entire issued share capital of the Company, and (ii) Golden Boost, which is an associate of Earnest Equity and is interested in 20,000 Existing Shares, representing approximately 0.0002% of the entire issued share capital of the Company, will be required to abstain from voting in favour of the resolution(s) relating to the Rights Issue.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with LR7.27B.

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## LETTER FROM THE BOARD

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### *The Facilitation Agreement and Note Subscription Agreement*

At the invitation of the Controlling Shareholder, the Investor agreed to acquire material equity interests in Newco through entering into the Subscription Agreement and the Shareholders Agreement in respect of the Strategic Funding & Partnership Proposal with Digisino and Newco, both of which are controlled by Mr. Chung and therefore connected persons of the Company. The Board considers the Investor a connected person of the Company, and so is the Note Subscriber, which is also owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.). Given that the Facilitation Agreement and the Note Subscription Agreement are entered into in association with each other as parts of the Strategic Funding & Partnership Proposal, the transactions contemplated thereunder shall be treated as connected transactions of the Company subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules.

Shareholders with a material interest in the transactions contemplated under the Note Subscription Agreement and the Facilitation Agreement are required to abstain from voting on the relevant resolution at the SGM.

As at the Latest Practicable Date, Mr. Chung owns, through Newco and its subsidiaries, 5,179,192,062 Existing Shares in the Company (approximately 56.24% of the total issued share capital of the Company). Therefore, Mr. Chung and his associate, Mr. Kan Sze Man, who is interested in 23,790,500 Existing Shares, representing approximately 0.26% of the entire issued share capital of the Company, are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue, Note Subscription Agreement, and Facilitation Agreement and transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, Newco is 99.9996% owned by Mr. Chung through Digisino (with the remaining 0.0004% owned by the Investor).

Pursuant to Rule 14A.70(11) of the Listing Rules, Mr. Chung, who is co-investor with the Investor in Newco, and Mr. Kan Sze Man (brother-in-law of Mr. Chung) and Ms. Chung Yuen Tung, Jasmine (daughter of Mr. Chung), who are associates of Mr. Chung, abstained from voting on the board resolutions for approving the Rights Issue, Note Subscription Agreement, and Facilitation Agreement and transactions contemplated thereunder. Save through their respective relationships with Mr. Chung, Mr. Kan Sze Man and Ms. Chung Yuen Tung, Jasmine do not have any material interest in the Rights Issue, Note Subscription Agreement, and Facilitation Agreement and the transactions contemplated thereunder.

### *Proposed Bonus Warrants Issue*

The Bonus Warrants Issue will be issued pursuant to a specific mandate to be sought at the SGM. As no Shareholders have any interest in the Bonus Warrants Issue that is different to that of Shareholders generally, no Shareholder will be required to abstain from voting in favour of the resolution relating to the Bonus Warrants Issue at the SGM.

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## LETTER FROM THE BOARD

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Pursuant to LR15.02(1) of the Listing Rules, Bonus Warrant Shares to be issued on exercise of Bonus Warrants must not, when aggregated with all other equity securities remaining to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Bonus Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the Latest Practicable Date, there are no securities of the Company with subscription rights outstanding and not yet exercised and the Company does not have any legal or beneficial interest in any treasury Shares. Assuming there is no other issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Bonus Warrants, an aggregate of 460,489,483 Bonus Warrant Shares will be issued, representing approximately 10.00% of the existing issued share capital of the Company as at the Latest Practicable Date, approximately 3.57% of the number of enlarged Consolidated Shares immediately after Share Consolidation and Rights Issue, and approximately 3.45% of the Consolidated Shares as enlarged by the Rights Issue and Bonus Warrant Shares to be issued upon the exercise of Warrant Subscription Rights attaching to all Bonus Warrants.

Accordingly, the issue of Bonus Warrants is in compliance with LR15.02(1) of the Listing Rules. The Company has no intention to transfer treasury Shares to satisfy the exercise of the Bonus Warrants

### **The Independent Board Committee and the Independent Financial Adviser**

The Independent Board Committee comprising Mr. Cheng Yuk Wo, Mr. Shek Lai Him, Abraham and Mr. Lo Wing Yan, William being all the independent non-executive Directors, has been established for the purpose of, among other things, advising the Independent Shareholders in respect of the Rights Issue, Note Subscription Agreement and Facilitation Agreement and transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

In this connection, Optima Capital Limited has been appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue, Note Subscription Agreement and Facilitation Agreement and transactions contemplated thereunder are fair and reasonable in this regard. The appointment of the Independent Financial Adviser has been duly approved by the Independent Board Committee.

### **XV. THE SGM**

The SGM has been convened and will be held for the Shareholders to consider and, if thought fit, approve, among other things, the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement and the transactions contemplated thereunder, the Share Consolidation, the Authorised Share Capital and the Bonus Warrant Issue.

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## LETTER FROM THE BOARD

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A notice convening the SGM is set out on pages SGM-1 to pages SGM-5 of this circular. A form of proxy for use at the SGM is enclosed herewith. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or adjournment thereof should you so wish.

The register of members of the Company will be closed from Thursday, 27 February 2025 to Thursday, 6 March 2025, both days inclusive, for determining the eligibility of the Shareholders to attend and vote at the SGM.

In order to qualify for attendance and voting at the SGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 26 February 2025. In compliance with the Listing Rules, all the resolutions to be proposed at the SGM will be voted on by way of poll at the SGM. Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares), the Bonus Warrant Issue, PALs and EAFs is expected to be despatched to the Qualifying Shareholders on Friday, 21 March 2025.

### **XVI. RECOMMENDATIONS**

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages IBC-1 to IBC-2 of this circular and the letter from the Independent Financial Adviser on pages IFA-1 to IFA-43 of this circular to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, Note Subscription Agreement and Facilitation Agreement.

The Independent Board Committee, having taken into account the advice (together with the principal factors and reasons considered in arriving at such advice) of the Independent Financial Adviser, considered that the Rights Issue, the Facilitation Agreement and the Note Subscription Agreement (including the transactions contemplated thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue, the Facilitation Agreement, the Note Subscription Agreement and the transactions contemplated thereunder.

The Board is of the view that the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement, the Bonus Warrant Issue, the Share Consolidation and the Authorised Share Capital Increase and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Note Subscription Agreement, the Facilitation Agreement, the Bonus Warrant Issue, the Share Consolidation and the Authorised Share Capital Increase and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on such resolutions to be proposed at the SGM.

### **XVII. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular. In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

For and on behalf of the Board  
**CSI Properties Limited**  
**Kan Sze Man**  
*Company Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.*



### CSI PROPERTIES LIMITED

資本策略地產有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 497)**

17 February 2025

*To the Independent Shareholders*

Dear Sir/Madam,

- (1) STRATEGIC FUNDRAISING LED BY  
CONTROLLING SHAREHOLDER AND GAW CAPITAL  
(THROUGH ITS MANAGED FUNDS)  
TO RAISE A TOTAL OF HK\$1,992 MILLION  
BY WAY OF**
- (i) AN UNDERWRITTEN RIGHTS ISSUE OF HK\$1,492 MILLION PRICED  
AT AN APPROX. 5.88% PREMIUM TO CLOSING PRICE;**
- (ii) ISSUE OF A HK\$500 MILLION 4-YEAR SENIOR UNSECURED NOTE;**
- (2) ISSUE OF BONUS WARRANTS TO SHAREHOLDERS;**
- (3) PROPOSED SHARE CONSOLIDATION;**
- (4) AUTHORISED SHARE CAPITAL INCREASE;**
- (5) CHANGE IN BOARD LOT SIZE; AND**
- (6) CLOSURE OF REGISTER OF MEMBERS**

We refer to the circular of the Company dated 17 February 2025 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the Rights Issue; (ii) the Facilitation Agreement; (iii) the Note Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the SGM. Optima Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages IFA-1 to IFA-43 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of the Independent Financial Adviser, we considered that the Rights Issue, the Facilitation Agreement and the Note Subscription Agreement (including the transactions contemplated thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue, the Facilitation Agreement, the Note Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Cheng Yuk Wo      Mr. Shek Lai Him, Abraham, GBS, JP      Dr. Lo Wing Yan, William, JP**  
*Independent non-executive Directors*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



Room 2808, 28th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

17 February 2025

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**(1) STRATEGIC FUNDRAISING LED BY  
THE CONTROLLING SHAREHOLDER AND  
GAW CAPITAL (THROUGH ITS MANAGED FUNDS)  
TO RAISE A TOTAL OF HK\$1,992 MILLION  
BY WAY OF**

- (i) AN UNDERWRITTEN RIGHTS ISSUE OF HK\$1,492 MILLION  
PRICED AT AN APPROX. 5.88% PREMIUM TO CLOSING PRICE; AND  
(ii) ISSUE OF A HK\$500 MILLION 4-YEAR SENIOR UNSECURED NOTE;  
(2) ISSUE OF BONUS WARRANTS TO SHAREHOLDERS;  
(3) PROPOSED SHARE CONSOLIDATION,  
(4) AUTHORISED SHARE CAPITAL INCREASE;  
AND  
(5) CHANGE IN BOARD LOT SIZE**

### **I INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement, which are part and parcel of the Strategic Funding & Partnership Proposal. Details of the Strategic Funding & Partnership Proposal are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 17 February 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

On 2 February 2025, the Board announced, among other things, the Strategic Funding & Partnership Proposal, pursuant to which, Gaw Capital will, through its managed funds, become a new long-term strategic investor of the Company, and commit funding of approximately HK\$1.2 billion for the Company’s proposal to raise an aggregate of approximately HK\$1,992 million (before the discount on issue of the Senior Unsecured Note, and expenses) by way of (i) the Rights Issue of 8,288,810,708 Rights Shares on the basis of 18 Rights Shares for every 10 Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.18 per Rights Share to raise approximately HK\$1,492 million; and (ii) the issuance of the Senior Unsecured Note by a wholly-owned subsidiary of the Company to the Note

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Subscriber (which is a special purpose vehicle owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.)) in the principal amount of HK\$500 million. In consideration of the Investor's contributions to the Company under the Strategic Funding & Partnership Proposal and the funding commitment, the Company has agreed to pay an amount of HK\$22 million to the Investor upon the Strategic Funding & Partnership Proposal Completion Date (i.e. the later of (a) the date on which dealings in fully paid Rights Shares commence on the Stock Exchange; and (b) the date on which the Senior Unsecured Note is issued in accordance with the terms of the Note Subscription Agreement). The Strategic Funding & Partnership Proposal is for the main purpose of raising long-term capital amidst the headwinds in the real estate sector for the Group's continuous business development and for optimising the financial position of the Group. The reasons for the Strategic Funding & Partnership Proposal and details of the principal terms of the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement are set out in the Board Letter and further discussed in the sections headed "Reasons for the Strategic Funding & Partnership Proposal", "The Rights Issue", "The Note Subscription Agreement" and "The Facilitation Agreement" below.

In connection with the Strategic Funding & Partnership Proposal, Digisino, the Investor and Newco entered into the Subscription Agreement and the Shareholders Agreement to, among other things, govern the shareholding structure of Newco and the capital contribution by the Investor and Mr. Chung (being the controlling Shareholder) to Newco for the purpose of funding its subscription of the Rights Shares. Newco has given the Irrevocable Undertaking in favour of the Company to, among other things, procure its subsidiaries or nominees to accept and take up in full a total of 4,661,272,854 nil-paid Rights Shares to be provisionally allotted or transferred to it/them, equivalent to approximately HK\$839 million, and apply (by way of excess application) for 1,774,724,996 Rights Shares, equivalent to approximately HK\$319 million. Digisino and the Investor have also agreed, subject to certain conditions, that during the term of the Shareholders Agreement, (i) the Investor and its affiliates shall not acquire or dispose of any Shares without the prior written consent of Digisino; and (ii) Digisino will make all decisions as to how votes attached to the Shares indirectly held by Newco are to be cast. The Shareholders Agreement further provides a lock-up period of five years from the date of the Shareholders Agreement, during which the Investor may request the disposal of all the Shares directly held by Golden Boost after four years. On the other hand, Digisino, Newco and the Company entered into a letter of undertaking in favour of the Investor to, among other things, procure and/or arrange the appointment by the Company of one individual to be nominated by the Investor as a non-executive Director on the Strategic Funding & Partnership Proposal Completion Date.

Alongside with the Strategic Funding & Partnership Proposal, the Board also announced on the same date the proposed grant of the Bonus Warrants by the Company to Qualifying Shareholders on the basis of one Bonus Warrant for every 10 Consolidated Shares held on the Record Date, and the proposed Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot Size, which are further detailed in the Board Letter.

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of the issued Shares by more than 50% within the 12 months period immediately preceding the date of the Announcement, the Rights Issue shall be conditional upon the Independent Shareholders' approval, and any controlling Shareholder and its associates are required to abstain from voting in favour of the relevant resolution(s) relating to the Rights Issue at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further, as the Investor entered into the Subscription Agreement and the Shareholders Agreement with Digisino and Newco (both are connected persons of the Company), the Board considered that the Investor and the Note Subscriber are also connected persons of the Company. As such, the Note Subscription Agreement, the Facilitation Agreement and the transactions contemplated thereunder shall constitute connected transactions of the Company which are subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules. Any Shareholder who has a material interest must abstain from voting on the relevant resolution(s) at the SGM.

As at the Latest Practicable Date, Mr. Chung beneficially owned through Newco and its subsidiaries 5,179,192,062 Existing Shares, representing approximately 56.24% of the issued share capital of the Company, and was the controlling Shareholder. Mr. Chung and his associate, Mr. Kan Sze Man, a Director, who held 23,790,500 Existing Shares, representing approximately 0.26% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolution(s) in relation to the Rights Issue, the Note Subscription Agreement, the Facilitation Agreement and the transactions contemplated thereunder to be proposed at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, there were no other Shareholders as at the Latest Practicable Date who are required to abstain from voting at the SGM.

The Independent Board Committee, comprising Mr. Cheng Yuk Wo, Mr. Shek Lai Him, Abraham, *GBS, JP* and Mr. Lo Wing Yan, William, *JP*, each being an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement are fair and reasonable, and whether the transactions contemplated under the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to give a recommendation to the Independent Shareholders in respect of the voting on the relevant resolution(s) to be proposed at the SGM. We, Optima Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, Mr. Chung, the Investor, the Note Subscriber or their respective connected persons or associates. During the two years immediately prior to the date of our appointment, we have not (i) acted in the capacity as a financial adviser or independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. We are therefore considered eligible to give independent advice in respect of the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement. Apart from normal professional fees paid or payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Mr. Chung, the Investor, the Note Subscriber or their respective connected persons or associates. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### II BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the information and facts supplied and the opinions expressed by the directors and management of the Company (together, the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were provided and expressed, and continue to be true, accurate and complete in all material respects up to the date hereof. We have sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us.

We have also reviewed, among other things, (i) the Announcement; (ii) the Subscription Agreement, the Shareholders Agreement, the Irrevocable Undertaking, the Rights Issue Underwriting Agreement, the Note Subscription Agreement and the Facilitation Agreement; (iii) the annual reports of the Company for the two years ended 31 March 2023 (the “**2022/23 Annual Report**”) and 2024 (the “**2023/24 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 September 2024 (the “**2024/25 Interim Report**”); and (v) the information as set out in the Circular.

We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, Newco, the Investor and/or the Note Subscriber, nor have we carried out any independent verification of the information supplied.

### III PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

#### 1. Businesses of the Group

The Group is principally engaged in the businesses of property development and investment, and securities investment.

For the property development and investment business, the Group engages in property projects by (i) acquisition of existing properties and refurbishing them for enhancement or re-developing them into commercial and/or residential properties; or (ii) acquisition of land parcels and developing them into commercial and/or residential properties, and generates revenue from sales of properties and/or rental income. In addition to the property projects owned by the Group, a number of the Group’s property projects are carried out through joint ventures, and some are through associates, whereby the Group will share the profits or loss of these joint ventures or associates in its consolidated financial statements.

For the securities investment business, the Group invests in listed and unlisted equity and debt securities mainly for generating interest income or dividend income for the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of income from the Group's businesses for the three years ended 31 March 2022 ("FY2021/22"), 2023 ("FY2022/23") and 2024 ("FY2023/24") and the six months ended 30 September 2023 ("HY2023/24") and 2024 ("HY2024/25"), as extracted from the respective annual report and interim report of the Company:

|  | <b>HY2024/25</b> | <b>HY2023/24</b> | <b>FY2023/24</b> | <b>FY2022/23</b> | <b>FY2021/22</b> |
|--|------------------|------------------|------------------|------------------|------------------|
|  | <i>HK\$'000</i>  | <i>HK\$'000</i>  | <i>HK\$'000</i>  | <i>HK\$'000</i>  | <i>HK\$'000</i>  |
| <b>Revenue of the Group</b>                              |                  |                  |                  |                  |                  |
| • <i>Rental income</i>                                   | 119,904          | 120,685          | 235,834          | 258,391          | 249,374          |
| • <i>Sales of properties held for sale</i>               | 23,080           | 203,298          | 1,343,298        | 545,879          | 171,088          |
|  | <b>142,984</b>   | <b>323,983</b>   | <b>1,579,132</b> | <b>804,270</b>   | <b>420,462</b>   |
| <b>Share of revenue of joint ventures and associates</b> |                  |                  |                  |                  |                  |
| <i>(Note 1)</i>  |                  |                  |                  |                  |                  |
| • <i>Rental income</i>                                   | 36,984           | 50,916           | 94,372           | 100,751          | 87,769           |
| • <i>Sales of properties held for sale</i>               | 912,497          | 1,142,606        | 1,784,854        | 1,450,863        | 2,255,098        |
|  | <b>949,481</b>   | <b>1,193,522</b> | <b>1,879,226</b> | <b>1,551,614</b> | <b>2,342,867</b> |
| <b>Income from investments</b>                           |                  |                  |                  |                  |                  |
| <i>(Note 2)</i>  | <b>24,556</b>    | <b>14,745</b>    | <b>44,463</b>    | <b>64,965</b>    | <b>83,354</b>    |

*Notes:*

1. *The share of revenue of joint ventures and associates are for information purpose only, as they were not recorded as the Group's revenue in its consolidated financial statements.*
2. *The income from investments comprised interest income and dividend income generated from the securities investment business of the Group. They were recorded as "income from investments", a separate line from the revenue of the Group, in its consolidated financial statements.*

As at 30 September 2024, the Group had 10 major property projects held for sale and development or refurbishment of these properties had already been completed. These comprised (i) seven commercial properties and two residential properties in Hong Kong; and (ii) remaining shops and car parks of one commercial property in Macau. The Group also had a property project held for sale in Hong Kong which was yet to be redeveloped and two commercial properties in the People's Republic of China (the "PRC") held for investment.

In addition, as at 30 September 2024, the Group had 22 major property projects through joint ventures and two major property projects through associates. Development or refurbishment of 14 of these projects had already been completed, seven were under construction and three were pending redevelopment. The projects which were under construction included (a) a mixed-use residential/commercial redevelopment project of "TOPSIDE RESIDENCES" at Nathan Road, Kowloon; (b) an

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Urban Renewal Authority project of mixed-use commercial development at Gage Street/Graham Street, Central; (c) a commercial redevelopment project at Shelter Street, Causeway Bay; (d) a residential redevelopment project at No. 92 Repulse Bay; (e) a Yau Tong MTR residential project; (f) the Phase V development project of “THE SOUTHSIDE” at Wong Chuk Hang MTR Station; and (g) a residential redevelopment project at No. 24 Middle Gap Road, the Peak. As advised by the Management, continuous capital commitment to fund the refurbishment/construction of these property projects through joint ventures or associates would be required from the Group.

### 2. Financial results of the Group

Set out below is a summary of the consolidated statement of profit or loss of the Group for each of FY2021/22, FY2022/23, FY2023/24, HY2023/24 and HY2024/25, as extracted from the respective annual report and interim report of the Company:

|  | <b>HY2024/25</b><br><i>HK\$'000</i><br>(Unaudited) | <b>HY2023/24</b><br><i>HK\$'000</i><br>(Unaudited) | <b>FY2023/24</b><br><i>HK\$'000</i><br>(Audited) | <b>FY2022/23</b><br><i>HK\$'000</i><br>(Audited) | <b>FY2021/22</b><br><i>HK\$'000</i><br>(Audited) |
|--|--|--|--|--|--|
| <b>Revenue</b>   | <b>142,984</b>                                     | <b>323,983</b>                                     | <b>1,579,132</b>                                 | <b>804,270</b>                                   | <b>420,462</b>                                   |
| Cost of sales and services   | (107,530)  | (132,019)  | (793,039)  | (400,343)  | (389,130)  |
| <b>Gross profit</b>  | <b>35,454</b>                                      | <b>191,964</b>                                     | <b>786,093</b>                                   | <b>403,927</b>                                   | <b>31,332</b>                                    |
| Income from investments  | 24,556   | 14,745   | 44,463   | 64,965   | 83,354   |
| Gains/(losses) from investments  | (32,950)   | (118,686)  | (126,312)  | 29,260   | (570,943)  |
| Other income   | 166,603  | 167,942  | 400,704  | 301,245  | 274,488  |
| Fair value loss on investment properties   | (51,010)   | (27,244)   | (36,069)   | –  | –  |
| Fair value gain on transfer of properties held for sale to investment properties | –  | –  | –  | –  | 1,281,287  |
| Impairment loss recognised on amounts due from joint ventures                    | –  | –  | (554,926)  | (29,913)   | –  |
| Other gains/(losses)   | (61,407)   | 31,385   | (114,291)  | 200,376  | 719,953  |
| Administrative expenses  | (95,611)   | (115,553)  | (231,469)  | (281,079)  | (267,095)  |
| Finance costs  | (298,510)  | (323,748)  | (663,740)  | (495,558)  | (310,469)  |
| Share of results of jointventures  | (581,869)  | 269,387  | 62,263   | 239,251  | 116,003  |
| Share of results of associates   | (43,869)   | (37,983)   | (64,130)   | (49,047)   | (22,756)   |
| <b>Profit/(loss) before taxation</b>   | <b>(938,613)</b>                                   | <b>52,209</b>                                      | <b>(497,414)</b>                                 | <b>383,427</b>                                   | <b>1,335,154</b>                                 |
| Income tax credit/(expense)  | 23,971   | 3,780  | 41,462   | (18,327)   | (97,096)   |
| <b>Profit/(loss) for the period attributable to</b>                              |  |  |  |  |  |
| • <i>Owners of the Company</i>   | <b>(904,102)</b>                                   | <b>57,579</b>                                      | <b>(425,605)</b>                                 | <b>335,654</b>                                   | <b>1,156,180</b>                                 |
| • <i>Holders of perpetual capital securities</i>                                 | –  | –  | –  | 34,300   | 73,422   |
| • <i>Non-controlling interests</i>   | <b>(10,540)</b>                                    | <b>(1,590)</b>                                     | <b>(30,347)</b>                                  | <b>(4,854)</b>                                   | <b>8,456</b>                                     |
|  | <b>(914,642)</b>                                   | <b>55,989</b>                                      | <b>(455,952)</b>                                 | <b>365,100</b>                                   | <b>1,238,058</b>                                 |

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.1 *FY2022/23 versus FY2021/22*

Compared to the revenue for FY2021/22, when the Group was still experiencing the ongoing impact of the COVID-19 pandemic, revenue of the Group for FY2022/23 increased by approximately HK\$383.8 million, or approximately 91.3%. This growth was primarily driven by higher properties sales. While the COVID-19 pandemic had ended, recovery of the economies in Hong Kong and the Mainland China remained slow and weak. Additionally, rising market interest rates created further challenges for the Group during FY2022/23. Despite these market conditions, the Group actively marketed its property projects and successfully completed sales of its commercial properties, including the office units at Shelley Street in Central and retail shops and signages in COO Residence in Tuen Mun.

On the other hand, during FY2021/22, approximately half of the refurbished units of a joint venture, the prestigious renovation project namely “Knightsbridge” located in prime location in Beijing, were sold at premium prices. However, there were no comparable prominent sales from the joint venture projects for FY2022/23, resulting in a decrease in share of revenue of joint ventures. Nevertheless, share of profits of joint ventures for FY2022/23 increased by approximately HK\$123.2 million, or approximately 106.2%, compared to FY2021/22. This improvement was mainly due to the absence of provision made on commercial properties of joint ventures for FY2022/23 (FY2021/22: provision for impairment loss on commercial properties of joint ventures of HK\$198.4 million was made).

During FY2021/22, the Group reclassified two shopping malls in Shanghai from properties held for sale to investment properties from a strategic decision, considering that leasing them out for rental income would be more profitable given the then market condition in Shanghai. The Group’s properties held for sale are stated at the lower of cost and net realisable value. As a result of the reclassification, the Group recognised a fair value gain of approximately HK\$1,281.3 million from revaluation of these properties in FY2021/22. In contrast, no fair value gain of the same nature was recorded in FY2022/23.

During FY2022/23, the Group assessed the expected credit loss for the amounts due from joint ventures, and recognised an impairment of approximately HK\$29.9 million (FY2021/22: nil) for an aggregate amount of approximately HK\$562.6 million (out of a total of approximately HK\$6,612.5 million) due from joint ventures.

Other gain of the Group mainly comprised gain on disposals of equity interests in its subsidiaries. During FY2021/22, the Group disposed of its entire equity interest in a former subsidiary principally engaged in holding properties held for sale to a joint venture formed with two independent third parties, in which the Group held a 51% equity interest. This transaction resulted in a gain of approximately HK\$742.4 million. During FY2022/23, the Group similarly disposed of its entire equity interests in another former subsidiary, which was principally engaged in holding properties under development. This disposal was made to another joint venture, also formed with two independent third parties, in which the Group held a 51% equity interest. The transaction generated a gain of approximately HK\$163.3 million.



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During FY2022/23, the Group recorded net fair value gain on its investments of approximately HK\$29.3 million, compared to a net fair value loss of approximately HK\$570.9 million in FY2021/22. This improvement was mainly due to a lower fair value loss on financial assets measured at fair value through profit or loss (“FVTPL”), which amounted to approximately HK\$59.9 million in FY2022/23 (FY2021/22: approximately HK\$678.4 million).

Despite a reduction in the aggregate amount of bank borrowings, the Group’s finance costs increased due to rising market interest rates, as its bank borrowings were subject to floating interest rates. As a result, the total finance costs rose by approximately HK\$185.1 million, or approximately 59.6%.

### **2.2 FY2023/24 versus FY2022/23**

For FY2023/24, the Group recorded a significant increase in revenue of approximately HK\$774.9 million, or approximately 96.3%, compared to FY2022/23. Despite the sluggish economic recovery and rising interest rates during the year, the Group remained proactive in its sales efforts and successfully sold its luxury residential project located at No. 45 Barker Road.

During FY2023/24, sales of properties of joint ventures also increased by approximately 23.0% compared to FY2022/23, primarily driven by increase in the number of sales at the luxury residential project “Infinity” at No. 8-12 Peak Road, which attracted buyers from both Hong Kong and the Mainland China. In addition, further sales were recorded for the joint venture projects “Knightsbridge” and “Dukes Place” during FY2023/24.

However, during FY2023/24, the Group recorded an amount of impairment loss on amounts due from joint ventures of approximately HK\$554.9 million (FY2022/23: HK\$29.9 million), which was mainly due to an impairment loss related to a joint venture project in Kwu Tung North/Fanling North New Development Areas. The impairment arose due to the failure to reach a consensus with the Lands Department of the Hong Kong Government within the prescribed time limit regarding the land premium payable for the project’s land lots. Consequently, the Lands Department of the Hong Kong Government resumed the land lots in exchange for the release of ex-gratia land compensation. As the amount of ex-gratia land compensation was lower than the acquisition cost of the land, an impairment loss was made by the Group.

For FY2023/24, the Group recorded a net fair value loss on its investments of approximately HK\$126.3 million, compared to a net fair value gain of approximately HK\$29.3 million for FY2022/23 as mentioned above. Besides, for FY2023/24, the Group recognised a fair value loss on investment properties amounting to approximately HK\$36.1 million (FY2022/23: nil).

Despite the continued effort of the Group to reduce its indebtedness, finance costs for FY2023/24 increased by approximately HK\$168.2 million, or approximately 33.9%, compared to FY2022/23. The increase was due to higher finance costs on bank borrowings, driven by rising market interest rates.

Overall, the Group shifted from a profit position in FY2022/23 to a loss position in FY2023/24. For the first time since the year ended 31 March 2005, the Company did not propose a final dividend for FY2023/24.



**2.3 HY2024/25 versus HY2023/24**

During HY2024/25, the Group's turnover was impacted by a combination of factors, including the continued weakness in the Mainland China and Hong Kong economies, high interest rates and subdued demand for properties. The sales recognised during HY2024/25 was mainly attributable to the sales of several car parking spaces at COO Residence and the disposal of several units of Broadway Center in Macau. Revenue for HY2024/25 dropped by approximately HK\$181.0 million, or approximately 55.9%, compared to HY2023/24. In particular, the revenue from sales of properties fell sharply from approximately HK\$203.3 million for HY2023/24 to approximately HK\$23.1 million for HY2024/25, representing a decrease of approximately 88.6%.

Sales from joint venture property projects also decreased from approximately HK\$1,142.6 million for HY2023/24 to approximately HK\$912.5 million for HY2024/25, representing a decrease of approximately 20.1%. The Group shared a loss of joint ventures amounting to approximately HK\$581.9 million for HY2024/25, primarily due to provision on fair value loss of properties held for sale. This contrasts with a share of profit of joint ventures of approximately HK\$269.4 million for HY2023/24.

The Group continued to record net fair value losses of its investments amounting to approximately HK\$33.0 million for HY2024/25 (HY2023/24: approximately HK\$118.7 million), and fair value losses on investment properties totalling approximately HK\$51.0 million (HY2023/24: approximately HK\$27.2 million).

During HY2024/25, the Group recorded other losses mainly due to the amount of written off of loan receivable of approximately HK\$61.5 million (HY2023/24: nil) in respect of the mortgaged loans offered by the Group.

Despite these challenges, the continued efforts of the Group to reduce bank borrowings led to a decrease in finance costs for HY2024/25 by approximately HK\$25.2 million, or approximately 7.8%, compared to HY2023/24.

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### 3. Financial position of the Group

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 March 2024 and 30 September 2024, as extracted from the respective annual report and interim report of the Company:

|   | As at<br>30 September 2024<br><i>HK\$'000</i><br><i>(Unaudited)</i> | As at<br>31 March 2024<br><i>HK\$'000</i><br><i>(Audited)</i> |
|---|---|---|
| <b>Non-current assets</b>                                   |   |   |
| Property, plant and equipment                               | 155,612   | 165,047   |
| Investment properties                                       | 3,170,362   | 3,204,457   |
| Financial assets at FVTPL                                   | 259,771   | 283,230   |
| Club memberships  | 12,405  | 12,405  |
| Interests in joint ventures                                 | 3,708,396   | 5,645,075   |
| Amounts due from joint ventures                             | 6,822,347   | 6,813,871   |
| Interests in associates                                     | 508,908   | 503,086   |
| Amounts due from associates                                 | 998,936   | 940,018   |
| Loan receivables  | 70,688  | 72,792  |
|   | <b>15,707,425</b>   | <b>17,639,981</b>   |
| <b>Current assets</b>                                       |   |   |
| Loan receivables  | 6,782   | 115,399   |
| Trade and other receivables                                 | 179,713   | 290,858   |
| Properties held for sale                                    | 5,527,169   | 5,598,042   |
| Financial assets at FVTPL                                   | 61,211  | 68,591  |
| Taxation recoverable  | 838   | 1,560   |
| Cash held by securities brokers                             | 1,583   | 3,399   |
| Bank balances and cash                                      | 1,969,874   | 2,520,518   |
|   | <b>7,747,170</b>  | <b>8,598,367</b>  |
| <b>Current liabilities</b>                                  |   |   |
| Other payables and accruals                                 | 207,410   | 229,605   |
| Contract liabilities  | 1,766   | 620   |
| Taxable payable   | 108,187   | 128,872   |
| Amounts due to joint ventures                               | 367,716   | 1,699,816   |
| Amounts due to non-controlling shareholders of subsidiaries | 104,513   | 123,254   |
| Bank borrowings – due within one year                       | 1,921,279   | 3,876,918   |
| Guaranteed notes – due within one year                      | 2,304,654   | –   |
|   | <b>5,015,525</b>  | <b>6,059,085</b>  |

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|  | As at<br>30 September 2024<br>HK\$'000<br>(Unaudited) | As at<br>31 March 2024<br>HK\$'000<br>(Audited) |
|--|---|---|
| <b>Non-current liabilities</b>                           |   |   |
| Bank borrowings – due after one year                     | 5,469,057   | 4,005,930                                       |
| Guaranteed notes – due after one year                    | –   | 2,301,660                                       |
| Deferred tax liabilities                                 | 130,549   | 135,555   |
|  | <b>5,599,606</b>                                      | <b>6,443,145</b>                                |
| <b>Equity</b>  |   |   |
| Equity attributable to owners of the Company (the “NAV”) | 12,847,271  | 13,732,585                                      |
| Non-controlling interests                                | (7,807)   | 3,533   |
|  | <b>12,839,464</b>                                     | <b>13,736,118</b>                               |

### 3.1 Assets of the Group

As at 30 September 2024, the Group had total assets of approximately HK\$23,454.6 million. The principal assets of the Group comprised (i) interests in joint ventures and amounts due from joint ventures; (ii) interests in associates and amounts due from associates; (iii) properties held for sale; (iv) investment properties; (v) bank balances and cash; and (vi) other assets.

As mentioned in the section headed “1. Businesses of the Group” above, many of the property projects were undertaken by the Group through joint ventures and associates. The Group contributed capital to these projects either through equity investments in joint ventures/associates, accounted for as “interests in joint ventures/associates”, or through shareholder’s loan, accounted for as “amounts due from joint ventures/associates”.

Interests in joint ventures decreased by approximately 34.3% from approximately HK\$5,645.1 million as at 31 March 2024 to approximately HK\$3,708.4 million as at 30 September 2024. This decline was mainly due to the dividend declared from joint ventures which were used to offset amounts due to joint ventures in current liabilities, as well as provisions on joint ventures’ properties. As at 30 September 2024, the amounts due from joint ventures comprised (i) approximately HK\$2,883.3 million in loans to joint ventures including principal and accrued interests. These loans are unsecured, bear interest at Hong Kong Prime Rate plus 1% to 3% and 4.875% per annum and are repayable after one year; (ii) approximately HK\$5,416.1 million in loans to joint ventures including principal and accrued interests. These loans are unsecured, non-interest bearing and have no fixed repayment terms; and (iii) approximately HK\$1,095.6 million in share of loss of joint ventures, representing the accumulated share of loss of joint ventures in excess of the cost of investment, to the extent of the Group’s legal or constructive obligations.

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The amounts due from associates as at 30 September 2024 comprised (i) approximately HK\$1,256.5 million in loans to associates including principal and accrued interests. These loans are unsecured, bear interest at one-month Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.5% per annum and have no fixed repayment terms; and (ii) approximately HK\$153.4 million in share of loss of associates, representing the accumulated share of loss of associates in excess of the cost of investment, to the extent of the Group’s legal or constructive obligations.

### **3.2 Liabilities of the Group**

As at 30 September 2024, the Group had total liabilities of approximately HK\$10,615.1 million, which mainly comprised bank borrowings and the 2021 Guarantee Notes totalling approximately HK\$9,695.0 million.

The bank borrowings as at 30 September 2024 amounted to approximately HK\$7,390.3 million in aggregate, of which approximately HK\$1,921.3 million would be due within one year and approximately HK\$5,469.1 million would be due after one year. Of these bank borrowings, (i) approximately HK\$6,805.2 million bore interest at HIBOR plus 1.20% to 2.05% per annum; and (ii) approximately HK\$585.2 million bore interest at the quoted Loan Prime Rate by the National Interbank Funding Center or the Shanghai Interbank Offered Rate plus a fixed margin. Approximately HK\$4,096.7 million of these bank borrowings were secured by charges over the Group’s property, plant and equipment, investment properties and properties held for sale, and the remaining of approximately HK\$3,293.6 million were unsecured. As at 30 September 2024, the effective interest rates of the bank borrowings ranged from 4.71% to 6.86% per annum.

The 2021 Guaranteed Notes of approximately HK\$2,304.7 million as at 30 September 2024 are guaranteed notes in the aggregate principal amount of US\$300 million issued by Estate Sky Limited, a wholly-owned subsidiary of the Company, to institutional investors on 22 July 2021. The 2021 Guaranteed Notes carry interest at the rate of 5.45% per annum, with interest payable semi-annually in arrears and guaranteed by the Company. The 2021 Guaranteed Notes were listed on the Singapore Exchange with a fair value of approximately HK\$2,074.2 million based on the quoted price as at 30 September 2024. The 2021 Guaranteed Notes will mature on 21 July 2025. As the maturity period became less than one year, the 2021 Guaranteed Notes were therefore reclassified from non-current liabilities of the Group as at 31 March 2024 to current liabilities of the Group as at 30 September 2024.

As at 30 September 2024, the Group’s ratio of total debt to total assets (the “**Debt/Assets Ratio**”) (calculated by dividing (i) the total amount of bank borrowings and the 2021 Guaranteed Notes by (ii) the total assets of the Group) was approximately 41.3%.

We note that as set out in Appendix I to the Circular, the total amount of bank borrowings decreased slightly by about 2.4% to approximately HK\$7,212 million as at 31 December 2024. On this basis, the Debt/Asset Ratio as at 31 December 2024 would be approximately 40.6%.

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### **3.3    *Contingent liabilities of the Group***

As disclosed in the 2024/25 Interim Report, as at 30 September 2024, the Group had contingent liabilities which refer to the financial guarantees provided by the Group to banking facilities granted to joint ventures and associates amounting to approximately HK\$8,752.5 million, comprising corporate guarantees of approximately HK\$7,531.9 million for joint ventures and approximately HK\$1,220.7 million for associates.

As set out in Appendix I to the Circular, as at 31 December 2024, such financial guarantees provided by the Group amounted to approximately HK\$8,640 million, of which approximately HK\$7,323 million was provided for joint ventures and approximately HK\$1,317 million was provided for associates.

### **3.4    *NAV of the Group***

As at 30 September 2024, the NAV amounted to approximately HK\$12,847.3 million. Based on the issued 9,209,789,676 Existing Shares, the NAV per Existing Share as at 30 September 2024 was approximately HK\$1.39. Based on the issued 4,604,894,838 Consolidated Shares upon completion of the Share Consolidation, the NAV per Consolidated Share as at 30 September 2024 would be approximately HK\$2.79.

We note that, in accordance with the Group's accounting policies, investment properties of the Group are stated at fair value in the consolidated statement of financial position of the Group, while properties held for sale are stated at the lower of cost and net realisable value on individual property basis. The same accounting treatment applies to the property assets of the Group's joint ventures. As such, should the properties held for sale of the Group and of the joint ventures were to be measured at fair market value, the NAV may need to be adjusted. Nevertheless, we understand from the Management that, as the interim results of the Group as at 30 September 2024 were unaudited, and given the Company's practice of assessing the fair value of the majority of its property assets during the annual audit, the Company only assessed the fair value of a limited number of property assets of the Group (including those held by joint ventures) rather than conducting a valuation of all property assets. This assessment was performed mainly for the purpose of impairment assessment for HY2024/25.

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Despite this, we note that the Company disclosed in the 2023/24 Annual Report supplementary information on the Group's statement of net assets, based on the assumption that the properties held for sale were stated at their open market valuations as assessed by independent and qualified property valuers as at 31 March 2024, a summary of which is as follows:

**As at 31 March 2024**

|                                      |                |
|--------------------------------------|----------------|
| NAV (HK\$)                           | 13,732,585,000 |
| Number of issued Existing Shares     | 9,209,789,676  |
| NAV per Existing Share (HK\$)        | 1.49           |
| Number of issued Consolidated Shares | 4,604,894,838  |
| NAV per Consolidated Share (HK\$)    | 2.98           |

*Add:*

|  |                |
|--|----------------|
| Attributable revaluation surplus relating to the Group's properties held for sale (HK\$)       | 1,720,263,000  |
| Attributable revaluation surplus relating to properties held for sale by joint ventures (HK\$) | 1,885,077,000  |
| Adjusted NAV (HK\$) (" <b>Adjusted 31 March NAV</b> ")   | 17,337,925,000 |
| Adjusted 31 March NAV per Existing Share (HK\$)  | 1.88           |
| Adjusted 31 March NAV per Consolidated Share (HK\$)  | 3.77           |

As advised by the Management, there were no material change in the property portfolio between 31 March 2024 and 30 September 2024. Additionally, the Management was of the view that the open market value of the property assets of the Group as at 30 September 2024 would not be materially higher than that as at 31 March 2024. As a result, the Management considered it unnecessary to conduct a separate valuation of the property assets as of 30 September 2024 for the purpose of assessing revaluation surplus or loss. Given the generally subdued market conditions as further discussed in the section headed "4.1 Capital need of the Group" below, we consider that taking the Adjusted 31 March NAV as a reference for assessing the market value of the property assets of the Group would be sufficient for the purpose of our analysis.

#### **4. Reasons for the Strategic Funding & Partnership Proposal**

##### **4.1 Capital need of the Group**

As mentioned in the Board Letter, the Company reported a consolidated loss for the 2024 financial year and the interim period ended 30 September 2024, being the Company's first reported annual and interim losses since Mr. Chung acquired control of the Company in 2004. Considering the uncertain capital markets environment and significant downturn of the real estate sector in Hong Kong, the Board has been actively seeking longer-term funding to reposition the Group's balance sheet and in particular, to provide a safety margin to the Group's upcoming debt due.

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As advised by the Management, the Group requires continuous liquidity to support its property development and investment operation. The Group has historically financed its activities through proceeds from property sales and debt financing. However, the adverse market conditions, particularly weak post-COVID-19 economic recovery and prolonged high interest rates, have significantly slowed down the turnover of the Group's property sales. Consequently, the funding sources of the Group have become less stable and more costly.

According to a January 2025 article published on the website of Hong Kong Trade Development Council titled "Positive Momentum in Newly Built Prime Office Spaces" (the "**HKTDC Article**"), leasing activity has shown some positive momentum, particularly in the newly built office that offer high-quality amenities. However, the Hong Kong office market remains challenging, with a high vacancy rate of 13.1% on the Hong Kong Island in November 2024, while the Kowloon office market remained notably subdued. Despite a slowdown in new office completions, the market continued to struggle with an oversupply from previous years. This ongoing imbalance has kept rental rates under pressure and vacancy levels high. The outlook for the office market in 2025 remains uncertain. In the residential property sector, while the Hong Kong Government has relaxed various restrictive measures since early 2024, the impact has been mixed. Transaction volume have improved, yet pricing remains subdued due to continued buyer caution. For instance, we note that the Centa-City Index published by Centaline Property, which tracks Hong Kong housing price trends, has declined from the historical high of 185.62 in September 2021 to 138.53 in January 2025, reflecting on going downward pressure on property values.

Given this challenging market environment, the real estate sector as a whole has been adversely affected. Many listed property developers have recorded declining revenue and/or net loss in the past financial year. Additionally, publicly available data indicates that some real estate companies are facing liquidity crisis, struggling to manage high debt burdens and seeking new capital injections. Against this backdrop, and with the indebtedness of the Group set to mature in 2025, the Company has been actively exploring new capital sources. We agree that it would be in the interest of the Company to plan ahead, ensuring it can navigate the market volatility, manage rising finance costs, and address its maturing debt obligations. We concur with the view of the Management that the Strategic Funding & Partnership Proposal aligns with the Company's objectives to maintain a healthy financial position, optimise its capital structure and remains resilient in the face of ongoing economic challenge.

#### ***4.2 Rationale for the structure of the Strategic Funding & Partnership Proposal***

As mentioned in the Board Letter, in arriving at the structure and terms of the Strategic Funding & Partnership Proposal, the Board has considered:

- (a) the Group's requirement of up to HK\$2,000 million to strengthen its liquidity and financial stability and enable it to repay the Group's maturing indebtedness and for working capital;

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- (b) the formation of Newco and its related arrangements to anchor the commitment of the Investor while allowing sufficient capital from the Investor to be injected into the Company based on its Business Plans to deleverage and target HK\$9,000 million property sales to enhance Shareholders' value. This structure allows Mr. Chung to maintain control of the Company without requiring him to make a mandatory general offer under the Takeovers Code, while ensuring compliance with the covenants of its existing banking facilities, which require the Controlling Shareholder and his family to maintain a minimum of 30% beneficial interest in the issued share capital of the Company and remain the single largest shareholder of the Company;
- (c) the Rights Issue will allow the Shareholders to participate fairly pro-rata to their existing shareholding in the Company and avoid equity dilution by discounted share placements, or issue of equity or quasi-equity instruments to third parties;
- (d) to avoid value dilution for existing Shareholders through pricing the Rights Shares at a premium over the Closing Price; and
- (e) to structure the transaction such that funds to be raised through the Rights Issue and the Senior Unsecured Note address the objectives set out (a) to (d) above.

After discussion with the Management, we understand that the Company initially considered to raise HK\$2,000 million through debt financing, potentially borrowing the entire amount from Mr. Chung and/or the Investor. However, given the Group's objective of optimising its capital structure amid prolonged high interest rates and challenging market conditions, debt financing alone would not help deleverage the Group's financial position or reduce finance costs. Furthermore, securing a loan of such a significant amount for a property development and investment company in the current market conditions would likely be difficult or costly. As such, the Company considered that equity fundraising would be a more effective and sustainable approach. However, given the magnitude of the Group's capital need, a placing of new Shares under general mandate is not viable, as the amount of proceeds would be relatively small and market response uncertain, particularly due to the low trading volume of the Shares. While a private placement to the Investor could potentially meet the fundraising requirement, it was considered to be undesirable in the circumstances, as it would inevitably result in significant dilution of the existing Shareholders' stakes. More importantly, the Group's existing banking facilities contain covenants restricting changes of Mr. Chung's shareholding control in the Company. Accordingly, conducting a private placement with the Investor would not be feasible under these circumstances.

In view of the above, the Company was of the opinion that the Rights Issue was the best means for raising capital, considering the required fundraising amount, the pre-emptive nature of the Rights Issue, and the certainty of the Rights Issue provided by the Irrevocable Undertaking and the Underwriting Agreement. The Rights Issue ensures that all Qualifying Shareholders are offered an equal opportunity to maintain their proportionate interests in the Company and to participate in the future development of the Group. The Rights Issue also provides an opportunity for those Qualifying Shareholders who do not wish to take up their entitlements, to gain by selling their nil-paid rights. We agree that the Rights Issue represents an appropriate means to secure a substantial amount of capital while optimising the Group's financial position.



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We also understand from the Management that Gaw Capital, which is a private equity fund management company focusing on real estate and private equity markets in Asia Pacific and other high barrier-to-entry markets globally, is optimistic about the Group's capability to navigate the current challenges and achieve future growth, given the Group's strong historical performance and the quality of its assets. As such, Gaw Capital (through its managed fund) considered an equity investment in the Group to be the preferred approach, allowing it to share the potential economic benefits generated by the Group's business in the longer run.

We note that a portion of the funds raised by the issue of the Senior Unsecured Note is debt financing. We further discussed with the Management and understand that, in light of the banking facilities' covenants restricting changes of Mr. Chung's shareholding control in the Company and the Company's objective of maximising the fundraising through equity financing, the Company came to the decision to allocate HK\$1,492 million through the Rights Issue and HK\$500 million (before the discount on issue of the Senior Unsecured Note, and expenses) through the Senior Unsecured Note. This structure enables the Company to raise the required HK\$2 billion to the greatest extent possible through equity investment while preserving Mr. Chung's control in the Company.

The Senior Unsecured Note was therefore structured with the Rights Issue to accommodate the constraint on shareholding control. Under this arrangement, Gaw Capital (through its managed fund), subject to conditions, committed a total of approximately HK\$1.2 billion, enabling the Company to achieve the targeted capital raise of HK\$2 billion in total. If the Strategic Funding & Partnership Proposal were not pursued, the Company might have had to resort to full debt financing, which, as discussed above, would not be a preferable option. As such, the Management is of the view that, and we concur, the structure of the Strategic Funding & Partnership Proposal is fair and reasonable.

Having considered the scale of capital required, the prevailing market conditions, alternative fundraising options and the reasons behind combining the Rights Issue with the Senior Unsecured Note, the Management is of the view, and we concur, that the rationale for the structure of the Strategic Funding & Partnership Proposal is well-considered and sound.

### ***4.3 The Business Plans of the Group***

As mentioned in the Board Letter, the Business Plans of the Company aim to improve and secure its liquidity and financial standing, so as to meet its maturing liabilities as they fall due and to provide working capital for future business initiatives. These plans include, but not limited to, the following:

- (i) to de-leverage the balance sheet of the Group to a more sustainable level;
- (ii) to continue with the Group's current sales programme, targeting to achieve at least HK\$9,000 million in sales (based on a gross asset value attributable to the Group) within the next four financial years ending 31 March 2029) to generate sufficient funds for debt repayment and to monetise its property portfolio, with the aim of reducing the disparity between the Group's NAV and the trading price of the Shares. In the event that the aforementioned sales target is not met, the Group will seek to increase its sales efforts to close the gap;

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- (iii) to conduct business as usual but with a heightened strategic focus on exploring ways to reduce the discount of the trading price of the Shares to their attributable NAV, aiming to attract a market revaluation of the trading price of the Shares for the benefit of the Shareholders; and
- (iv) not to engage in new significant investments or acquisitions without first obtaining approval from an investment committee, which will be established subsequent to the completion of the Strategic Funding & Partnership Proposal. The Company has not contemplated any new significant investments or acquisitions as at the Latest Practicable Date.

### **4.4 The proposed use of proceeds**

The gross proceeds from the Strategic Funding & Partnership Proposal is expected to amount to approximately HK\$1,992 million (or net proceeds of approximately HK\$1,919.5 million, after the discount on issue of the Senior Unsecured Note, and expenses). As at the Latest Practicable Date, the Company intended to apply the proceeds from the Strategic Funding & Partnership Proposal before 2027 in the allocation as follows:

- (i) approximately HK\$800 million (including all proceeds under the Senior Unsecured Note) to refinance and/or repay indebtedness falling due in 2025 (including the 2021 Guaranteed Notes falling due in July 2025 and the coupon payable thereunder); and
- (ii) the remaining balance of approximately HK\$1,119.5 million to be allocated to a cash reserves primarily for working capital requirements as a buffer to ensure a prudent level of liquidity. The Company currently expects (i) approximately 25% of this amount to be allocated for administrative expenses for the next two years; and (ii) approximately 75% of this amount to be designated for debt servicing and as a liquidity buffer for upcoming financial obligations.

As a property development and investment company, the Company believes it is imperative to maintain an adequate cash reserve to navigate ongoing market volatility and macroeconomic uncertainties. This approach was designed to safeguard operational continuity by covering near-term expenses and meeting financial obligations, including interest expenses as they arise.

We understand from the Company that the aforementioned allocation is dependent on prevailing market conditions and is based on the assumption that there will be no material adverse changes. This presupposes stability in economic conditions, the absence of unforeseen capital expenditures or bad debts, and the successful refinancing of the Group's bank loans upon their maturity.

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We have discussed with the Management the Company's plans to settle the maturing indebtedness, which includes bank borrowings and the 2021 Guaranteed Notes that fall due in 2025. We understand that following the new capital raised through the Strategic Funding & Partnership Proposal, the Group would have enhanced financial flexibility and a stronger liquidity buffer to support its operations despite the relatively slow turnover of property assets. The Company has earmarked approximately HK\$800 million from the proceeds for repayment of indebtedness falling due in 2025 (including the 2021 Guaranteed Notes falling due in July 2025 and the coupon payable thereunder). The Company is currently exploring various means to finance or fund any remaining shortfall including but not limited to utilising its existing cash reserves, future sale proceeds and/or other potential refinancing options. For the bank borrowings that will be maturing in 2025, as over 90% of them are secured by the property assets of the Group, the Company plans to negotiate with the lender for renewal and/or refinancing of the majority of the relevant loans while settling part of such bank borrowings with its internal resources. The Group will continue to evaluate opportunities to monetise its property assets and optimise its capital structure, allowing it to continue to generate recurring income from its core businesses to address future obligations of repayment of indebtedness, and maintain a sufficient buffer to pay the maturing indebtedness as and when appropriate.

Given the significant capital requirements inherent in property development and investment, securing adequate funding is crucial for the Group's ongoing operations. With the proceeds from the Strategic Funding & Partnership Proposal, the Group will have flexibility to pursue business opportunities as they arise, facilitating asset sales and revenue generation to support debt repayment and/or negotiation with lenders. This strategic approach helps the Company avoid a vicious cycle where capital constraints hinder business growth while maturing indebtedness adds financial pressure. As such, we are of the view that the Company's plan is in the interest of the Company and the Shareholders as a whole.

### 5. The Rights Issue

#### 5.1 *Principal terms of the Rights Issue*

The table below summarises the principal terms of the Rights Issue:

|  |  |
|--|--|
| Basis of the Rights Issue:                                   | 18 Rights Shares for every 10 Consolidated Shares held by Qualifying Shareholders on the Record Date |
| Subscription Price:  | HK\$0.18 per Rights Share  |
| Number of Rights Shares to be issued under the Rights Issue: | 8,288,810,708 Rights Shares  |
| Right of excess application:                                 | Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment         |

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Number of Undertaken Shares: Pursuant to the Irrevocable Undertaking, a total of 6,435,997,850 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Share Consolidation) will be undertaken to be subscribed by Newco's subsidiaries, which comprising:

- (a) 4,661,272,854 nil-paid Rights Shares to be provisionally allotted to the relevant subsidiaries of NewCo; and
- (b) 1,774,724,996 Rights Shares to be applied for (by way of excess application) by Golden Boost as a Qualifying Shareholder following the completion of the Subscription Agreement.

Gross amount to be raised: Approximately HK\$1,492 million

Underwriter: VMS Securities Limited, a licensed corporation to carry out business in Type 1 (dealing in securities) regulated activity under the SFO

Number of Underwritten Shares: 1,852,812,858 Rights Shares (assuming no Shares will be issued or repurchased by the Company on or before the Record Date), being 8,288,810,708 Rights Shares minus 6,435,997,850 Undertaken Shares

Underwriting commission: 2% of the aggregate Subscription Price of the Underwritten Shares

For those Qualifying Shareholders who do not wish to participate in the Rights Issue, they are allowed to dispose of their nil-paid Rights Shares in the market. If the Shareholders are optimistic about the prospects of the Group, they may apply for excess Rights Shares and increase their shareholdings in the Company. The Company will allocate the Rights Shares in excess of the entitlement at its discretion on a fair and equitable basis to Qualifying Shareholders who have applied for excess Rights Shares.

The Rights Issue is conditional on, among others, (i) the approval of the Rights Issue, the Share Consolidation, the Authorised Share Capital Increase, the Facilitation Agreement and the transactions contemplated by them by those Shareholders (other than those who are required to abstain by the Listing Rules) at the SGM; and (ii) all of the Rights Issue Underwriting Agreement, the Note Subscription Agreement and the Facilitation Agreement having become unconditional, and not having been terminated.

The Rights Issue, other than all the Undertaken Shares to be taken up or subscribed for by Newco's subsidiaries, is fully underwritten by the Underwriter. The Underwriter will receive underwriting commission calculated at 2% of the total Subscription Price of the Underwritten Shares. We have conducted a search of rights issue exercises announced by companies listed on the Stock Exchange during the six-month period prior to the Last Trading Day, which we consider to be a sufficiently long period to

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generate a reasonable and meaningful number of sample size for analysis, and identified an exhaustive list of 38 cases (the “**Rights Issue Comparables**”, and each a “**Rights Issue Comparable**”). We note that out of these Rights Issue Comparables, four of them had been underwritten, with (i) one was underwritten by the substantial shareholder of the issuer which charged no underwritten fee; and (ii) one was partially underwritten by the substantial shareholder of the issuer which also charged no underwritten fee and partially underwritten by an independent third party which charged a 2% underwriting commission. The underwriting commission in these four cases ranged from nil to 3%, with a simple average of approximately 1.75%. However, considering the Underwriter in our case is an Independent Third Party, we are of the view that the Rights Issue Comparable where a substantial shareholder acted as underwriter and charged no underwriting commission is not relevant for comparison. Excluding this case, the underwriting commission charged by the independent underwriters in the other three Rights Issue Comparables ranged from 2% to 3%, with a simple average of approximately 2.33%. The 2% commission charged by the Underwriter under the Rights Issue is in our view within market range and on normal commercial terms. While only three out of 38 cases involved appointment of independent underwriters, the Rights Issue Comparables cover all the Rights Issue cases within the six-month period prior to the Last Trading Day on a non-selective basis. Given that these three cases reflect the recent market rates charged by independent underwriters for rights issue, we consider the sample size and selection criteria to be fair and representative for assessing the underwriting commission. Further details of the Rights Issue Comparables are set out in the section headed “Comparison with recent rights issue exercises” below.

### **5.2    *The Irrevocable Undertaking by Newco and the undertaking by Mr. Kan Sze Man***

On 23 January 2025, Newco entered into the Irrevocable Undertaking, pursuant to which, Newco undertook in favour of the Company, among other things, that (i) it shall procure Newco’s subsidiaries or nominees (including the CCASS participant(s) holding any such Shares on behalf of any of them) to accept and take up in full a total of 4,661,272,854 nil-paid Rights Shares to be provisionally allotted or transferred to it/them at or before the Latest Acceptance Date (out of which 2,222,222,222 nil-paid Right Shares will be taken up by Earnest Equity, and 2,439,050,632 nil-paid Right Shares will be taken up by Golden Boost); and (ii) it shall procure Golden Boost to apply (by way of excess application) for 1,774,724,996 Right Shares.

On even date, Mr. Kan Sze Man, a Director, who beneficially owned 23,790,500 Existing Shares, representing approximately 0.26% of the issued share capital of the Company as at the Latest Practicable Date, irrevocably undertook in favour of the Company, among other things, that he shall not take up any of the 21,411,450 Rights Shares to be provisionally allotted to him or for his benefit under the PALs pursuant to the Rights Issue; and he shall not apply for any Rights Shares under the EAFs.

### **5.3    *The Subscription Price***

The Subscription Price of HK\$0.18 per Rights Share will be payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or, where applicable, applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

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The Subscription Price represents:

- (i) a premium of approximately 5.88% over the theoretical Closing Price of HK\$0.1700 per Consolidated Share based on the closing price of HK\$0.0850 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.14% over the average theoretical closing price of approximately HK\$0.1712 per Consolidated Share based on the average closing price of approximately HK\$0.0856 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 5.26% over the average theoretical closing price of approximately HK\$0.1710 per Consolidated Share based on the average closing price of approximately HK\$0.0855 per Existing Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 2.04% over the theoretical ex-entitlement price of HK\$0.1764 per Consolidated Share derived from (a) theoretical closing price of HK\$0.1700 per Consolidated Share based on the Closing Price; (b) the gross proceeds of the Rights Issue of approximately HK\$1,492 million; and (c) the total number of theoretical Consolidated Shares upon completion of the Rights Issue;
- (v) a premium of approximately 5.88% over the theoretical closing price of HK\$0.1700 per Consolidated Share based on the closing price of HK\$0.0850 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 93.96% to the published audited consolidated NAV of approximately HK\$2.9822 per Consolidated Share based on the audited consolidated NAV attributable to the Shareholders as at 31 March 2024 of approximately HK\$13,732.6 million as disclosed in the 2023/24 Annual Report and 4,604,894,838 Consolidated Shares;
- (vii) a discount of approximately 95.22% to the Adjusted 31 March NAV of approximately HK\$3.7651 per Consolidated Share as discussed in the section headed “3.4 NAV of the Group” above;
- (viii) a discount of approximately 93.55% to the published unaudited consolidated NAV of approximately HK\$2.7899 per Consolidated Share based on the unaudited consolidated NAV attributable to the Shareholders as at 30 September 2024 of approximately HK\$12,847.3 million as disclosed in the 2024/25 Interim Report and 4,604,894,838 Consolidated Shares; and

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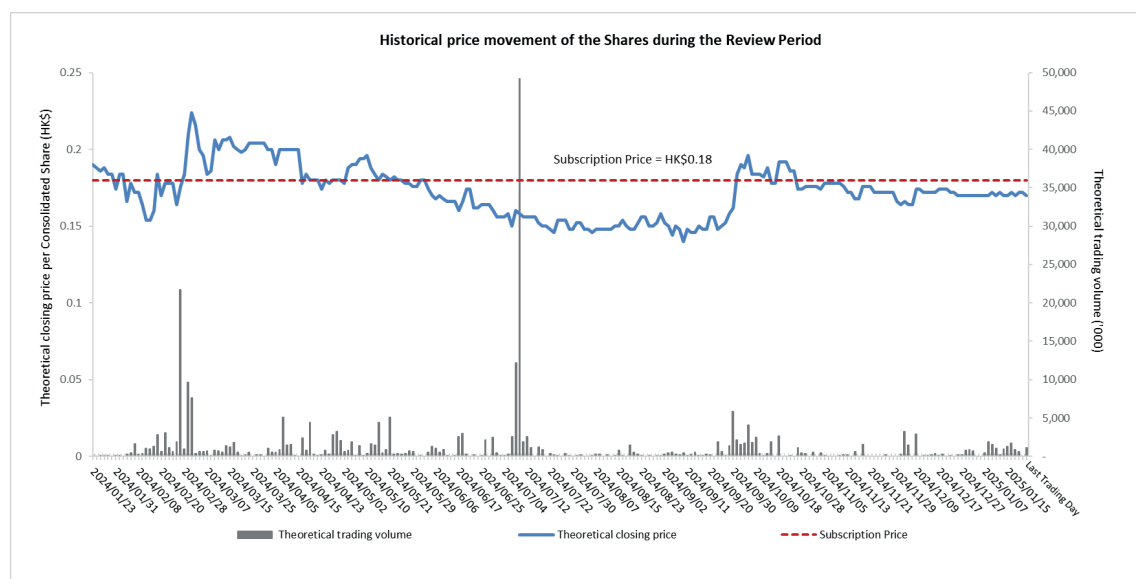
- (ix) no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of the theoretical diluted price of approximately HK\$0.1769 per Consolidated Share to the benchmarked price of approximately HK\$0.1712 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the Closing Price and the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day of approximately HK\$0.0856 per Existing Share).

The net price per Rights Share (i.e. the Subscription Price less costs and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotments of Rights Shares is estimated to be approximately HK\$0.1766 (assuming no change in the total number of issued Existing Shares or Consolidated Shares on or before the Record Date).

### 5.4 Historical price movement of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 23 January 2024 up to and including the Last Trading Day (the “**Review Period**”) (being a period of 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We are of the view that the Review Period is adequate and representative to illustrate the price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement, and we consider that such comparison would be relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the price of the Shares before the Announcement represented the fair value of the Shares conceived by the market and the Shareholders, while the price of the Shares after the Announcement may have been varied by the effect of the announcement by the Company of the Strategic Funding & Partnership Proposal.

The chart below illustrates, having adjusted with the effect of the Share Consolidation, the theoretical closing prices of the Consolidated Shares and the Subscription Price, and the theoretical trading volume of the Consolidated Shares as quoted on the Stock Exchange during the Review Period:



Source: Official website of the Stock Exchange



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During the Review Period, the theoretical closing prices of the Consolidated Shares were fluctuated between the lowest theoretical closing price of HK\$0.140 and the highest theoretical closing price of HK\$0.224, with an average theoretical closing price of the Consolidated Shares of approximately HK\$0.173.

As shown in the above chart, the theoretical closing prices of the Consolidated Shares had a surge in mid-February 2024, peaking at HK\$0.224 on 1 March 2024. Since then, the prices generally trended downward, reaching a low of HK\$0.140 on 10 September 2024. Following this decline, the theoretical closing prices of the Consolidated Shares showed a brief rebound, rising to HK\$0.196 on 7 October 2024, before stabilising and moving sideways with minimal fluctuations until the Last Trading Day. We are not aware of any announcement made by the Company that could explain these price movements. We have enquired with the Management and understand that they are also not aware of any specific reasons for those fluctuation in the Share price.

The Subscription Price represents a discount of approximately 19.6% to the highest theoretical closing price of the Consolidated Shares but a premium of approximately 28.6% over the lowest theoretical closing price of the Consolidated Shares. It also reflects a slight premium of approximately 4.0% over the average theoretical closing price of the Consolidated Shares during the Review Period. We note that the Subscription Price, with its slight premium, is broadly in line with the prevailing market price, as reflected by the recent theoretical closing prices of the Consolidated Shares over the past few months.

It is also worth noting that the theoretical closing price of the Consolidated Shares had consistently traded at a deep discount of over 90% to the NAV per Consolidated Share as at 31 March 2024 or 30 September 2024 or the Adjusted 31 March NAV during the Review Period. Given that the persistent low level of trading price relative to the Group's NAV, setting the Subscription Price at a premium to the prevailing market price helps reinforce investor confidence and demonstrate the Company's commitment to preserving Shareholder value. We concur with the Management that it is in interest of the existing Shareholders by setting the Subscription Price at a premium over the Share price to avoid unnecessary value dilution.



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### 5.5 *Liquidity of the Shares*

The following table sets out the trading volume of the Existing Shares during the period between the date falling one year preceding the Last Trading Day up to and including the Latest Practicable Date:

| Month   | Total trading volume of the Existing Shares during the month/period | Average daily trading volume of the Existing Shares during the month/period | % of average daily trading volume of the Existing Shares to the total issued Existing Shares (Note 1) | % of average daily trading volume of the Existing Shares to the total public (Note 2) |
|---|---|---|---|---|
| <b>2024</b>   |   |   |   |   |
| 23-31 January   | 480,000   | 68,571  | 0.001%  | 0.002%  |
| February  | 97,192,500  | 5,115,395   | 0.056%  | 0.128%  |
| March   | 35,730,000  | 1,786,500   | 0.019%  | 0.045%  |
| April   | 56,928,750  | 2,846,438   | 0.031%  | 0.071%  |
| May   | 43,527,500  | 2,072,738   | 0.023%  | 0.052%  |
| June  | 29,985,000  | 1,578,158   | 0.017%  | 0.039%  |
| July  | 146,838,843   | 6,674,493   | 0.072%  | 0.167%  |
| August  | 8,726,250   | 396,648   | 0.004%  | 0.010%  |
| September   | 26,300,972  | 1,384,262   | 0.015%  | 0.035%  |
| October   | 42,952,500  | 2,045,357   | 0.022%  | 0.051%  |
| November  | 6,235,625   | 296,935   | 0.003%  | 0.007%  |
| December  | 21,762,500  | 1,088,125   | 0.012%  | 0.027%  |
| <b>2025</b>   |   |   |   |   |
| January (up to and including the Last Trading Day)  | 24,602,128  | 1,640,142   | 0.018%  | 0.041%  |
| From the first trading day following the Announcement (up to and including the Latest Practicable Date) | 120,150,025   | 12,015,003  | 0.130%  | 0.300%  |

Source: Official website of the Stock Exchange

Notes:

- (1) Based on 9,209,789,676 Existing Shares in issue as at the Latest Practicable Date.
- (2) Based on 4,006,807,114 Existing Shares held in public hands as at the Latest Practicable Date.

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We note from the above table that trading volume of the Existing Shares was generally thin during the aforesaid period, where the percentages of average daily trading volume of the Existing Shares to the total issued Existing Shares and the total public float were below 0.2% and 0.3%, respectively. The relatively large trading volume in February 2024 coincided with the upsurge in the theoretical closing prices of the Consolidated Shares as mentioned above. We also note that the trading volume was significantly large in July 2024, which was mainly attributable to the trading day on 10 July 2024. We are not aware of any announcement made by the Company in respect of the sudden increase in the trading volume. We have also enquired with the Management and understand that they are not aware of any reason for such increase in the trading volume. Excluding the trading volume on that trading day, the percentages of average daily trading volume of the Existing Shares in July 2024 to the total issued Existing Shares and the total public float would have been only 0.025% and 0.057%, respectively. Given the thin liquidity of the Existing Shares, we agree that it would be difficult for the Company to pursue other sizeable equity financing alternatives in the market such as placing of Shares or convertible bonds.

### **5.6** *Comparison with recent rights issue exercises*

We have also made reference to the Rights Issue Comparables. Although the Rights Issue Comparables may be different from the Company in terms of business nature, financial performance and position and funding requirements, they can serve as fair and representative references of recent market practices in relation to rights issues in the prevailing market conditions. The list of the Rights Issue Comparables is set out below:

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| Date of announcement | Company name   | Stock code | Basis of entitlement | Premium/(Discount) of subscription price over/to the closing price on the last trading day % | Premium/(Discount) of subscription price over/to the theoretical ex- rights price % | Premium/(Discount) of subscription price over/to the asset value per share % | Premium/(Discount) of theoretical dilution effect % | Fully or Partly Underwritten Yes/No | Underwriting commission % | Excess application Yes/No |
|----------------------|--|------------|----------------------|--|---|--|---|-------------------------------------|---------------------------|---------------------------|
| 17-Jan-25            | Wan Kei Group Holdings Limited                               | 1718       | 1 for 1              | -29.82   | -17.53  | -75.00   | -17.64  | N                                   | N/A                       | N                         |
| 31-Dec-24            | China Deneter Financial Investments Limited                  | 8120       | 1 for 2              | -25.00   | -18.18  | -59.08   | -8.55   | N                                   | N/A                       | N                         |
| 27-Dec-24            | China Kingstone Mining Holdings Limited                      | 1380       | 2 for 5              | 16.28  | 11.11   | -65.60   | 4.65  | N                                   | N/A                       | N                         |
| 20-Dec-24            | Mansion International Holdings Limited                       | 8456       | 4 for 1              | -22.90   | -5.50   | N/A  | -18.80  | N                                   | N/A                       | N                         |
| 19-Dec-24            | HSC Resources Group Limited                                  | 1850       | 4 for 1              | -24.29   | N/A   | N/A  | -19.43  | N                                   | N/A                       | N                         |
| 13-Dec-24            | China Energy Storage Technology Development Limited          | 1143       | 2 for 1              | -36.36   | -16.00  | -90.5  | -24.24  | N                                   | N/A                       | N                         |
| 13-Dec-24            | Royal Century Resources Holdings Limited                     | 8125       | 3 for 1              | -23.95   | -7.30   | -82.69   | -17.96  | N                                   | N/A                       | N                         |
| 10-Dec-24            | KNT Holdings Limited   | 1025       | 3 for 1              | -9.38  | -2.52   | -59.90   | -8.08   | N                                   | N/A                       | N                         |
| 6-Dec-24             | Xinming China Holdings Limited                               | 2699       | 4 for 1              | -13.80   | N/A   | N/A  | -16.90  | N                                   | N/A                       | N                         |
| 3-Dec-24             | Graphex Group Limited  | 6128       | 3 for 1              | -32.00   | -10.53  | -51.51   | -24.00  | N                                   | N/A                       | N                         |
| 2-Dec-24             | Luxxu Group Limited  | 1327       | 1 for 1              | -44.44   | N/A   | -82.10   | -22.22  | N                                   | N/A                       | N                         |
| 21-Nov-24            | Legend Strategy International Holdings Group Company Limited | 1355       | 1 for 1              | -49.71   | -33.08  | N/A  | -24.86  | N                                   | N/A                       | Y                         |
| 21-Nov-24            | Elite Holdings Limited                                       | 223        | 5 for 1              | -6.54  | -9.09   | 96.10  | -0.61   | N                                   | N/A                       | Y                         |
| 19-Nov-24            | China Wood International Holdings Co., Limited               | 1822       | 1 for 1              | -45.00   | -29.10  | N/A  | -24.90  | N                                   | N/A                       | Y                         |
| 15-Nov-24            | Global Strategic Group Limited                               | 8007       | 4 for 1              | -12.50   | -3.20   | -91.60   | -11.30  | Y                                   | 3.00                      | Y                         |
| 12-Nov-24            | HG Semiconductor Limited                                     | 6908       | 1 for 4              | -36.00   | -31.00  | -44.20   | -8.30   | N                                   | N/A                       | N                         |
| 11-Nov-24            | Far East Holdings International Limited                      | 36         | 2 for 1              | -35.77   | -15.66  | -80.59   | -23.85  | N                                   | N/A                       | N                         |
| 6-Nov-24             | China Water Industry Group Limited                           | 1129       | 1 for 1              | -49.85   | -33.20  | -93.95   | -24.92  | N                                   | N/A                       | N                         |
| 31-Oct-24            | Yuzhou Group Holdings Company Limited                        | 1628       | 49 for 100           | -73.68   | -65.27  | N/A  | -24.23  | N                                   | N/A                       | Y                         |
| 22-Oct-24            | IRC Limited  | 1029       | 1 for 2              | -15.00   | -10.50  | -67.30   | -4.90   | N                                   | N/A                       | Y                         |
| 21-Oct-24            | China 33 Media Group Limited                                 | 8087       | 3 for 2              | -7.41  | -3.23   | -55.62   | -5.12   | N                                   | N/A                       | N                         |
| 18-Oct-24            | Kingkey Financial International (Holdings) Limited           | 1468       | 1 for 2              | 0.00   | N/A   | 124.60   | 0.00  | N                                   | N/A                       | Y                         |
| 18-Oct-24            | Gaodi Holdings Limited                                       | 1676       | 1 for 2              | 37.90  | 12.10   | -65.50   | 12.10   | N                                   | N/A                       | N                         |
| 15-Oct-24            | Eminence Enterprise Limited                                  | 616        | 2 for 1              | -8.00  | -2.85   | -98.98   | -21.30  | N                                   | N/A                       | Y                         |
| 8-Oct-24             | V&V Technology Holdings Limited                              | 8113       | 1 for 2              | -31.51   | -23.47  | -32.23   | -10.50  | N                                   | N/A                       | Y                         |
| 4-Oct-24             | Palinda Group Holdings Limited                               | 8179       | 1 for 2              | -18.70   | -13.29  | -66.10   | -6.23   | N                                   | N/A                       | Y                         |
| 2-Oct-24             | China National Culture Group Limited                         | 745        | 2 for 1              | -31.97   | N/A   | N/A  | -21.31  | N                                   | N/A                       | N                         |
| 26-Sep-24            | Innovax Holdings Limited                                     | 2680       | 1 for 2              | -67.39   | -59.02  | -88.59   | -22.78  | N                                   | N/A                       | N                         |
| 23-Sep-24            | Hatcher Group Limited  | 8365       | 3 for 1              | -31.50   | -10.40  | -94.10   | -23.60  | Y                                   | Nil                       | N                         |
| 23-Sep-24            | Shougang Fushan Resources Group Limited                      | 639        | 1 for 30             | 1.96   | 1.90  | -20.49   | 0.06  | N                                   | (Note 4)                  | Y                         |
| 13-Sep-24            | Dragon Rise Group Holdings Limited                           | 6829       | 1 for 1              | -48.70   | -33.10  | -89.20   | -24.90  | Y                                   | Nil/2.00                  | N                         |
| 13-Sep-24            | Shougang Century Holdings Limited                            | 103        | 1 for 5              | 10.00  | 8.20  | -62.50   | 6.80  | N                                   | (Note 4)                  | Y                         |
| 9-Sep-24             | Crown International Corporation Limited                      | 727        | 1 for 2              | 0.00   | 0.00  | 156.52   | 0.00  | N                                   | N/A                       | Y                         |
| 4-Sep-24             | China New Consumption Group Limited                          | 8275       | 1 for 2              | -5.66  | -4.76   | -61.09   | -2.47   | N                                   | N/A                       | N                         |
| 2-Sep-24             | Guangdong - Hong Kong Greater Bay Area Holdings Limited      | 1396       | 1 for 2              | -22.03   | -15.85  | -90.50   | -8.28   | N                                   | N/A                       | Y                         |
| 22-Aug-24            | Beijing West Industries International Limited                | 2339       | 1 for 2              | -13.85   | -9.68   | -88.72   | -4.62   | N                                   | N/A                       | Y                         |
| 2-Aug-24             | Asia Television Holdings Limited                             | 707        | 1 for 2              | -46.80   | -37.00  | 31.25  | -15.60  | N                                   | N/A                       | N                         |
| 31-Jul-24            | Emperor International Holdings Limited                       | 163        | 1 for 2              | -30.60   | -23.60  | -96.10   | -10.50  | Y                                   | 2.00                      | Y                         |
|                      |  |            | Maximum              | 37.90  | 12.10   | 156.52   | 12.10   |                                     | 3.00                      |                           |
|                      |  |            | Minimum              | -73.68   | -65.27  | -98.98   | -24.92  |                                     | 0.00                      |                           |
|                      |  |            | Average              | -23.26   | -15.47  | -49.85   | -12.61  |                                     | 1.75                      |                           |
| 2-Feb-25             | The Company  | 497        | 18 for 10            | 5.88   | 2.04  | -93.55   | 3.33  | Y                                   | 2.00                      | Y                         |

Source: Official website of the Stock Exchange

Notes:

1. Information has been extracted from the relevant announcements of the rights issue of the respective Rights Issue Comparable.

2. "N/A" denotes that the announcement did not disclose such information.

3. The theoretical dilution effect is calculated in accordance with Rule 10.44A of the Rules Governing the Listing of Securities on GEM, or extracted from announcement in respect of the relevant rights issue.

4. The underwriters of these two Rights Issue Comparables which charged no underwriting commission were substantial shareholders of the issuer.

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We note that, by reference to the Rights Issue Comparables, (i) the premium of the Subscription Price over the theoretical closing price per Consolidated Share on the Last Trading Day of approximately 5.88% falls within the range of that of the Rights Issue Comparables between a discount of approximately 73.68% and a premium of approximately 37.90%; and (ii) the discount of the Subscription Price to the NAV per Consolidated Share of approximately 93.55% also falls within the range of that of the Rights Issue Comparables between a discount of approximately 98.98% and a premium of approximately 156.52%. We did not exclude any Rights Issue Comparable as outlier as such exclusion would not affect our analysis. We also note that 32 of the Rights Issue Comparables were conducted at a discounted subscription price, leading to a theoretical dilution effect on their share price, whereas the Rights Issue will not result in such value dilution. Also, unlike 34 of the Rights Issue Comparables which were not underwritten, the Rights Issue is fully underwritten, factoring in the Irrevocable Undertaking, enhancing its certainty and credibility.

### 5.7 *Our view*

As mentioned in the Board Letter, the Subscription Price was determined by the Company with reference to, in principle, (i) the intention that the Rights Issue should be non-price dilutive; (ii) the amount of funds the Company intends to raise under the Rights Issue; (iii) the theoretical market price of the Consolidated Shares under the market conditions preceding and including the date of the Announcement; and (iv) the intention of the Board to issue at a premium to the theoretical market price of the Consolidated Shares which the Board considers will send a positive signal to the market and demonstrate the Investor's confidence in the Company, hence will be acceptable and welcomed by the Shareholders.

We note that, unlike majority of the Rights Issue Comparables, the Subscription Price for the Rights Issue was determined at a premium of approximately 5.9% over the theoretical closing price of the Consolidated Shares. As discussed in the section headed "4.2 Rationale for the structure of the Strategic Funding & Partnership Proposal" above, the Strategic Funding & Partnership Proposal was structured by the Company with the consideration of avoiding value dilution for existing Shareholders. Given the closing prices of the Shares have been at a very low level, in particular, the Shares have been trading at a substantial discount to the Group's NAV or the Adjusted 31 March NAV, it is not unreasonable to mitigate further value dilution.

As shown in the section headed "5.4 Historical price movement of the Shares" above, the Subscription Price falls within the range of the lowest and highest theoretical closing prices of the Consolidated Shares during the Review Period. It also only represents a slight premium of 4.0% over the closing prices of the Consolidated Shares during the Review Period, suggesting that the Subscription Price in fact aligns with the historical trading trend of the Shares. Unlike those Rights Issue Comparables where the subscription price was set at a discount to the closing prices to attract shareholder participation, Gaw Capital (through its managed funds) and Mr. Chung have demonstrated their confidence in the Company by committing approximately HK\$1.2 billion to subscribe for the Rights Shares at the Subscription Price. Furthermore, the Rights Issue, unlike the majority of the Rights Issue Comparables, is fully underwritten, mitigating the need for the Company to set a discounted price to encourage subscriptions. The willingness of Gaw Capital (through its managed funds) and Mr. Chung to subscribe the Rights Shares at a premium price over the theoretical closing price of the Consolidated Shares demonstrates their confidence in future prospects of the Company. While, as further discussed in the

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section headed “10. Potential dilution effect on the existing shareholding” below, the maximum dilution effect on shareholding for Qualifying Shareholders who do not take up their entitlements could be approximately 64.3%, those who share the same vision as Gaw Capital and Mr. Chung and fully subscribe their entitlements will maintain their proportional shareholding interests without dilution.

In view of the fact that (i) the Shares had consistently traded at a very low level, with generally thin trading volume during the Review Period, as discussed in the sections headed “5.4 Historical price movement of the Shares” and “5.5 Liquidity of the Shares” above; (ii) the premium over the theoretical closing price of the Consolidated Shares represented by the Subscription Price falls within the range of the Rights Issue Comparables; (iii) the discount of the Subscription Price to the NAV per Consolidated Share is also in line with the Rights Issue Comparables; (iv) the Rights Issue is structured to be non-price dilutive, with no theoretical dilution effect to the price of the Shares; (v) all Qualifying Shareholders are entitled to participate, with the option to apply for excess Rights Shares via EAFs; (vi) the Rights Issue provides an opportunity for those Qualifying Shareholders who do not wish to take up their entitlements to gain by selling their nil-paid rights in the market for cash proceeds; and (vii) the Rights Issue is fully underwritten, ensuring higher fund-raising certainty, we consider that the principal terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **6. The Note Subscription Agreement**

#### ***6.1 Principal terms of the Note Subscription Agreement***

As part and parcel of the Strategic Funding & Partnership Proposal, on 23 January 2025, the Note Issuer, the Company and the Note Subscriber entered into the Note Subscription Agreement, pursuant to which, the Note Issuer has conditionally agreed to issue, and the Note Subscriber has conditionally agreed to subscribe for, the Senior Unsecured Note with a principal amount of HK\$500 million, at a subscription price of 93% of its face amount with an interest of 8.22% per annum, payable semi-annually in arrears and on the Note Maturity Date or, if earlier, upon redemption of the Senior Unsecured Note.

Completion of the Note Subscription Agreement is conditional upon, among other things, the receipt by the Note Subscriber in form and substance satisfactory to it evidence of (i) the commencement of the dealings of fully-paid Rights Shares; and (ii) any waivers, consents, authorisations, clearances and approvals which are required under the Listing Rules and the Takeovers Code for the Note Subscription Agreement and the transactions contemplated thereunder have been granted, fulfilled or given (as applicable), and all such waivers, consents, authorisations, clearances and approvals have not been revoked or withdrawn.

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### 6.2 *Principal terms of the Senior Unsecured Note*

The table below summarises the principal terms of the Senior Unsecured Note:

|                     |   |
|---------------------|---|
| Note Issuer:        | Affinity Ocean Limited, a wholly-owned subsidiary of the Company  |
| Note Subscriber:    | Kenton Harmony Limited, a company owned by a consortium of institutional investors led by a subsidiary of Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.) |
| Guarantor:          | the Company   |
| Principal amount:   | HK\$500 million   |
| Subscription price: | 93% of the principal amount of the Senior Unsecured Note, being HK\$465,000,000   |
| Interest rate:      | 8.22% per annum   |

The Note Issuer shall pay accrued interest on the last day of each interest period. Each interest period shall have a duration of six months or such other period as may be agreed between the Note Issuer and the holder of the Senior Unsecured Note.

|           |   |
|-----------|---|
| Maturity: | The fourth anniversary of the Note Issue Date |
|-----------|---|

|  |   |
|--|---|
| Redemption at the option of the Note Issuer: | The Note Issuer shall be entitled to redeem in whole or in part of the outstanding principal amount of the Senior Unsecured Note at any time on or after the day immediately prior to the second anniversary of the Note Issue Date at the following redemption price, together with interest accrued to such date: |
|--|---|

- (i) on the day immediately prior to the second anniversary of the Note Issue Date: 95.4% of the principal amount of the Senior Unsecured Note;
- (ii) on or after the second anniversary of the Note Issue Date but before the third anniversary of the Note Issue Date: 97.8% of the principal amount of the Senior Unsecured Note; and
- (iii) on or after the third anniversary of the Note Issue Date but before the Note Maturity Date: 100.5% of the principal amount of the Senior Unsecured Note.

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|                                      |   |
|--------------------------------------|---|
| Redemption at maturity:              | The Note Issuer shall on the Note Maturity Date redeem the Senior Unsecured Note at a price equal to 100.5% of its principal amount.  |
| Extension fee:                       | An extension fee of 3% of the principal amount (if any) of the Senior Unsecured Note outstanding on the first, second, and third anniversaries of the Note Issue Date is payable by the Note Issuer to the Note Subscriber.   |
| Status of the Senior Unsecured Note: | The Senior Unsecured Note will constitute an unsubordinated and unsecured obligation of the Note Issuer which ranks at least <i>pari passu</i> with all other existing and future unsecured and unsubordinated obligations of the Note Issuer, save for such obligations that may be preferred by provisions of law that are mandatory. |
| Transferability:                     | The prior written consent of the Note Issuer is required for any assignment or transfer by the holder unless the transfer is (i) to an affiliate of the holder; (ii) to a fund which is a related fund of the holder; or (iii) made at a time when an event of default is continuing.   |
| Voting:                              | The Note Subscriber will not by reason only of being the holder of the Senior Unsecured Note be entitled to attend or vote at any general meeting of the Company or the Note Issuer   |
| Listing:                             | No application shall be made for the listing of the Senior Unsecured Note on the Stock Exchange or in any other jurisdiction or quoted in any over-the-counter exchange.  |

### **6.3 Comparison with the 2021 Guaranteed Notes**

As mentioned in the section headed “3.2 Liabilities of the Group” above, the Group issued the 2021 Guaranteed Notes in July 2021. For the purpose of assessing the terms of the Senior Unsecured Note, we have compared it with the 2021 Guaranteed Notes as the 2021 Guaranteed Notes remained outstanding as at the Latest Practicable Date and therefore a direct comparable.

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The 2021 Guaranteed Notes were issued by a wholly-owned subsidiary of the Company to a number of institutional investors and were guaranteed by the Company. The aggregate principal amount of the 2021 Guaranteed Notes is US\$300 million, which carry an interest rate of 5.45% per annum, payable semi-annually in arrears, and shall mature in four years from the date of the issuance. The subscription price of the 2021 Guaranteed Notes was set at 100% of their principal amount. Unless previously redeemed, or purchased and cancelled, the 2021 Guaranteed Notes shall be redeemed at their principal amount. The Group also has the option to redeem the 2021 Guaranteed Notes, in whole or in part, at any time on or after 21 July 2024, at 101% of the principal amount together with accrued and unpaid interest. The 2021 Guaranteed Notes are unsubordinated and unsecured and rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the note issuer. The use of proceeds of the 2021 Guaranteed Notes were for the Group's working capital and for repayment of certain outstanding debt. Aside from differences in principal amount, interest rate, subscription price and redemption terms, we consider that the 2021 Guaranteed Notes and the Senior Unsecured Note are similar in nature given that both were issued/to be issued by the Group with the same principal businesses, and both are unsubordinated, unsecured and guaranteed by the Company, with same term to maturity. The features of the Senior Unsecured Note are customarily to this type of instrument.

We note that, in connection with the issuance of the 2021 Guaranteed Notes, the Group incurred certain fees, including an underwriting commission, to reimburse the joint lead managers (i.e. the subscribers) for expenses in connection with the initial sale and distribution of notes. The Group was required to indemnify the joint lead managers against certain liabilities in connection with the offering and sale of the 2021 Guaranteed Notes. In addition, the Group also paid commissions to certain private banks based on the principal amount of the 2021 Guaranteed Notes purchased by their clients.

The 2021 Guaranteed Notes are listed on the Singapore Exchange. We note that neither the 2021 Guaranteed Notes nor their issuer had credit rating. The yield to maturity of the 2021 Guaranteed Notes on the date of issue was 5.45%. On the Last Trading Day, the ask price of the 2021 Guaranteed Notes was US\$85.0 and the bid price was US\$83.0, representing an ask yield and bid yield of approximately 42.3% and 48.2%, respectively. We note that during the one-year period prior to the Last Trading Day, the yields of the 2021 Guaranteed Notes were generally on an upward trend, increasing from an ask yield and bid yield of approximately 16.8% and 18.0% on 23 January 2024, respectively, to over 40% on the Last Trading Day. The only exception was the period from 25 July 2024 to 26 August 2024, during which the ask yield and/or the bid yield fell below 14%. The lowest ask yield and bid yield were approximately 13.1% on 26 July 2024 and 13.7% on 25 July 2024, respectively. We further note that following the publishing of the Announcement by the Company on 3 February 2025, the ask yield and bid yield of the 2021 Guaranteed Notes dropped sharply to approximately 21.0% and 23.4%, respectively before gradually rising again, reaching at approximately 35.3% and 37.4% as at the Latest Practicable Date.

Based on the discussion with the Management, we understand that the yield to maturity of the Senior Unsecured Note would be approximately 13.3%, calculated using the following parameters: (i) the principal amount of HK\$500 million; (ii) the subscription price set at 93% of the principal amount; (iii) the interest rate of 8.22% per annum, payable semi-annually; (iv) the annual extension fee of 3%; and (v) the four-year term.



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### 6.4 *Our view*

As set out in the Board Letter, the subscription price of the Senior Unsecured Note was determined after arm's length negotiations between the Company and the Note Subscriber having taken into account (i) the rate of return required by the Note Subscriber in light of the current high-interest rate economic environment; and (ii) the difficulties and uncertainties faced by the Group in securing substantial amounts of long-term funding in the current adverse market conditions.

As discussed in the section headed "4.1 Capital need of the Group" above, the economic recovery post-COVID-19 pandemic had been weak, with the real estate sector facing ongoing headwinds. In fact, the Group had turned from a profit making position to a loss making position for FY2023/24. Meanwhile, the interest rate has surged substantially. The 12-month HIBOR in July 2021 stood at approximately 0.3563% but had risen to approximately 3.9398% in January 2025. In the circumstances, we consider that the market situation faced by the Group has changed substantially. We are of the view that it would not be unreasonable for a potential financier to demand a higher yield compared to the time of issuance of the 2021 Guaranteed Notes for providing debt financing to the Group. Generally, bond yield reflects the return on the capital invested, with higher yields typically indicating higher perceived risk, as bond issuers with a perceived greater chance of default usually offer higher returns. We consider the surge of the yield of the 2021 Guaranteed Notes prior to the Last Trading Day to over 40% as mentioned above reflects the market perception of the Group's recent financial performance, financial position, as well as the evolving market environment as the notes approached maturity. The immediate drop in yields following the Announcement aligns with the risk mitigation brought by the Strategic Funding & Partnership Proposal. Despite this drop, the yields of the 2021 Guaranteed Notes remained above 30% as at the Latest Practicable Date. In comparison, we consider the yield of the Senior Unsecured Note of 13.3%, which has factored in the discounted subscription price, the coupon rate, the annual extension fee and the redemption price at maturity, to be reasonable in the circumstances, particularly as the yield is within the range of, and near the lower end of, the yields of the 2021 Guaranteed Notes and is lower than their yields on most days during the one-year period prior to the Last Trading Day up to the Latest Practicable Date.

For further analysis, we have also conducted a search for companies listed on the Stock Exchange that meet either of the following criteria: (i) more than 50% of their revenue in the last financial year was derived from property development in Hong Kong; or (ii) more than 50% of their revenue in the last financial year was generated from both property development and property investment in Hong Kong, with the majority coming from property development. We have excluded three listed companies, namely Sun Hung Kai Properties Limited (0016.HK), Sino Land Company Limited (0083.HK) and Tsim Sha Tsui Properties Limited (0247.HK) from our analysis, as each of their market capitalisation exceeded HK\$10 billion as at the Latest Practicable Date. Given their significant larger size compared to the Company, we do not consider them to be appropriate comparables. On this basis, we identified an exhaustive list of 6 companies, as set out below:

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| Company name                              | Stock code | Principal business  | Market Capitalisation as at the Latest Practicable Date<br>HK\$ million | Revenue (latest financial year)<br>HK\$ million | Revenue (previous financial year)<br>HK\$ million | Profit/(Loss) for the latest financial year<br>HK\$ million | Latest total assets<br>HK\$ million | Debt/Assets Ratio<br>% |
|---|------------|---|---|---|---|---|-------------------------------------|------------------------|
| Kowloon Development Company Limited       | 34         | Property development, property investment and property management in Hong Kong and the PRC.   | 4,911   | 2,943   | 4,582   | 326   | 44,455                              | 43.5                   |
| Cheuk Nang (Holdings) Limited             | 131        | Property development and investment and provision of property management and related services.  | 1,070   | 188   | 45  | 171   | 9,562                               | 14.0                   |
| Chuang's Consortium International Limited | 367        | Property development, investment and trading, securities investment and trading business in Hong Kong, the PRC, France and other countries. | 560   | 397   | 252   | -1,059  | 13,280                              | 24.4                   |
| Easyknit International Holdings Limited   | 1218       | Property development, property investment and loan financing business.  | 122   | 227   | 87  | -409  | 3,605                               | 40.2                   |
| Wang On Properties Limited                | 1243       | Property development and trading, property investment and asset management businesses in Hong Kong.   | 547   | 298   | 1,992   | -742  | 9,014                               | 44.0                   |
| Star Group Asia Limited                   | 1560       | Property development, property investment and provision of property management services in Hong Kong.                                       | 90  | 1,244   | 1,699   | -298  | 3,395                               | 51.2                   |
| The Company                               | 497        | Property development and property investment in Hong Kong, the PRC and Macau.   | 783   | 1,579   | 804   | -456  | 23,455                              | 41.3                   |

Source: Bloomberg and official website of the Stock Exchange

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Nevertheless, we note that, as at the Latest Practicable Date, none of the above companies had issued any unsecured notes or bonds, and therefore no direct comparison could be performed for the Senior Unsecured Notes. Given the differences in business profile, business model, financial position, size and scale of operation, market conditions facing by different companies, and the differences in the salient terms of the notes/bonds, we consider that it would not be meaningful to extend the search for other companies that had issued unsecured notes/bonds for the purpose of comparison. In our view, comparison with the 2021 Guaranteed Notes would be the most appropriate and relevant for assessing the Senior Unsecured Note.

We further note that, as mentioned in the Board Letter, given that the Senior Unsecured Note will be issued to the Investor who, unlike the providers of current banking facilities of the Group, does not have an established banking relationship with the Company and is hence less likely to be willing to accept lower return, the Board considers that a comparison against the Company's outstanding bank loans is not appropriate when evaluating the fairness and reasonableness of the terms of the Senior Unsecured Note. We concur with the Board's view in this regard. We also consider it reasonable that banks would accept lower return on loans that are secured by the Group's assets.

Taking into account (i) the Senior Unsecured Note being an integral component of the broader Strategic Funding & Partnership Proposal raising approximately HK\$2 billion in total capital; (ii) the reasons and rationale for the Strategic Funding & Partnership Proposal as mentioned in the section headed "4.2 Rationale for the structure of the Strategic Funding & Partnership Proposal" above; (iii) the comparison of the yield of the Senior Unsecured Note with the yields of the 2021 Guaranteed Notes trading on the Singapore Exchange; and (iv) the shift in the market conditions as discussed above, the Management is of the view, and we concur, that the terms of the Note Subscription Agreement are on normal commercial terms and are fair and reasonable.

### **7. The Facilitation Agreement**

#### **7.1 *Principal terms of the Facilitation Agreement***

The table below summarises the principal terms of the Facilitation Agreement:

|                |   |
|----------------|---|
| Parties:       | (i) The Company; and (ii) the Investor.   |
| Consideration: | Pursuant to the Facilitation Agreement, the Company agreed to pay the Investor an amount of HK\$22 million on the Strategic Funding & Partnership Proposal Completion Date.   |
| Obligations:   | The Company shall use its best endeavours to implement the Strategic Funding & Partnership Proposal in accordance with the timetable and the Investor shall provide such co-operation and assistance to the Company as the Company may reasonably request in writing in connection therewith. |

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|              |  |
|--------------|--|
| Condition:   | The Company's obligation to pay the amount under the Facilitation Agreement is conditional on any waivers, consents, authorisations, clearances and approvals which are required under the Listing Rules and the Takeovers Code for the Facilitation Agreement and the transactions contemplated therein having been granted, fulfilled or given (as applicable), and all such waivers, consents, authorisations, clearances and approvals not having been revoked or withdrawn. |
| Termination: | If the Rights Issue is terminated the rights and obligations of Investor and the Company under the Facilitation Agreement shall lapse and neither party shall have any claim against the other under or in connection with the Facilitation Agreement, save in respect of antecedent breaches of the Facilitation Agreement.   |

### 7.2 *Our view*

As mentioned in the Board Letter, the amount of HK\$22 million was agreed upon by the Company in consideration of the Investor's contributions to the Company under the Strategic Funding & Partnership Proposal and its commitment to providing funding support as part of the proposal. The amount payable to the Investor was determined after arm's length negotiations between the Company and the Investor having taken into account of, among other factors, the overall difficulty and uncertainty faced by the Group in securing substantial amount of long-term funding amid the current adverse market condition and high-interest rate environment, as well as the benefits that would be brought to the Group by the Strategic Funding & Partnership Proposal.

We have discussed and understand from the Management that the HK\$22 million amount payable to the Investor under the Facilitation Agreement, in consideration of its role in providing capital under the Strategic Funding & Partnership Proposal was determined by reference to the Investor's total commitment of capital of approximately HK\$1,258 million. This commitment comprises approximately HK\$439 million for subscription of Rights Shares under the PAL, approximately HK\$319 million for the subscription of Rights Shares under the EAF, and HK\$500 million (before the discount on issue of the Senior Unsecured Note, and expenses) through the Senior Unsecured Note. The HK\$22 million amount represents approximately 1.75% of this total commitment. Importantly, this amount is only payable by the Company upon completion of the Rights Issue and the Note Subscription Agreement.

Gaw Capital, though not acting as underwriter, has (through its managed funds) committed the capital of approximately HK\$1.2 billion for the Company's implementation of the Strategic Funding & Partnership Proposal effectively performing the function of an underwriter. With the capital commitment by Gaw Capital, the Company therefore could raise the desired sum of approximately HK\$2 billion with certainty amidst the current dampening market conditions facing by the Group. Thus, we consider it meaningful to use underwriting commission as a reference when evaluating the 1.75% amount. We are given to understand that the underwriting commission (together with other fees) for the issuance of the 2021 Guaranteed Notes were approximately 1.2%. We note that the 1.75% amount is within the range of the underwriting commission for the issuance of the 2021 Guaranteed Notes of 1.2% and the 2% underwriting commission charged by the Underwriter under the Rights Issue Underwriting Agreement.

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This amount is also lower than the underwriting commission rates for the independent underwriters committing capital in the Rights Issue Comparables, which ranged from 2% and 3%, as shown in the section headed “5.6 Comparison with recent rights issue exercises” above.

Given that the HK\$22 million is payable in respect of the capital commitment of Gaw Capital of HK\$1.2 billion, we consider it to also serve as the capital arrangement fee charged by a financier. We are advised by the Management that the Group had obtained two bank borrowings which were also unsecured in 2024 and 2022, with arrangement fees of approximately 1.55% and 1.035%, respectively. We note that this 1.75% amount is slightly higher than the aforesaid arrangement fees charged by banks. As advised by the Management, the arrangement fees for general banking facilities are payable to banks regardless of whether drawdowns occur. Considering that the 1.75% amount under the Facilitation Agreement is only contingent upon the completion of the Strategic Funding & Partnership Proposal, we consider it reasonable for this amount to be higher than the arrangement fees charged by banks.

Having considered these factors, the Management is of the view that, and we concur, the terms of the Facilitation Agreement are on normal commercial terms and fair and reasonable.

### **8. Other relevant transactions**

#### **8.1 *The Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot Size***

As mentioned in the Board Letter, in view of the prevailing trading price of the Shares at a level below HK\$0.10 and the value per board lot being substantially less than HK\$2,000, the Board proposed the Share Consolidation and the Change in Board Lot Size with the effect of increasing the nominal value of the Shares and the board lot value, such that the Company would enable to comply with the trading requirements under the Listing Rule. The Board also proposed the Authorised Share Capital Increase to give the Company sufficient authorised but unissued Consolidated Shares for the allotment and issue of other new Consolidated Shares under the Rights Issue, and the Bonus Warrant Shares on the exercise of the Bonus Warrants in the future.

The Share Consolidation and the Authorised Share Capital Increase shall be conditional upon, among other things, the passing of the necessary resolutions to approve the Share Consolidation, the Authorised Share Capital Increase and the transactions contemplated by the Strategic Funding & Partnership Proposal at the SGM. The Change in Board Lot Size shall be subject to the Share Consolidation becoming effective. The Strategic Funding & Partnership Proposal will be executed after the Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot Size become effective.

Further details of the Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot Size are set out in the Board Letter.

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### 8.2 *The Bonus Warrants Issue*

The Board also proposed the Bonus Warrants Issue to the Qualifying Shareholders on the basis of one Bonus Warrant for every 10 Consolidated Shares (or every 20 Existing Shares prior to the Share Consolidation) held on the Record Date.

Each Bonus Warrant will entitle the holder thereof to subscribe in cash for one Bonus Warrant Share at a Warrant Subscription Price of HK\$0.22 (subject to adjustment). Assuming all the Bonus Warrants were exercised at such Warrant Subscription Price, the Company would receive total gross subscription monies of approximately HK\$101 million upon the exercise of all Bonus Warrants. The Bonus Warrants shall be exercisable during the period from the date of issue of the Bonus Warrants to the Warrant Expiry Date, which was expected to be from Monday, 7 April 2025 to Wednesday, 7 April 2027 (both dates inclusive).

Based on the 9,209,789,676 issued Existing Shares at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date up to the Record Date, the maximum number of Bonus Warrants to be issued will be 460,489,483 Bonus Warrants and upon the full exercise of the Warrant Subscription Rights attaching to the Bonus Warrants, a maximum of 460,489,483 Bonus Warrant Shares will be issued, which shall represent approximately 3.45% of the issued Consolidated Shares as enlarged by the Rights Shares and the Bonus Warrant Shares.

The Bonus Warrants Issue shall be conditional upon (i) the passing at the SGM of the necessary resolutions to approve the issue of the Bonus Warrants and the Bonus Warrant Shares, the Share Consolidation, the Authorised Share Capital Increase and the transactions contemplated by the Strategic Funding & Partnership Proposal; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Warrants and the Bonus Warrant Shares.

The Bonus Warrants and the Bonus Warrant Shares will be issued pursuant to a specific mandate to be sought at the SGM. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Warrants and the Bonus Warrant Shares.

The Directors believe that the Bonus Warrants Issue will provide the Shareholders with an opportunity to participate in the growth of the Company.

Further details of the Bonus Warrants Issue are set out in the Board Letter.

### 9. Financial effects of the Strategic Funding & Partnership Proposal on the Group

#### 9.1 Consolidated net tangible assets

A statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as if the Strategic Funding & Partnership Proposal, the Bonus Warrants Issue and the Share Consolidation had taken place on 30 September 2024 is set out in Appendix II to the Circular (the “**Statement**”). Based on the Statement, as at 30 September 2024, the unaudited consolidated net tangible assets attributable to owners of the Company were approximately HK\$12,834.9 million, or approximately HK\$1.39 per Existing Share (i.e. approximately HK\$2.79 per Consolidated Share). Immediately after completion of the Strategic Funding & Partnership Proposal and the Bonus Warrants Issue, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company would increase to approximately HK\$14,296.3 million, equivalent to approximately HK\$1.11 per Consolidated Share.

The decrease in net tangible asset per Share is primarily due to the increase in the number of issued Shares upon completion of the Rights Issue and the fact that the Subscription Price is at a discount to the unaudited consolidated net tangible assets per Existing Share before completion of the Rights Issue. As such, upon the completion of the Share Consolidation and the Rights Issue, the Company’s enlarged share base will result in a dilution of the net tangible asset value per Consolidated Share. However, it is important to note that while the net tangible assets per Share would decrease immediately after completion of the Rights Issue, the overall net tangible assets of the Group attributable to the owners of the Company would increase by approximately HK\$1,461.4 million, indicating an expansion in total equity of the Company. Given this, we are of the view that despite the decrease in net tangible assets per Share, the Rights Issue is expected to strengthen the financial position of the Group.

#### 9.2 Gearing and liquidity

As at 30 September 2024, the Debt/Assets Ratio was approximately 41.3%. The Strategic Funding & Partnership Proposal is expected to generate net proceeds of approximately HK\$1,919.5 million, assuming no other Shares will be issued or repurchased by the Company on or before the Record Date. Based on the total debts and the total assets of the Group as at 30 September 2024 and considering the Group’s intended use of proceeds, where HK\$800 million out of the net proceeds would be allocated for debt repayment, the total debts of the Group would be reduced to approximately HK\$9,351.1 million, improving the Debt/Assets Ratio to approximately 38.1%. We have further discussed with the Management and understand that the Company may, subject to market conditions, adjust the amount of the proceeds allocated for repaying maturing indebtedness as necessary. If the entire amount of net proceeds were used for debt repayment, the total debts of the Group would decrease further to approximately HK\$8,231.6 million, resulting in a lower Debt/Assets Ratio of approximately 35.1%.

In terms of liquidity position, as at 30 September 2024, the Group had cash and cash equivalents of approximately HK\$1,971.5 million. Current assets and current liabilities of the Group were approximately HK\$7,747.2 million and HK\$5,015.5 million, respectively, translating to a current ratio (current assets divided by current liabilities) of approximately 1.54. Immediately upon completion of the Strategic Funding & Partnership Proposal, the cash and cash equivalents of the Group shall increase by approximately HK\$1,919.5 million, improving the current ratio to approximately 1.93.



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### 10. Potential dilution effect on the existing shareholding

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The shareholding of Qualifying Shareholders who take up their entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. For those Qualifying Shareholders who opt not to take up their entitlements in full under the Rights Issue, depending on the extent to which they may take up their entitlements, their shareholding interests will be diluted upon completion of the Rights Issue by a maximum of approximately 64.3%.

Set out below were the shareholding structures of the Company as at the Latest Practicable Date and completion of the Rights Issue (assuming no Bonus Warrant is exercised) under various scenarios:

| Shareholders                               | As at the Latest Practicable Date |             | All Rights Shares are subscribed by the Qualifying Shareholders other than Mr. Kan Sze Man (Note) |             | No Rights Shares are subscribed by Shareholders other than Earnest Equity and Golden Boost and all Rights Shares are all taken up by Earnest Equity, Golden Boost and the Underwriter |             |
|--|-----------------------------------|-------------|---|-------------|---|-------------|
|  | No. of Consolidated Shares        | %           | No. of Consolidated Shares  | %           | No. of Consolidated Shares  | %           |
| Mr. Chung, Newco & subsidiaries            | 2,589,596,031                     | 56.24%      | 7,272,280,336   | 56.40%      | 9,025,593,881   | 70.00%      |
| Mr. Kan Sze Man                            | 11,895,250                        | 0.26%       | 11,895,250  | 0.10%       | 11,895,250  | 0.10%       |
| Public                                     |                                   |             |   |             |   |             |
| – Public Shareholders                      | 2,003,403,557                     | 43.50%      | 5,609,529,960   | 43.50%      | 2,003,403,557   | 15.54%      |
| – Underwriter                              | –                                 | –           | –   | –           | 1,852,812,858   | 14.36%      |
| <b>Total number of Consolidated Shares</b> | <b>4,604,894,838</b>              | <b>100%</b> | <b>12,893,705,546</b>   | <b>100%</b> | <b>12,893,705,546</b>   | <b>100%</b> |

*Note: Pursuant to the irrevocable undertaking made by Mr. Kan Sze Man, who undertook not to accept any of 21,411,450 Rights Shares to be provisionally allotted to him or for his benefit under PALs pursuant to the Rights Issue and shall not apply for any excess Rights Shares under the EAF. The 21,411,450 Rights Shares not accepted by Mr. Kan Sze Man have been assumed to be taken up by Newco and its subsidiaries.*

We consider the potential dilution effect on existing shareholding to be acceptable based on the following factors:

- (i) the Group required additional capital for its business operations and to optimise its financial position. The Rights Issue will provide the Group with immediate and significant cash inflow to the Group, improving its cash flow position and reducing future finance costs through partial debt repayment;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the Strategic Funding & Partnership Proposal will significantly recapitalise the Group, leading to a healthier capital structure. As discussed above, upon completion of the Strategic Funding & Partnership Proposal, the Group's overall financial position will improve, providing greater financial flexibility and a safety margin to optimise its capital structure when needed;
- (iii) if the Company is not able to raise new capital, it would be placed in an unfavourable and passive position given the current adverse market environment, which would not be in the interests of the Company and the Shareholders as a whole;
- (iv) all Qualifying Shareholders are offered the same opportunity to maintain their proportional interests in the Company under the Rights Issue;
- (v) Qualifying Shareholders who choose not to take up their provisional allotments will have the opportunity, subject to market conditions, to sell their nil-paid Rights Shares in the market, allowing them to potentially benefit economically and compensate the dilution in shareholding; and
- (vi) the Independent Shareholders have the right to veto the Rights Issue, ensuring that the proposal is subject to their approval and aligned with their interests.

### IV DISCUSSION AND ANALYSIS

The Company has proposed the Strategic Funding & Partnership Proposal to raise approximately HK\$1,992 million by way of (i) the Rights Issue on the basis of 18 Rights Shares for every 10 Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.18 per Rights Share; and (ii) the issuance of the 4-year Senior Unsecured Note in the principal amount of HK\$500 million at a subscription price of 93% of the principal amount with interest rates of 8.22%. Given that the dilution effect of shareholding on Independent Shareholders who do not participate in the Rights Shares could reach approximately 64%, the Rights Issue may be regarded as a "heavy" call on Shareholders. Notwithstanding this, we can see that such call, as it forms an integral part of the Strategic Funding & Partnership Proposal to enable the Company to raise substantial new equity capital to support the Group's continued development and financial optimisation, is justifiable and equitable to all Shareholders.

We concur with the Directors' decision to raise new fund via equity financing, as this approach provides the Group with long-term capital essential for its sustained growth. In contrast, debt refinancing alone would not adequately position the Group to navigate current market headwinds or establish a financial buffer for future obligations. Due to the existing bank facilities covenants restricting changes in the shareholding control, we understand that the selected ratio of the Rights Issue to the Senior Unsecured Note under the Strategic Funding & Partnership Proposal represents the most feasible structure for the Company. With the expected net proceeds of approximately HK\$1,919.5 million, the Strategic Funding & Partnership Proposal will enhance the Group's financial position and liquidity. We, therefore, concur with the Management's view that the Strategic Funding & Partnership Proposal will strengthen the Company's financial standing, providing both flexibility and a safety margin for future capital optimisation if needed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Management has conveyed its commitment to implementing the Business Plans, and it remains optimistic about the longer term business outlook. With Gaw Capital (through its managed funds) as a long-term strategic investor and business partner, the Company will be well positioned to leverage the business and funding opportunities that Gaw Capital brings. In this context, we note that the Bonus Warrants Issue serves as an incentive for those existing Qualifying Shareholders who share the Company's confidence in its Business Plans and recognise the strategic value that Gaw Capital (through its managed funds) may contribute. While the Warrant Subscription Price was out-of-money as at the Latest Practicable Date, in the event that the Share price performs well following the implementation of the Strategic Funding & Partnership Proposal, Shareholders holding the Bonus Warrant would have the option either to realise the value of the Bonus Warrants in the market or increase their shareholding at the predetermined Warrant Subscription Price at their own discretion.

Demonstrating his commitment to the Company's long-term growth, Mr. Chung, being the controlling Shareholder beneficially interested in approximately 56.24% of the issued share capital of the Company as at the Latest Practicable Date, had (through his wholly-owned Digisino) entered into the Subscription Agreement and the Shareholders' Agreement with the Investor. As part of this, Mr. Chung has ceded a portion of his equity interests and contributed HK\$400 million to Newco while also inviting Gaw Capital (through its managed funds) to participate in the Strategic Funding & Partnership Proposal, committing an additional funding of approximately HK\$1.2 billion to the Company. The remaining Rights Shares have been fully underwritten at arm's length commission rate, ensuring that the Qualifying Shareholders have the opportunity to maintain their proportional stake in the Company. Shareholders who are positive about the Group's prospects can leverage the excess application mechanism to increase their shareholdings at the Subscription Price before any underwriting obligation of the Underwriter is called upon.

The theoretical closing price of the Consolidated Shares had consistently traded at a deep discount of over approximately 90% to the NAV per share. The Subscription Price of HK\$0.18 represents a slight premium over the prevailing market prices. Given the persistent disparity between the trading price and the Group's NAV, setting the Subscription Price at a premium over the prevailing market price helps reinforce investor confidence. This also demonstrates the Company's commitment to preserving Shareholder value and minimising unnecessary value dilution. Any Shareholders who do not wish to increase their capital contribution may sell their nil-paid Rights Shares in the market. Those considering this option should note that on the basis of the expected timetable set out in the Circular, trading in nil-paid Rights Shares will take place from 25 March 2025 to 1 April 2025.

Given the evolving market conditions, including significantly higher interest rates compared to 2021, the Group's shift from profitability to a loss-making position since FY2023/24, and ongoing turbulence in the real estate sector, many property developers are facing liquidity challenges and actively seeking refinancing options to manage their debt burdens. In light of these factors, we consider that it is not unreasonable for any financiers to demand a higher yield for debt financing in the property development sector. The Senior Unsecured Note, customarily of its type and offering a yield of 13.3%, remains lower than the yield of the 2021 Guaranteed Notes currently trading in the market. Accordingly, we consider that the terms of the Note Subscription Agreement to be fair and reasonable. More importantly, the Senior Unsecured Note forms part and parcel of the entire Strategic Funding & Partnership Proposal to raise an aggregate amount of HK\$2 billion, of which a substantial portion of approximately HK\$1.5 billion will come from interest-free equity financing.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Considering these factors in totality, we are of the view that the Strategic Funding & Partnership Proposal was determined on normal commercial terms and its terms are fair and reasonable.

### V OPINION AND RECOMMENDATION

Based on the above principal factors and reasons and in view of the Group's capital needs for business development and refinancing its maturing indebtedness, we are of the view that the terms of the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement are fair and reasonable and the Rights Issue, the Note Subscription Agreement and the Facilitation Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve, among other matters, the Rights Issue, the Note Subscription Agreement, the Facilitation Agreement and the transactions contemplated thereunder.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**

**Ng Ka Po**  
*Managing Director, Corporate Finance*

**Lo Chi Pang**  
*Director, Corporate Finance*

*Mr. Ng Ka Po is a responsible officer of Optima Capital and a licensed person registered with the Securities and Futures Commission to carry out type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Ng has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.*

*Mr. Lo Chi Pang is a representative of Optima Capital Limited and a licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Mr. Lo has over 10 years of experience in corporate finance.*

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Details of the audited consolidated financial information of the Group for the years ended 31 March 2022, 2023 and 2024, and the unaudited consolidated financial information of the Group for the six months ended 30 September 2024, are disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.csigroup.hk](http://www.csigroup.hk)):

- (i) the audited financial information of the Group for the year ended 31 March 2022 is disclosed in the annual report of the Company for the year ended 31 March 2022 (pages 66 to 169) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072800515.pdf>);
- (ii) the audited financial information of the Group for the year ended 31 March 2023 is disclosed in the annual report of the Company for the year ended 31 March 2023 (pages 70 to 175) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0728/2023072800524.pdf>);
- (iii) the audited financial information of the Group for the year ended 31 March 2024 is disclosed in the annual report of the Company for the year ended 31 March 2024 (pages 72 to 161) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0726/2024072600509.pdf>); and
- (iv) the unaudited financial information of the Group for the six months ended 30 September 2024 is disclosed in the interim report of the Company for the six months ended 30 September 2024 (pages 2 to 35) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1219/2024121900394.pdf>).

**2. INDEBTEDNESS STATEMENT**

As at 31 December 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Group had the following outstanding indebtedness:

**(a) Amounts due to joint ventures**

As at 31 December 2024, the Group had amounts due to joint ventures of approximately HK\$468 million, which were unsecured and unguaranteed.

**(b) Amounts due to non-controlling shareholders of subsidiaries**

As at 31 December 2024, the Group had amounts due to non-controlling shareholders of subsidiaries of approximately HK\$129 million, which were unsecured and unguaranteed.

**(c) Bank borrowings**

As at 31 December 2024, the Group had total bank borrowings of approximately HK\$7,212 million, of which approximately HK\$3,915 million were secured and guaranteed and approximately HK\$3,297 million were unsecured and guaranteed.

**(d) Charge on Assets**

As at 31 December 2024, the Group had plant, property and equipment of approximately HK\$154 million, investment properties of approximately HK\$3,087 million, properties held for sales of approximately HK\$5,342 million charged to secure banking facilities granted to the Group.

**(e) Guaranteed notes**

As at 31 December 2024, the Group had unsecured guaranteed notes amounting to approximately HK\$2,305 million.

**(f) Contingent Liabilities or guarantee**

As at 31 December 2024, the Group provided financial guarantees amounting to approximately HK\$8,640 million, comprise corporate guarantees given by the Group for banking facilities granted to joint ventures of approximately HK\$7,323 million and associates of approximately HK\$1,317 million. The corporate guarantees represent the Group's proportionate share of the banking facilities utilised by the joint ventures and associates as at 31 December 2024.

Save as disclosed above and apart from intra-group liabilities and guarantees, the Group did not have any issued and outstanding debt securities, authorised or otherwise created but unissued debt securities, loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or other contingent liabilities as at 31 December 2024.

**3. SUFFICIENCY OF WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, after taking into account the financial resources presently available to the Group including internally generated funds, the currently available banking facilities and other borrowings and the effect of the transactions contemplated under the Strategic Funding & Partnership Proposal, the Bonus Warrants Issue and the Share Consolidation, the Group has sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of the publication of this circular.

The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

The Directors confirm that as at the Latest Practicable Date, save for the expected loss as disclosed in the profit warning announcement of the Company dated 14 November 2024, the significant decrease in revenues and unaudited condensed consolidated loss of HK\$914.6 million for the interim period ended 30 September 2024 disclosed in the interim results announcement of the Company for the six months ended 30 September 2024 dated 28 November 2024, there had been no material adverse change in the financial or trading position of the Group since 31 March 2024, the date to which the latest published audited consolidated financial statements of the Company were made up.

**5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS**

For the Hong Kong real estate sector, the persistently high interest rate environment has dampened overall property investment sentiment, and has remained a substantial strain on the Group's profitability. Facing continuing weakness in the Mainland China and Hong Kong economies, asset sales have remained slow, in addition to the need for making impairment provisions for some of the Group's property portfolio.

On the residential property market, Hong Kong Government has relaxed the various measures previously taken to dampen purchase sentiment since the beginning of 2024. The results have been mixed with improving sales volume but at subdued pricing levels. The Group's portfolio of residential properties has seen slow but improving sales on both the mass end and luxury end. In light of the recent US interest rate cuts, the Company remains cautious of an improving residential market and sales going forward, albeit at subdued pricings.

The Hong Kong commercial property sector continues to face significant challenges, with office and retail uptake demand remaining at subdued levels. The ongoing uncertainty in the broader economic environment, coupled with shifts in consumer behaviour and workplace dynamics, have contributed to sluggish demand for commercial spaces. Businesses remain cautious about expansion and investment, albeit there are some early signs of stabilisation in Hong Kong office vacancy rates as per a November property market report from Jones Lang LaSalle. As a result, while the outlook for the commercial property market remains challenging, the Company is hopeful of improvements in the medium to longer term. The Group will endeavour to navigate the complex landscape and seek strategies to adapt to the evolving market conditions prudently and carefully.

The Company expects the property markets in both Hong Kong and Mainland China to remain relatively subdued in the near future, despite early positive signals from US monetary policy and Chinese economic stimulus measures. With the recent return of Donald Trump back to the US presidency and the resultant uncertainties in rate cuts and possible tariffs on China, the outlook for Hong Kong and Mainland China will likely remain challenging.

On 2 February 2025, the Company put forward the Strategic Funding & Partnership Proposal to raise approximately HK\$1,992 million, with approximately HK\$1,492 million via the Rights Issue and HK\$500 million via the issue of Senior Unsecured Note to the Company's new investor, Gaw Capital, through the Note Subscriber. Both Mr. Chung and Gaw Capital (through its managed funds) contributed substantial cash in leading the Rights Issue. The total proceeds will be used to strengthen balance sheet and getting new capital for working capital and meeting debt obligations. The Company believes the Group's enhanced financial position will allow the Group to meet the current economic headwinds. Looking ahead, the Company will focus on continual asset disposal efforts as stated in the HK\$9 billion sales programme, and maintain prudent financial management strategies to balance the interests of all stakeholders.

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Strategic Funding & Partnership Proposal, the Bonus Warrants Issue and the Share Consolidation on the consolidated net tangible assets of the Group as if the Strategic Funding & Partnership Proposal, the Bonus Warrants Issue and the Share Consolidation had taken place on 30 September 2024.

|  |  |   |  | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024  | Unaudited<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>prior to the<br>completion of the<br>Strategic Funding<br>& Partnership<br>Proposal, the<br>Bonus Warrants<br>Issue and<br>the Share<br>Consolidation | Unaudited<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>prior to the<br>completion of the<br>Strategic Funding<br>& Partnership<br>Proposal and<br>the Bonus<br>Warrants Issue | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>immediately after<br>the completion of<br>the Strategic<br>Funding &<br>Partnership,<br>the Bonus Warrants<br>Issue and<br>the Share<br>Consolidation |
|--|--|---|--|---|---|--|---|
| Unaudited<br>consolidated net<br>tangible assets of<br>the Group<br>attributable to<br>owners of the<br>Company as at 30<br>September 2024 | Estimated net<br>proceeds from the<br>Rights Issue | Estimated<br>issuance cost for<br>Bonus Warrants<br>Issue | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>the Group<br>attributable to<br>owners of the<br>Company as at 30<br>September 2024<br>immediately after<br>the completion of<br>the Strategic<br>Funding &<br>Partnership<br>Proposal and<br>the Bonus<br>Warrants Issue | Unaudited<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>prior to the<br>completion of the<br>Strategic Funding<br>& Partnership<br>Proposal, the<br>Bonus Warrants<br>Issue and<br>the Share<br>Consolidation | Unaudited<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>prior to the<br>completion of the<br>Strategic Funding<br>& Partnership<br>Proposal and<br>the Bonus<br>Warrants Issue                                | Unaudited<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>prior to the<br>completion of the<br>Strategic Funding<br>& Partnership<br>Proposal and<br>the Bonus<br>Warrants Issue | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>the Group per<br>Share attributable<br>to the owners of<br>the Company as at<br>30 September 2024<br>immediately after<br>the completion of<br>the Strategic<br>Funding &<br>Partnership,<br>the Bonus Warrants<br>Issue and<br>the Share<br>Consolidation |
| HK\$'000<br>(Note 1)   | HK\$'000<br>(Note 2)                               | HK\$'000<br>(Note 4)                                      | HK\$'000   | HK\$<br>(Note 5)  | HK\$<br>(Note 6)  | HK\$<br>(Note 7)   | HK\$  |
| Based on 8,288,810,708 Rights Shares to<br>be issued at subscription price of<br>HK\$0.18 per Rights Share                                 | 12,834,866   | 1,463,414   | (1,943)  | 14,296,337  | 1.39  | 2.79   | 1.11  |

*Notes:*

1. The amount of unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2024 is extracted from the interim report of the Company for the six months ended 30 September 2024 issued on 28 November 2024, which is based on the amount of equity attributable to the owners of the Company of approximately HK\$12,847,271,000, deducted by the intangible assets of approximately HK\$12,405,000 in the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2024.
2. In connection with the Strategic Funding & Partnership Proposal, there are 8,288,810,708 Rights Shares to be issued (on the basis of eighteen (18) Rights Shares for every ten (10) Consolidated Shares (Note 6) held on the Record Date) at the subscription price of HK\$0.180 per Rights Share. The estimated net proceeds from the Rights Issue are approximately HK\$1,463,414,000 after deduction of the estimated related expenses of approximately HK\$28,572,000, assuming that the Rights Issue had been completed on 30 September 2024.



The related expenses of the Strategic Funding & Partnership Proposal and the Bonus Warrants Issue are estimated to be approximately HK\$39,420,000, including the amount of HK\$22,000,000 which is payable by the Company to Petto Bell Limited (the Investor) under the Facilitation Agreement in consideration of the Investor's efforts in arranging the Strategic Funding & Partnership Proposal and giving funding commitments to support, and approximately HK\$17,420,000 of underwriting fees and other legal and professional fee. For the purpose of this unaudited pro forma financial information, the related expenses to the Rights Issue, the issue of Senior Unsecured Note and the Bonus Warrants Issue are approximately HK\$28,572,000, HK\$8,905,000 and HK\$1,943,000 respectively.

3. In connection with the Strategic Funding & Partnership Proposal, on 23 January 2025, the Note Issuer, the Company and the Note Subscriber, a company owned by a consortium of institutional investors led by Gaw Capital (as general partner of Gateway Real Estate Fund VII (Singapore) L.P.), entered into the Note Subscription Agreement, pursuant to which the Note Issuer has conditionally agreed to issue, and the Note Subscriber has conditionally agreed to subscribe for, the Senior Unsecured Note in an aggregate principal amount of HK\$500 million.

The Note Subscriber conditionally agreed to subscribe for the Senior Unsecured Note in an aggregate principal amount of HK\$500 million at a subscription price of 93% of its face amount with an interest of 8.22% per annum, payable semi-annually in arrears. The Maturity Date will be the fourth anniversary of the date of Completion of the Note Subscription Agreement. The Note Subscriber shall be entitled to redeem in whole or in part the outstanding principal amount of the Senior Unsecured Note at any time after the second anniversary of the date of issue of the Senior Unsecured Note. The net proceed from the Senior Unsecured Note is approximately HK\$456,095,000, after deduction of the estimated related expenses of approximately HK\$8,905,000, assuming that the issuance of the Senior Unsecured Note had been completed on 30 September 2024. However, no adjustment shall be made to the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company due to the issuance of Senior Unsecured Note since it should be measured at the proceed minus transaction cost in accordance HKFRS 9 "Financial Instruments" which resulting no impact on the consolidated net tangible assets of the Group attributable to the owners of the Company.

4. Under the proposed Bonus Warrants Issue, all Qualifying Shareholders will be entitled to receive Bonus Warrants on the basis of one (1) Bonus Warrant for every ten (10) Consolidated Shares (or every twenty (20) Existing Shares prior to the Share Consolidation) held on the Record Date. Holders of the Bonus Warrants will be entitled to subscribe for Bonus Warrant Shares at an initial Warrant Subscription Price of HK\$0.220, subject to adjustment, at any time before the Warrant Expiry Date.

The Bonus Warrants Issue will be conditional upon (i) the passing at the SGM of the necessary resolutions to approve the issue of the Bonus Warrants and Bonus Warrant Shares, Share Consolidation, Authorised Share Capital Increase and the transactions contemplated by the Strategic Funding & Partnership Proposal; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Warrants and the Bonus Warrant Shares. Neither of the above conditions can be waived.

The adjustment represents estimated legal and professional fees of approximately HK\$1,943,000 for the Bonus Warrants Issue. Except for the legal and professional fees, no other adjustment has been made to reflect the Bonus Warrants Issue as it is assume that the Bonus Warrants are issued but not exercised for the purpose of this Unaudited Pro Forma Financial Information.

5. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 September 2024 was approximately HK\$1.39 which was based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2024 of approximately HK\$12,834,866,000, divided by 9,209,789,676 Shares in issue as at 30 September 2024.

6. After the effect of the Share Consolidation by which every two (2) issued and unissued Existing Shares of par value of HK\$0.008 each into one (1) Consolidated Share of par value of HK\$0.016 each, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share as at 30 September 2024 is HK\$2.79 based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2024 of approximately HK\$12,834,866,000, divided by 4,604,894,838 Consolidated Shares in issue upon completion of the Share Consolidation but prior to the completion of the Strategic Funding & Partnership Proposal and the Bonus Warrants Issue.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share immediately after completion of the Share Consolidation, the Bonus Warrants Issue and the Strategic Funding & Partnership Proposal as at 30 September 2024 is approximately HK\$1.11 based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2024 immediately after completion of the Share Consolidation, Bonus Warrants Issue and Strategic Funding & Partnership Proposal of approximately HK\$14,296,337,000, divided by 12,893,705,546 Shares based on the sum of 4,604,894,838 Consolidated Shares (Note 6) and 8,288,810,708 Rights Shares (Note 2), assuming the Share Consolidation, Bonus Warrants Issue and the Strategic Funding & Partnership Proposal had been completed on 30 September 2024 and the Bonus Warrants are issued but not exercised.
8. Apart from above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2024 for the purpose of preparation of the Unaudited Pro Forma Financial Information of the Group.

**B.      ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, Deloitte Touche Tohmatsu.*

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON  
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CSI PROPERTIES LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CSI Properties Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024 and related notes as set out on pages II-1 to II-3 of Appendix II to the circular issued by the Company dated 17 February 2025 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the strategic funding & partnership proposal, the bonus warrants issue and the share consolidation on the Group’s consolidated net tangible assets as at 30 September 2024 as if the Strategic Funding & Partnership Proposal, the Bonus Warrants Issue and the Share Consolidation had taken place at 30 September 2024. As part of this process, information about the Group’s net financial position has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 September 2024, on which a review report has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

17 February 2025

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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The Bonus Warrants will be issued subject to and with benefit of the Instrument and they will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The conditions of the Bonus Warrants will be set out in the Warrant Certificates and will include principal provisions summarised below. The Bonus Warrants shall be held subject to such conditions which shall be binding upon the Company and the Warrantholders and all persons claiming through or under them respectively. The Warrantholders will be entitled to the benefit of and be deemed to have notice of all such conditions and the terms of the Instrument, copies of which will be available at the office of the Warrant Registrar or at such other place as maybe notified to the Warrantholders from time to time.

The following definitions of expressions are used in this Appendix:

- “approved financial adviser”: a reputable merchant bank or financial adviser (acting as an expert) selected by the Company;
- “market price”: with respect to a Share at a particular date, the arithmetic average of the closing prices of a Share published in the daily quotation sheet of the Stock Exchange for the five consecutive trading days (on each of which there is a closing price) ending on the trading day immediately preceding such date;
- “exercise moneys”: in relation to any Bonus Warrant, the amount in cash payable in respect of the Shares for which the Warrantholder of such Bonus Warrant is entitled to subscribe upon the exercise of the Warrant Subscription Rights represented thereby;
- “Instrument”: the deed poll to be executed by the Company creating and constituting the Bonus Warrants;
- “Share”: a Consolidated Share of HK\$0.016 each in the authorised capital of the Company existing on the date of issue of the Bonus Warrants and, where the context requires, all other (if any) stock or shares from time to time and for the time being ranking *pari passu* therewith and all other (if any) shares or stock in the equity share capital of the Company resulting from any subdivision, consolidation or reduction of capital of Shares; and
- “Warrant Subscription Rights”: the rights of the Warrantholders represented by the Bonus Warrants to subscribe for Shares pursuant to the Bonus Warrants.

Unless expressly stated otherwise, Shares held by the Company or any of its subsidiaries in treasury shall not be considered as or treated as Shares in issue or issued Shares.

**1. EXERCISE OF SUBSCRIPTION RIGHTS**

- (a) Subject to the terms and provisions of the Bonus Warrants set out in the certificate for the Bonus Warrants (“**Warrant Certificate**”) and in compliance with all exchange control, fiscal and other laws and regulations applicable thereto, the holders of the Bonus Warrants (“**Warrantholders**”) shall have the right, which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time during the period (“**Warrant Subscription Period**”) from the original date of issue of the Bonus Warrants to the Warrant Expiry Date, to subscribe in cash for one fully-paid Share in respect of each Bonus Warrant at the Warrant Subscription Price (initially being HK\$0.22 per Share). After expiry of the Warrant Subscription Period, any Warrant Subscription Rights which have not been exercised will lapse and the Warrant Certificates will cease to be valid for any purpose whatsoever.
- (b) In order to exercise in whole or in part the Warrant Subscription Rights represented by the Warrant Certificate, the Warrantholder must complete and sign the form contained in each Warrant Certificate (or a separate form which the Company may in its discretion permit to be used for the purpose of exercise of the Warrant Subscription Rights and obtained from the office of the Registrar) (“**Subscription Form**”) (which shall be irrevocable) and deliver the same and the Warrant Certificate to the Share Registrar or such other person, firm or company retained by the Company for the time being to maintain in Hong Kong (unless the Directors otherwise determine) the register of Warrantholders (the “**Warrant Registrar**”), together with a remittance for the exercise moneys (or, in the case of a partial exercise, the relevant portion of the exercise moneys), being the amount of the Warrant Subscription Price for the Shares in respect of which the Warrantholder is exercising his Warrant Subscription Rights. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (c) The number of Shares to be allotted on exercise of the Warrant Subscription Rights shall be, in respect of each one (1) Bonus Warrant exercised, one (1) Share subject to adjustment in accordance with the Instrument. No fraction of a Share will be allotted or issued but any balance representing fractions of the exercise moneys paid on exercise of the Warrant Subscription Rights will be paid by the Company to the Warrantholder, provided always that if the excess is equal to or less than HK\$100, such excess will be retained by the Company for its own benefit. For the purpose of determining whether any (and if so what) fraction of a Share arises:
  - (i) if the Warrant Subscription Rights represented by the Warrant Certificate and any one or more other Warrant Certificates are exercised on the same Business Day falling in the Subscription Period on which the Subscription Rights represented by such Warrant Certificate is duly exercised (“**Subscription Date**”) by the same Warrantholder such that the Shares to be allotted and issued and delivered in respect of such exercise are to be registered in the same name, the Warrant Subscription Rights represented by such Warrant Certificates shall be aggregated in calculating the total number of Shares to be allotted and issued and delivered in respect thereof taken together; and

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## APPENDIX III      SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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- (ii) regard shall be made, where applicable, to the provisions of the Instrument in relation to the subscription right reserve when the Warrant Subscription Price is reduced to below the nominal amount of a Share.
- (d) The Company has undertaken in the Instrument that any Shares falling to be issued upon the exercise of any of the Warrant Subscription Rights will be issued and allotted not later than 28 days after the relevant Subscription Date, taking account of any adjustment which may have been made pursuant to the Instrument, and will rank *pari passu* with the Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the date fixed in accordance with the bye-laws of the Company (as may be amended and modified from time to time) (“**Bye-laws**”) or otherwise specified by the Company or otherwise for the purpose of determining entitlement to dividends or other distributions to, or rights of, Shareholders (“**Entitlement Record Date**”) shall be before the relevant Subscription Date and notice of the amount and the Entitlement Record Date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as practicable after the relevant allotment and issue of Shares under the Bonus Warrants (and, in any event, not later than 28 days after the relevant Subscription Date), there will be issued free of charge to the Warrantholder(s) to whom such allotment has been made upon his exercise of any Warrant Subscription Rights:
  - (i) a certificate (or certificates) for the relevant Share(s) in the name(s) of such Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Right(s) represented by the Warrant Certificate remaining unexercised; and
  - (iii) (if applicable) a cheque representing fractions of the exercise moneys in respect of the Warrantholder’s fractional entitlement to Shares as mentioned in sub-paragraph (c) above.

The certificate(s) for Share(s) arising on the exercise of Warrant Subscription Rights, the balancing Warrant Certificate (if any), and the cheque in respect of the exercise moneys in respect of the Warrantholder’s fractional entitlement to Shares (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) (or in the case of a joint holding, to that one of them whose name stands first in the register of Warrantholders (“**Register**”). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Warrant Registrar to await collection by the relevant Warrantholder(s).



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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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- (f) The Subscription Rights may only be exercised if and to the extent that, immediately following the allotment of the Shares pursuant to the exercise of the relevant Warrants, the Company would still be able to meet the public float requirements in the Listing Rules.

### 2. ADJUSTMENTS

The Instrument contains detailed provisions relating to the adjustment of the Warrant Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

- (a) The Warrant Subscription Price shall (except as mentioned in sub-paragraphs (b), (c) and (d) below) be adjusted in accordance with the provisions set out the Instrument on occurrence of the events summaries below. Where more than one event which gives or may give rise to an adjustment to the Subscription Price occurs within such a short period of time that in the opinion of an approved financial adviser, the following provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the following provisions as may be advised by such approved financial adviser to be in its opinion appropriate in order to give such intended result:

- (i) Subdivision or consolidation

If and whenever there shall be an alteration to the nominal amount of each of the Shares or the total number of the Shares as a class by reason of any subdivision or consolidation, the Warrant Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:–

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share or the total number of Shares, as the case may be, immediately after such alteration; and

B is the nominal amount of one Share or the total number of Shares, as the case may be, immediately before such alteration.

Each such adjustment shall be effective from the close of business on the Business Day immediately preceding the date on which the relevant consolidation or subdivision (as the case may be) becomes effective provided that where the subscription date in respect of a particular exercise of any of the subscription rights attaching to a Bonus Warrant shall fall on or before such business day but the Company shall not by the close of business on such business day have allotted the relative Shares in accordance with its obligations under the Instrument, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the Warrantholder exercising the said Subscription Rights, be deemed to be effective immediately before such Subscription Date.

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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(ii) Bonus shares

If and whenever the Company shall issue (other than pursuant to a scrip dividend scheme of the Company) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account fund), the Warrant Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C is the aggregate nominal amount of the Shares in issue immediately before such issue; and

D is the aggregate nominal amount of the ordinary capital of the Company capitalized from the profits or reserves of the Company in connection with and as a result of such issue.

Provided that if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital of the Company, the Warrant Subscription Price shall be adjusted in such manner as an approved financial adviser shall certify to be appropriate, having regard to the relative interests of the persons affected thereby and such other matters as the approved financial adviser shall consider relevant.

Each such adjustment shall be effective (if appropriate retrospectively) from the commencement of the day immediately following the Entitlement Record Date for such issue.

(iii) Capital distribution

If and whenever the Company shall make any capital distribution (as defined in the Instrument) to the Shareholders (whether on a reduction of capital or otherwise), the Warrant Subscription Price shall be adjusted by multiplying the prevailing Warrant Subscription Price in force immediately before such capital distribution by the following fraction:

$$\frac{E - F}{E}$$

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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where:

- E is the closing price on the trading day immediately preceding the date on which the capital distribution or, as the case may be, the grant is announced (whether or not such capital distribution or grant is subject to the approval of the Shareholders or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded ex-entitlement to such capital distribution or, as the case may be, the grant (or, where there is no closing price on such trading day, the closing price on the trading day on which there was a closing price immediately preceding the relevant date); and
- F is the fair market value of the portion of the capital distribution attributable to one Share on the date of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded ex-entitlement to such capital distribution or, as the case may be, the grant, as determined in good faith by an approved financial adviser.

Provided that if in the opinion of the relevant approved financial adviser, the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected thereof taken as a whole, is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if F meant) the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights in question. The provisions referred to in this sub-paragraph (a)(iii) shall not apply in relation to the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend under a scrip dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the Entitlement Record Date for the relevant capital distribution or grant.

(iv) Rights and options or warrants to subscribe for new Shares to all Shareholders

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any new Shares, in each case at less than 90% of the market price on the date of the announcement of the terms of the issue or grant, the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{G + H}{G + I}$$

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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where:

- G is the number of Shares in issue immediately before such announcement;
- H is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such market price; and
- I is the aggregate number of Shares issued or, as the case may be, comprised in the grant (excluding Shares not taken up).

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the Entitlement Record Date for the relevant offer or grant.

For the avoidance of doubt, no adjustment shall take effect in accordance with this sub-paragraph (a)(iv) should such offer or grant fail to become effective or unconditional.

(v) Issue for cash of securities convertible into or exchangeable for or carrying rights of subscription for new Shares

- (1) If and whenever the Company shall issue any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for or purchase of new Shares to all or substantially all Shareholders as a class by way of rights, and the total Effective Consideration per Share initially receivable (as defined below in this sub-paragraph (a)(v)) for such securities is less than 90% of the market price on the date of the announcement of the terms of issue of such securities, the Warrant Subscription Price shall be adjusted by multiplying the prevailing Warrant Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{K + L}{K + M}$$

where:

- K is the number of Shares in issue immediately before the date of such issue of securities;
- L is the number of Shares which would be purchased at such market price by the total Effective Consideration receivable for such securities issued; and

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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M is the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion, exchange or subscription terms.

Such adjustment shall become effective (if appropriate retroactively) from the close of business on the business day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or subscription price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of Shareholders or other persons) and the date of such announcement is earlier than the said date, the business day immediately preceding the date of such announcement.

- (2) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in sub-paragraph (a)(v)(1) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately prior to such modification by the following fraction:

$$\frac{N + O}{N + P}$$

where:

N is the number of Shares in issue immediately before the date of such modification;

O is the number of Shares which would be purchased at such market price by the total Effective Consideration receivable for such securities issued at the modified conversion or exchange rate or subscription price; and

P is the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the purposes of this sub-paragraph (a)(v)(2) where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

For the purposes of this sub-paragraph (a)(v):

- (1) the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the aggregate consideration receivable by the issuer for any such securities plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of such subscription rights, and
- (2) the “**Effective Consideration per Share**” **initially receivable for such securities** shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise in full of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(vi) Issue for cash of new Shares

If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued pursuant to any share option scheme adopted by the Company) at a price which is less than 90% of the market price on the date of the announcement of the terms of such issue, the Warrant Subscription Price shall be adjusted by multiplying the Warrant Subscription Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{R + S}{R + T}$$

where:

- R      is the number of Shares in issue immediately before the date of such announcement; and
- S      is the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at such market price (exclusive of expenses); and
- T      is the number of Shares allotted pursuant to such issue.

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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Such adjustment shall become effective (if appropriate retroactively) on the date of the issue of such Shares.

(vii) Share buy-back by general offer

If and whenever the Company makes an offer or invitation to Shareholders generally to tender for sale to the Company any Shares or if the Company purchases/buys back any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange pursuant to a general mandate granted by the Shareholders) and the Directors consider that it may be appropriate to make an adjustment to the Warrant Subscription Price, at that time the Directors shall appoint an approved financial adviser to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Warrant Subscription Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved financial adviser shall consider in its opinion that it is appropriate to make an adjustment to the Warrant Subscription Price, an adjustment to the Warrant Subscription Price shall be made in such manner as such approved financial adviser shall certify to be, in its opinion, appropriate.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which such purchases by the Company are made.

- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above shall be made in respect of:
- (i) (1) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Bonus Warrants) to acquire Shares pursuant to any options, warrants and similar rights to subscribe or purchase equity securities of the Company from time to time; or (2) any adjustment in the Warrant Subscription Price of any Bonus Warrants, if such adjustment is in accordance with the existing terms of the Bonus Warrants, provided that an adjustment to the Warrant Subscription Price has been made (if appropriate) under the provisions of the Instrument in respect of the issue of such securities or granting of such rights (as the case may be);
  - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares pursuant to any scheme established in accordance with Chapter 17 or any similar sections of the Listing Rules;

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## **APPENDIX III      SUMMARY OF THE TERMS OF THE BONUS WARRANTS**

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- (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of the Bonus Warrants; or
  - (v) an issue of Shares pursuant to a scrip dividend scheme of the Company where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the “market value” of a Share shall mean the average of the closing prices for such trading days on which dealings in the Shares took place (being not less than 5 such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Warrant Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Warrant Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint an approved financial adviser to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved financial adviser shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved financial adviser to be in its opinion appropriate.
- (d) Any adjustment to the Warrant Subscription Price shall be made to the nearest one thousandth of a dollar (so that any amount less than five ten-thousandths of a dollar shall be rounded down and any amount equal to five ten-thousandths of a dollar or more shall be rounded up). No adjustment shall be made to the Warrant Subscription Price in any case where the amount by which the same would be reduced would be less than one thousandth of a dollar and any adjustment which would otherwise then be required shall not be carried forward. No adjustment shall be made (except on a consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Warrant Subscription Price.



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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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- (e) Every adjustment to the Warrant Subscription Price will be certified to be fair and appropriate by an approved financial adviser and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the approved financial adviser shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest errors, their decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificates of the approved financial adviser will be available for inspection at the principal place of business of the Company for the time being in Hong Kong, where copies may be obtained.
- (f) Whenever the Warrant Subscription Price is adjusted as a result of the occurrence of the events described in sub-paragraph (a)(i) or (a)(ii), the number of Shares which may be subscribed upon exercise of each Warrant shall be equal to the number of Shares to be allotted upon exercise of each Warrant immediately before such adjustment multiplied by the following fraction:

$$\frac{X}{Y}$$

where:

X is the Warrant Subscription Price immediately before such adjustment; and

Y is the Warrant Subscription Price immediately after such adjustment.

Each such variation shall take place (if appropriate retroactively) at the same time as the adjustment to the Warrant Subscription Price takes effect.

### 3. REGISTERED WARRANTS

The Bonus Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any Bonus Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Bonus Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

### 4. TRANSFER, TRANSMISSION AND REGISTER

- (a) The Bonus Warrants shall be transferable, in any whole number of Bonus Warrants, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company shall accordingly maintain a register of Warrantholders in Hong Kong (or such other place as the Directors consider appropriate having regard to the applicable law and rules governing the listing of Bonus Warrants on the Stock Exchange). Transfers of Bonus Warrants must be executed by both the transferor and the transferee.

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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- (b) Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the board of Directors for this purpose), the transfers may be executed under the hand of an authorised person(s) or by machine imprinted signature(s) on its behalf or of such persons, as the case may be.
- (c) The provisions of the Bye-Laws relating to the registration, transmission and transfer of Shares and the register of members shall, *mutatis mutandis*, apply to the registration, transmission and transfer of the Bonus Warrants and the Register. The Instrument contains provisions relating to the transfer, transmission and registration of the Bonus Warrants.
- (d) Persons who hold the Bonus Warrants and have not registered the Bonus Warrants in their own names and wish to exercise the Bonus Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Bonus Warrants prior to the transfer or exercise of the Bonus Warrants.
- (e) Since the Bonus Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may (so far as any applicable laws or regulations of the relevant regulatory authorities, the terms of the Instrument and the circumstances permit) determine the last trading day of the Bonus Warrants to be a date at least three (3) trading days before the last day of the Warrant Subscription Period.

### 5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed at such times and for such periods as the Directors may from time to time direct, provided that the same shall not be closed for a period in aggregate more than thirty (30) days in any one year. Any transfer or exercise of the Warrant Subscription Rights attached to the Bonus Warrants made while the Register is so closed shall, as between the Company and the person claiming under the relevant transfer of Bonus Warrants or, as the case may be, as between the Company and the Warrantholders who have so exercised their respective Warrant Subscription Rights attached to their Bonus Warrants (but not otherwise), be considered as made immediately after the reopening of the Register.

### 6. PURCHASE AND CANCELLATION

Subject to The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong, the Listing Rules and all other applicable laws, rules and regulations, the Company or any of its subsidiaries may at any time purchase Bonus Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 110% of the closing price of the Bonus Warrants for one or more board lots of Bonus Warrants on the last day on which the Bonus Warrants were traded on the Stock Exchange prior to the date of purchase thereof,

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## **APPENDIX III      SUMMARY OF THE TERMS OF THE BONUS WARRANTS**

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but not otherwise.

All Bonus Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or resold.

### **7. MEETING OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by a special resolution of the provisions of the Instrument and/or the Conditions. A resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Bonus Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the Conditions and/or the Instrument) and the sanction of a special resolution shall be necessary and sufficient to effect such alteration or abrogation.
- (c) At any meeting of Warrantholders, two or more Warrantholders (or their proxies) shall form a quorum.
- (d) Where a Warrantholder is a recognised clearing house or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting. If more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonus Warrants in respect of which each such person is so authorised. The person or persons so authorised shall be entitled to exercise the same powers on behalf of the recognised clearing house as that recognised clearing house or its nominee(s) could exercise as if it were an individual Warrantholder.

### **8. REPLACEMENT OF WARRANT CERTIFICATES**

- (a) If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Warrant Registrar on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.
- (b) In case of lost Warrant Certificates, Division 5 of Part 4 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (except sub-section (5) of section 166) shall apply *mutatis mutandis* as if "shares" referred to therein included Bonus Warrants.

**9.      PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument contains undertakings by and restrictions on the Company designed to protect the Warrant Subscription Rights.

**10.     CALL**

If at any time the aggregate number of Bonus Warrants outstanding is equal to or less than 10% of the total number of Bonus Warrants issued under the Instrument, then the Company may, on giving not less than three (3) months' notice to the Warrantholders, require the Warrantholders either to exercise their Warrant Subscription Rights represented thereby or allow the Bonus Warrants held by them to lapse. On expiry of such notice, all unexercised Bonus Warrants will be automatically cancelled without any compensation being payable to the Warrantholders.

**11.     FURTHER ISSUES**

The Company shall be at liberty to issue further warrants or other securities convertible into, exchangeable for or carrying rights to subscribe for Shares in such manner and on such terms as it sees fit.

**12.     UNDERTAKINGS BY THE COMPANY**

In addition to the undertakings given by it in relation to the grant and exercise of the Warrant Subscription Rights and the protection thereof and subject to the provisions in the Instrument, the Company has undertaken in the Instrument that:

- (a) it will send to each Warrantholder, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of Shares generally;
- (b) it will pay all stamp and capital duties, registration fees or similar charges, if any, in respect of the execution of the Instrument, the creation and issue of the Bonus Warrants in registered form, the exercise of the Warrant Subscription Rights and the issue of Shares upon exercise of the Warrant Subscription Rights;
- (c) it will keep available for issue sufficient shares in its equity share capital to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares;
- (d) it will use its best endeavours to procure that:
  - (i) at all times during the Warrant Subscription Period, the Bonus Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Bonus Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Bonus Warrants); and

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## APPENDIX III SUMMARY OF THE TERMS OF THE BONUS WARRANTS

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- (ii) all Shares allotted upon exercise of the Warrant Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to holders of the Bonus Warrants); and
- (e) it shall not do any act or engage in any transaction the result of which would be to reduce the Warrant Subscription Price to below the nominal amount of a Share unless the Company shall have established and maintain a reserve (the “**Subscription Right Reserve**”) the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional Shares required to be issued and allotted credited as fully-paid up on the exercise in full of all the subscription rights outstanding (and any other subscription rights outstanding in respect of Shares under other subscription warrants) and shall, subject to the approval of the shareholders of the Company being obtained in accordance with the provisions of the Companies Act, apply the Subscription Right Reserve in paying up in full such additional Shares as and when the same are allotted, and the implementation of such provisions is not prohibited by and is in compliance with the provisions of the Companies Act.

### 13. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders and the following provisions shall apply to such notices:

- (a) every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warrantholder are to be sent and if any Warrantholder shall fail so to do, notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three (3) days at the principal place of business of the Company in Hong Kong;
- (b) a notice may be given by physical delivery, post or facsimile transmission or by electronic communication (including posting on the website of the Company or of the Stock Exchange) in accordance with the Listing Rules; and
- (c) all notices with respect to Bonus Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the joint holders of such Bonus Warrants.

**14. WINDING-UP OF THE COMPANY**

The Instrument will contain provisions to the effect that:

- (a) in the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company (such surrender to occur not later than seven (7) Business Days prior to the proposed shareholders' meeting referred to above) with the Subscription Form(s) duly completed, together with payment of the exercise moneys (or the relative portion thereof), to exercise the Warrant Subscription Rights represented by such Warrant Certificate(s) and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Warrant Subscription Rights represented by such Warrant Certificate(s) to the extent specified in the Subscription Form(s). The Company shall give notice to the Warrantholders of the passing of such resolution within seven (7) days after the passing thereof; and
- (b) if an effective resolution is passed during the Warrant Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by special resolution, shall be a party, or in conjunction with which a proposal is made to the Warrantholders and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

Subject to the foregoing, if the Company is wound up, all Warrant Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant Certificates shall cease to be valid for any purpose.

**15. OVERSEAS WARRANTHOLDERS**

If a Warrantholder has a registered address in any territory other than Hong Kong where the offer or issuance of Shares to such Warrantholder upon exercise of any Warrant Subscription Rights would or might, in the absence of compliance with registration, filing or any other legal or regulatory requirements in such territory, be unlawful, then the Company shall as soon as practicable after exercise by such Warrantholder of any Warrant Subscription Rights either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or
- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company,

in each case for the best consideration then reasonably obtainable by the Company.

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## **APPENDIX III      SUMMARY OF THE TERMS OF THE BONUS WARRANTS**

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As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relative Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all brokerages, commissions, stamp duties, withholding tax and similar charges and taxes, if any, payable in respect of such sale only, in the case of an allotment and sale as aforesaid, and such payment, unless the amount falling to be distributed to any such person is less than HK\$100 (in which case it will be retained for the benefit of the Company)) by posting the relevant remittance to him at his risk. The Company is deemed to be authorised to effect any of the aforesaid transactions and for this purpose the Company may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantholders as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

### **16.    GOVERNING LAW**

The Instrument and the Bonus Warrants will be governed by and will be construed in accordance with the laws of Hong Kong. The Company will submit the non-exclusive jurisdiction of the courts of Hong Kong in respect of the Instrument and the Bonus Warrants and all matters and disputes in connection with them.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL****(i) As at the Latest Practicable Date**

*Authorised:* *HK\$*

|   |                        |
|---|------------------------|
| <u>22,500,000,000</u> Existing Shares of HK\$0.008 each | <u>180,000,000.000</u> |
|---|------------------------|

*Issued and paid-up share capital:* *HK\$*

|  |                       |
|--|-----------------------|
| <u>9,209,789,676</u> Existing Shares of HK\$0.008 each | <u>73,678,317.408</u> |
|--|-----------------------|



- (ii) **Immediately following the Share Consolidation and Authorised Share Capital Increase becoming effective (assuming no further issue or repurchase of the Shares from the Latest Practicable Date up to the Share Consolidation and Authorised Share Capital Increase having become effective):**

*Authorised:* *HK\$*

|  |                 |
|--|-----------------|
| 31,250,000,000 Consolidated Shares of HK\$0.016 each | 500,000,000.000 |
|  |                 |

*Issued and paid-up share capital:* *HK\$*

|   |                |
|---|----------------|
| 4,604,894,838 Consolidated Shares of HK\$0.016 each | 73,678,317.408 |
|   |                |

- (iii) **Immediately after the Share Consolidation and Authorised Share Capital Increase becoming effective and the completion of the Rights Issue but before exercise of any Bonus Warrants (assuming no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue):**

*Authorised:* *HK\$*

|  |                 |
|--|-----------------|
| 31,250,000,000 Consolidated Shares of HK\$0.016 each | 500,000,000.000 |
|  |                 |

*Issued and paid-up share capital:* *HK\$*

|   |                 |
|---|-----------------|
| 4,604,894,838 Consolidated Shares of HK\$0.016 each   | 73,678,317.408  |
| 8,288,810,708 Rights Shares to be allotted and issued upon<br>completion of the Rights Issue    | 132,620,971.328 |
|   |                 |
| 12,893,705,546 Consolidated Shares in issue immediately after<br>completion of the Rights Issue | 206,299,288.736 |
|   |                 |

- (iv) **Immediately after the Share Consolidation and Authorised Share Capital Increase becoming effective and the completion of the Rights Issue and full exercise of the Bonus Warrants (assuming no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue and full exercise of the Bonus Warrants):**

*Authorised:* *HK\$*

|   |                        |
|---|------------------------|
| <u>31,250,000,000</u> Consolidated Shares of HK\$0.016 each | <u>500,000,000.000</u> |
|---|------------------------|

*Issued and paid-up share capital:* *HK\$*

|   |                 |
|---|-----------------|
| 12,893,705,546 Consolidated Shares in issue immediately after the Share Consolidation and Authorised Share Capital Increase becoming effective and the completion of the Rights Issue | 206,299,288.736 |
|---|-----------------|

|   |               |
|---|---------------|
| 460,489,483 Maximum number of the Consolidated Shares to be issued upon the full exercise of the Bonus Warrants at initial Warrant Subscription Price of HK\$0.220 per Consolidated Share | 7,367,831.728 |
|---|---------------|

|  |                 |
|--|-----------------|
| 13,354,195,029 Consolidated Shares in issue immediately after the Share Consolidation and Authorised Share Capital Increase becoming effective and completion of the Rights Issue and the issue of Bonus Warrant Shares on the full exercise of the Bonus Warrants at initial Warrant Subscription Price of HK\$0.220 per Consolidated Share | 213,667,120.464 |
|--|-----------------|

All the Existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. All the Rights Shares to be issued will rank *pari passu* in all respects with each other, including, in particular, as to all rights as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares. All of the Bonus Warrant Shares to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will rank *pari passu* in all respects with each other, including, in particular, as to all rights as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Bonus Warrant Shares.

Save for the 2021 Guaranteed Notes which are listed on the Singapore Exchange, no part of the share capital or any other equity or debt securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Existing Shares, Consolidated Shares, Rights Shares, Bonus Warrants or Bonus Warrant Shares or any other securities of the Company to be listed or dealt in on any stock exchange other than the Stock Exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no treasury shares or other derivatives, outstanding convertible securities, options or warrants in issue which are convertible into or confer any right to subscribe for, convert or exchange into, any Shares.

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the Bonus Warrants and the Bonus Warrant Shares.

Application will be made to HKSCC for the admission of the Bonus Warrants into CCASS operated by HKSCC. All necessary arrangements will be made by the Company to enable the Bonus Warrants to be admitted into CCASS.

Subject to the granting of the listing of, and permission to deal in, the Bonus Warrants and the Bonus Warrant Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants on the Stock Exchange, and subject to the compliance with the stock admission requirements of HKSCC, the Bonus Warrants and the Bonus Warrant Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of their dealings on the Stock Exchange or such other date as may be determined by HKSCC. Settlement between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of settlement arrangements for the Bonus Warrants and the Bonus Warrant Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants and how such arrangements affect their rights and interests.

### **3. DISCLOSURE OF INTERESTS**

#### **Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company or any associated corporations**

As at the Latest Practicable Date, the interest and the short positions the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

**Interest in the Company – Long Positions**

| Name of Director or<br>chief executive | Capacity/<br>Nature of Interests   | Number of<br>Existing Shares | Total          | Approximate<br>percentage of<br>shareholdings<br>(Note 1) |
|--|------------------------------------|------------------------------|----------------|---|
| Chung Cho Yee, Mico (Note 2)           | Interest of controlled corporation | 18,051,187,762               | 18,051,187,762 | 196.00%   |
| Kan Sze Man                            | Beneficial owner                   | 23,790,500                   | 23,790,500     | 0.26%   |

*Notes:*

1. The percentages are calculated based on the number of Existing Shares of the Company in issue as at the Latest Practicable Date, i.e. 9,209,789,676 Existing Shares.
2. As at the Latest Practicable Date, Digisino was wholly-owned by Mr. Chung, Newco was 99.9996% owned by Digisino, and Earnest Equity and Golden Boost were wholly-owned subsidiaries of Newco. Earnest Equity held 5,179,172,062 Existing Shares and Golden Boost held 20,000 Existing Shares. Pursuant to the Irrevocable Undertaking, among others, Newco undertook to (or procure Newco's subsidiaries or nominees to), accept and take up in full a total of 4,661,272,854 nil-paid Rights Shares and to apply (by way of excess application) for 1,774,724,996 Rights Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, the following Directors were directors/employees of a company which had an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Chung was a director of Digisino and Newco.
- (b) Mr. Kan Sze Man was an alternate director to Mr. Chung of Digisino and Newco.

**Interest of substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

## Interest in the Company – Long Positions

| Name of substantial Shareholder              | Capacity                           | Number of Existing Shares | Total          | Approximate percentage of shareholdings<br>(Note 1) |
|--|------------------------------------|---------------------------|----------------|---|
| Digisino (Note 2)                            | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Newco (Note 2)                               | Beneficial owner                   | 12,871,995,700            |                |   |
|  | Interest of controlled corporation | 5,179,192,062             | 18,051,187,762 | 196.00%   |
| Petto Bell Limited                           | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Gaw Goodwin                                  | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Gaw Capital Partners                         | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Gateway VII Holdings Pte. Ltd.               | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Gateway VII GP (Singapore) Pte. Ltd.         | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Gateway Real Estate Fund VII (Singapore), LP | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Walter One Limited                           | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |
| Golden Growth Holdings Limited               | Interest of controlled corporation | 18,051,187,762            | 18,051,187,762 | 196.00%   |

*Notes:*

1. The percentages are calculated based on the number of Existing Shares of the Company in issue as at the Latest Practicable Date, i.e. 9,209,789,676 Existing Shares.
2. As at the Latest Practicable Date, Digisino was wholly-owned by Mr. Chung, Newco was 99.9996% owned by Digisino, and Earnest Equity and Golden Boost were wholly-owned subsidiaries of Newco. Earnest Equity held 5,179,172,062 Existing Shares and Golden Boost held 20,000 Existing Shares. Pursuant to the Irrevocable Undertaking, among others, Newco undertook to (or procure Newco's subsidiaries or nominees to), accept and take up in full a total of 4,661,272,854 nil-paid Rights Shares and to apply (by way of excess application) for 1,774,724,996 Rights Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person had, or was deemed or taken to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

**4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP**

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2024, being the date to which the latest published audited financial statements of the Group were made up.

**5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

**6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

**7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**8. EXPERTS AND CONSENTS**

The following sets out the qualifications of the experts who have given opinions, letters or advice included in this circular:

| <b>Name</b>              | <b>Qualifications</b>   |
|--------------------------|---|
| Deloitte Touche Tohmatsu | Certified Public Accountants and Registered Public Interest Entity Auditor  |
| Optima Capital Limited   | a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, neither of the above experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024, being the date to which the latest published audited accounts of the Company were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they are included.

## **9. MATERIAL CONTRACTS**

Save for those listed below, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the Note Subscription Agreement;
- (ii) the Rights Issue Underwriting Agreement; and
- (iii) the Facilitation Agreement.

## **10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

|  |  |
|--|--|
| Board of Directors                                       | <i>Executive Director</i>  |
|  | Chung Cho Yee, Mico (Chairman)<br>Kan Sze Man<br>Chow Hou Man<br>Ho Lok Fai<br>Leung King Yin, Kevin<br>Chung Yuen Tung, Jasmine |
|  | <i>Independent non-executive Directors</i>   |
|  | Cheng Yuk Wo<br>Shek Lai Him, Abraham, <i>GBS, JP</i><br>Lo Wing Yan, William, <i>JP</i>   |
| Registered office  | Clarendon House<br>2 Church Street<br>Hamilton HM 11<br>Bermuda  |
| Head office and principal place of business in Hong Kong | 31/F., Bank of America Tower<br>12 Harcourt Road<br>Central<br>Hong Kong   |

|   |   |
|---|---|
| Authorised representatives  | Kan Sze Man<br>Chow Hou Man   |
| Company secretary   | Kan Sze Man<br><i>Solicitor</i>   |
| Auditors and reporting accountants  | Deloitte Touche Tohmatsu<br><i>Certified Public Accountants</i><br><i>Registered Public Interest Entity Auditor</i><br>35/F, One Pacific Place<br>88 Queensway<br>Hong Kong |
| Hong Kong branch share registrar<br>and transfer office   | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716<br>17th Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai, Hong Kong                          |
| Legal adviser to the Company in<br>relation to the Rights Issue and<br>the Bonus Warrants Issue         | <i>As to Hong Kong law</i><br>Iu, Lai & Li Solicitors & Notaries<br>Rooms 2201, 2201A & 2202, 22nd Floor<br>Tower I, Admiralty Centre,<br>No.18 Harcourt Road, Hong Kong    |
| Financial adviser to the Company  | Anglo Chinese Corporate Finance, Limited<br>Room 4001, 40th Floor,<br>Two Exchange Square<br>8 Connaught Place, Central<br>Hong Kong  |
| Independent Financial Adviser to<br>the Independent Board Committee<br>and the Independent Shareholders | Optima Capital Limited<br>2808, 28th Floor<br>Shui On Centre<br>6-8 Harbour Road, Wanchai<br>Hong Kong  |
| Underwriter   | VMS Securities Limited<br>28/F, Viva Place<br>36 Heung Yip Road<br>Wong Chuk Hang<br>Hong Kong  |



**Principal Bankers**

Bank of China (Hong Kong) Limited  
1 Garden Road, Hong Kong

Bank of Communications Co., Ltd., Hong Kong Branch  
20 Pedder Street, Central, Hong Kong

Chong Hing Bank Limited  
488 Jaffe Rd., Causeway Bay, HK

Dah Sing Bank, Limited  
33/F, Everbright Centre,  
108 Gloucester Road, Hong Kong

DBS Bank (Hong Kong) Limited  
99 Queen's Road Central, Central, Hong Kong

Fubon Bank (Hong Kong) Limited  
38 Des Voeux Road, Central

Hang Seng Bank Limited  
83 Des Voeux Road, Central, Hong Kong

Hua Xia Bank Co., Limited Hong Kong Branch  
18/F, Two International Finance Centre,  
8 Finance Street, Central, Hong Kong

Industrial and Commercial Bank of China (Asia) Limited  
33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

Nanyang Commercial Bank, Limited  
151 Des Voeux Road Central, Hong Kong

Oversea-Chinese Banking Corporation Limited  
17/F, 9 Queen's Road Central, Central, Hong Kong

The Bank of East Asia, Limited  
10 Des Voeux Road Centra, Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited  
1 Queen's Road Central, Hong Kong

United Overseas Bank Limited  
25/F., Gloucester Tower, 15 Queen's Road,  
Central, Hong Kong

**11. EXPENSES**

The expenses in connection with the proposed Rights Issue and the transactions contemplated thereunder, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$28,572,000, which are payable by the Company.

**12. PARTICULARS OF DIRECTORS OF THE COMPANY****Executive Director**

**Mr. Chung Cho Yee, Mico**, aged 64, Chairman and Executive Director of the Company, joined the Company in 2004. He is a director of certain subsidiaries of the Company. He is also the chairman of the Executive Committee and the Nomination Committee of the Company, and a member of the Remuneration Committee of the Board. Mr. Chung graduated from University College London in the United Kingdom, with a law degree in 1983 and qualified as a solicitor in Hong Kong in 1986. Mr. Chung is currently a non-executive director of HKT Limited and HKT Management Limited, the trustee– manager of the HKT Trust, the shares of which are listed on the Stock Exchange. Mr. Chung is the father of Ms. Chung Yuen Tung, Jasmine, an executive director of the Company. He is also the brother-in-law of Mr. Kan Sze Man, an executive director and Chief Operating Officer of the Company.

**Mr. Kan Sze Man**, aged 53, joined the Company as Group General Counsel in 2001 and has been the Chief Operating Officer since 2016. He is a director of certain subsidiaries and associates of the Company and a member of the Executive Committee of the Board. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, University of Oxford in the United Kingdom in 1993 and qualified as a solicitor in Hong Kong in 1997. He worked in the commercial department of a Hong Kong law firm and a U.K. city firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan is the brother-in-law of Mr. Chung Cho Yee, Mico, the Chairman and the controlling shareholder of the Company. He also is the uncle of Ms. Chung Yuen Tung, Jasmine, an executive director of the Company.

**Mr. Chow Hou Man**, aged 54, joined the Company in 2001 and resigned as the Group Chief Financial Officer on 7 February 2025. He is a director of certain subsidiaries and associates of the Company and a member of the Executive Committee of the Board. Mr. Chow graduated from The Hong Kong Baptist University and holds a Master of Business Administration degree from The Hong Kong Polytechnic University. He has over 20 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants. He is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

**Mr. Ho Lok Fai**, aged 62, joined the Company in 2005. He is a deputy managing director/director of certain subsidiaries of the Company and a member of the Executive Committee of the Board. Mr. Ho has been involved in the commercial property investment and agency business since 1991, having over 30 years of solid and proven experience specialising in the investment in Grade A and B offices in Hong Kong. He is responsible for investment in commercial properties, leasing matters, and the property management business for offices and industrial properties of the Group.

**Mr. Leung King Yin, Kevin**, aged 62, joined the Company in 2021 and was appointed as managing director of development in May 2021 by the Company. He is a director of a subsidiary of the Company and a member of the Executive Committee of the Board. He is the head of the project management and development department of the Group, leading a team of project managers and surveyors in managing a variety of residential and commercial projects in Hong Kong. Prior to joining the Group, he was the general manager/project director of a number of sizable listed companies. He has over 30 years of experience in the property development field with a variety of portfolio including residential, commercial and hotel developments in Hong Kong, Mainland China and Canada. Mr. Leung holds a Bachelor degree of Architecture from the University of Melbourne. He is a registered architect and an authorised person under the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong), with extensive project management experience.

**Ms. Chung Yuen Tung, Jasmine**, aged 33, joined the Company in 2017. She is a member of Executive Committee of the Board. Ms. Chung holds a Bachelor of Arts degree with a major in Economics from New York University. Ms. Chung is responsible for driving corporate development strategy to optimise business units, sales and marketing functions of the Group. She also plays an active role in promoting the Group's Environmental, Social and Governance initiatives and integrating corporate branding strategy. Ms. Chung is the daughter of Mr. Chung Cho Yee, Mico, the Chairman and the controlling shareholder of the Company. She is also the niece of Mr. Kan Sze Man, an executive director and Chief Operating Officer of the Company.

#### **Independent non-executive Directors**

**Mr. Cheng Yuk Wo**, aged 64, joined the Company in 2002. He is the chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Board. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Professional Accountants of Canada. He is a co-founder of a Hong Kong merchant banking firm and is the proprietor of a certified public accountant practice firm in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from the University of Kent, England. Mr. Cheng had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and with Swiss Bank Corporation (now known as UBS AG) in Toronto.

Mr. Cheng is an independent non-executive director of Chong Hing Bank Limited and C.P. Pokphand Co. Ltd., the shares of which were delisted from the Stock Exchange in September 2021 and January 2022 respectively. He is also an independent non-executive director of China Renewable Energy Investment Limited, CPMC Holdings Limited, Liu Chong Hing Investment Limited, Chia Tai Enterprises International Limited, Miricor Enterprises Holdings Limited, Somerley Capital Holdings Limited and Kidsland International Holdings Limited, the shares of all of which are listed on the Stock Exchange.

Mr. Cheng was an independent non-executive director of Top Spring International Holdings Limited, the shares of which are listed on the Stock Exchange.

**Dr. Lo Wing Yan, William, JP**, aged 63, joined the Company in 2014. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Dr Lo is currently the Vice Chairman and COO of Meta Media Group, the leading global high-end media group in China. He is also the Publisher of the Bloomberg Businessweek Chinese Edition, and the Vice Chairman of [www.dayuclass.com](http://www.dayuclass.com), a digital knowledge platform. Dr Lo is also a Founding Governor of The Independent Schools Foundation Academy, one of the most well-known independent schools in HK. He has also been the Chairman of Charles K Kao Foundation for Alzheimer's Disease and Junior Achievement Hong Kong since 2013.

Dr. Lo started his career in McKinsey & Company Inc. and subsequently held various management posts at Hongkong Telecom, Cable & Wireless plc, Citibank, WPP plc, China Unicom, I.T Limited, South China Media Group and Kidsland International Holdings Ltd. He is renowned for being the founder of Netvigator, the largest Internet business in Hong Kong, as well as iTV (the predecessor of NowTV), one of the first interactive and on-demand TV services in the world.

Dr. Lo obtained a M. Phil. degree in Molecular Pharmacology and a Ph.D. degree in Engineering/Neuroscience, both from University of Cambridge.

In 1996, he was selected as a "Global Leader for Tomorrow" by the Davos-based global organisation World Economic Forum. In 2000, he was selected as one of the top 25 Asia's Digital Elites by the Asiaweek magazine. Dr. Lo has held numerous Government appointments during his career and is currently a member of the Cyberport Advisory Panel and an Advisory Committee of School of Chinese Medicine, Hong Kong Baptist University. Dr. Lo is also at present an Advisor of the Our Hong Kong Foundation, an Honorary Advisor of the institute of Web3.0 HK and a Board Governor of the Hong Kong Adventist Hospital Foundation. He was a board member of the Hong Kong Broadcasting Authority (now known as Communications Authority) as well as the Hong Kong Applied Science and Technology Research Institute and the Hong Kong Science Park. He was also a founding member of the Growth Enterprise Market (GEM) Listing Committee of the Stock Exchange. In 1999, Dr. Lo was appointed as Justice of the Peace (JP) of the Government of the Hong Kong Special Administrative Region for his contribution to Hong Kong. During the period 2003 to 2016, Dr. Lo was a Committee Member of Shantou People's Political Consultative Conference. Recently, Dr. Lo has been invited by the United Nations Economic and Social Commission for Asia and the Pacific to lead a task force for its Sustainable Business Network committee to look at financial inclusion leveraging fintech in the region. He was also appointed as an expert committee member of the GP Capital Research Institute of Shanghai GP Capital. In addition, Dr. Lo is a Board Mentor at Criticaleye, where he provides strategic guidance and mentorship to senior executives and board members.

Dr. Lo is an independent non-executive director of Television Broadcasts Limited and OCI International Holdings Limited, the shares of all of which are listed on the Stock Exchange. Also, Dr. Lo is an independent non-executive director of Regencell Bioscience Holdings Limited (NASDAQ: RGC).

Dr. Lo was an independent non-executive director of Jingrui Holdings Limited up to December 2024 and Oshidori International Holdings Limited up to July 2023, the shares of which are listed on the Stock Exchange and South Shore Holdings Limited up to November 2022, the shares of which are delisted from the Stock Exchange in February 2023.

**Mr. Shek Lai Him, Abraham**, *GBS, JP*, aged 79, joined the Company in 2018. He is a member of the Audit Committee of the Board. Mr. Shek obtained a bachelor degree of arts and a diploma in education in the University of Sydney in May 1969 and March 1970 respectively. Mr. Shek also obtained a Juris Doctor Degree in The City University of Hong Kong in June 2022. He became an honorary fellow of Lingnan University, The Hong Kong University of Science and Technology, The University of Hong Kong and The Education University of Hong Kong in November 2008, June 2014, September 2016 and March 2018 respectively. In addition to his achievements in the academic field, Mr. Shek has also earned certain honorary titles in various ambits. He was appointed as Justice of the Peace in July 1995 and awarded the Silver Bauhinia Star and Gold Bauhinia Star in the Hong Kong Special Administrative Region 2007 and 2013 Honors Lists respectively. He was a member of the advisory committee board of the Independent Commission Against Corruption from 2017 to 2022. Mr. Shek is currently an honorary member of the Court of The Hong Kong University of Science and Technology, a member of the Court of The City University of Hong Kong and a member of the Court of The Hong Kong Metropolitan University.

In addition, Mr. Shek is an independent non-executive director of the following listed companies, the shares of all of which are listed on the Stock Exchange: Paliburg Holdings Limited; Chuang's Consortium International Limited; CTF Services Limited (formerly known as NWS Holdings Limited); Chuang's China Investments Limited; ITC Properties Group Limited; China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited); Lai Fung Holdings Limited; Cosmopolitan International Holdings Limited; Everbright Grand China Assets Limited; Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust; Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust; Far East Consortium International Limited; Shin Hwa World Limited (formerly known as Landing International Development Limited); Hao Tian International Construction Investment Group Limited and Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd).

Mr. Shek was the chairman and an executive director of Goldin Financial Holdings Limited up to October 2023, the shares of which were delisted from the Stock Exchange in October 2023.

Mr. Shek was also an independent non-executive director of the following companies: Country Garden Holdings Company Limited up to March 2024, the shares of which are listed on the Stock Exchange, and Lifestyle International Holdings Limited up to December 2022, the shares of which were delisted from the Stock Exchange in December 2022.

**Business address of the Directors**

The business address of the Directors is the same as the Company's principal place of business in Hong Kong at 31/F., Bank of America Tower 12 Harcourt Road, Central, Hong Kong

**13. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English texts of this circular and the accompanying form of proxy shall prevail over the respective Chinese texts in case of inconsistency.

**14. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.csigroup.hk](http://www.csigroup.hk)) for a period of not less than 14 days from the date of this circular:

- (i) the letter from the Board, the text of which is set out on pages 16 to 68 of this circular;
- (ii) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-43 of this circular;
- (iv) the accountants' report on the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu as set out in Appendix II to this circular;
- (v) the material contracts referred to in the paragraph headed "9. MATERIAL CONTRACTS" in this appendix;
- (vi) the written consents of the experts referred to in the paragraph headed "8. EXPERTS AND CONSENTS" in this appendix; and
- (vii) the draft of the Bonus Warrant instrument.

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## NOTICE OF SGM

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### CSI PROPERTIES LIMITED

### 資本策略地產有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 497)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of CSI Properties Limited (the “Company”) will be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 6 March 2025 at 11:00 a.m. for the purpose of considering and, if though fit, passing (with or without modification) the following resolutions, all of which will be proposed as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **“THAT** conditional upon (i) the ordinary resolutions numbered 2, 3 and 4 as set out in the notice of special general meeting of the Company dated 17 February 2025 (**“Notice”**), as contained in the circular of the Company of the same date of the Notice to the shareholders of the Company (**“Circular”**) being passed:
  - (a) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (**“Stock Exchange”**) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined), the compliance with all relevant procedures and requirements under the laws of Bermuda and Hong Kong (where applicable) and the Listing Rules to effect the Share Consolidation (as hereinafter defined), and with effect from the Effective Date (as hereinafter defined):
    - (i) every two (2) issued and unissued shares with par value of HK\$0.008 each (**“Existing Shares”**) in the share capital of the Company be consolidated into one (1) share with par value of HK\$0.016 (each a **“Consolidated Share”**); and
    - (ii) the authorised share capital of the Company be increased from HK\$180,000,000 divided into shares with par value of HK\$0.008 each to HK\$500,000,000 divided into 31,250,000,000 Consolidated Shares with par value of HK\$0.016 each by the creation of 20,000,000,000 new Consolidated Shares (**“Authorised Share Capital Increase”**);



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## NOTICE OF SGM

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- (b) the directors of the Company (“**Directors**”) be and are authorised generally to sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect or in connection with the consolidation of the shares of the Company under (a)(i) (“**Share Consolidation**”), including the aggregation of all the fractional entitlements that may arise from the Share Consolidation and sale (if a premium, net of expenses, can be obtained) of these entitlements by a person appointed by the Directors in accordance with the terms and conditions set out in the Circular; and
  - (c) for the purpose of this resolution, “**Effective Date**” means the second business day (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) in Hong Kong immediately after the date on which this resolution is passed by the shareholders of the Company.”
- 2. “**THAT** conditional upon (i) the ordinary resolutions numbered 1, 3 and 4 as set out in the Notice being passed and the Share Consolidation and the Authorised Share Capital Increase (as defined in ordinary resolution numbered 1 in the Notice) becoming effective; (ii) the registration of the Prospectus Documents (as defined in the Circular) with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Rights Issue Underwriting Agreement (as defined in the Circular) not being terminated in accordance with its terms and (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares (as defined below) in both their nil-paid and fully paid forms:
  - (a) the offer of 8,288,810,708 shares (“**Rights Shares**”) by way of Rights Issue (“**Rights Issue**”) at the subscription price of HK\$0.18 per Rights Share (“**Subscription Price**”) on the basis of eighteen (18) Rights Shares for every ten (10) Consolidated Shares of the Company held by the Qualifying Shareholders (as defined in the Circular), whose names appear on the register of members of the Company as at the close of business on the Record Date (as defined in the Circular) be and is hereby approved;
  - (b) the Directors be and are hereby authorised to allot and issue the Rights Shares (nil paid and fully paid) and determine those terms and conditions of the Rights Issue that are not specified in the Circular and, in particular, the Directors are authorised to make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders (as defined in the Circular) in respect of the Rights Issue as it may deem necessary or expedient having regard to the legal restrictions under the laws of the place and requirements of the relevant regulatory body or stock exchange in relation to the allotment and issue of the Rights Shares, and to determine the basis of allocation of the Rights Shares to satisfy the excess applications based on the principles disclosed in the Circular and the Prospectus (as defined in the Circular); and



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## NOTICE OF SGM

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- (c) the Directors be and are hereby authorised generally to sign and execute such documents and take any or all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the transactions contemplated under this resolution, the Rights Issue or in connection with any of them.”
- 3. **“THAT** conditional upon the ordinary resolutions numbered 1, 2 and 4 as set out in the Notice being passed:
  - (a) the subscription agreement dated 23 January 2025 (**“Note Subscription Agreement”**) between Affinity Ocean Limited as issuer (**“Note Issuer”**), Kenton Harmony Limited as subscriber (**“Note Subscriber”**) and the Company as the guarantor, under which HK\$500,000,000 8.22 per cent. guaranteed note due on the fourth anniversary of the date of issue of the note (**“Senior Unsecured Note”**) shall be issued by the Note Issuer (the obligations of which shall be guaranteed by the Company) and subscribed by the Note Subscriber at the issue price of HK\$465,000,000 (a copy of the Note Subscription Agreement marked “A” being produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved; and
  - (b) the execution of the Note Subscription Agreement by the Company as the guarantor to guarantee the performance of the obligations of the Note Issuer under the Note Subscription Agreement be and is hereby approved, confirmed and ratified; and
  - (c) the Directors be and are hereby authorised generally to sign and execute such documents and take any or all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the transactions contemplated under this resolution or the Note Subscription Agreement or in connection therewith.”
- 4. **“THAT** conditional upon the ordinary resolutions numbered 1, 2 and 3 as set out in the Notice being passed:
  - (a) the Facilitation Agreement dated 23 January 2025 (**“Facilitation Agreement”**) between the Company and Petto Bell Limited (**“Investor”**) under which the Company shall pay HK\$22 million to the Investor (a copy of the Facilitation Agreement marked “B” being produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved; and
  - (b) the Directors be and are hereby authorised generally to sign and execute such documents and take any or all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the transactions contemplated under this resolution or the Facilitation Agreement or in connection therewith.”

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5. **“THAT** conditional upon (i) the ordinary resolutions numbered 1, 2, 3 and 4 as set out in the Notice being passed and the Share Consolidation and the Authorised Share Capital Increase (as defined in ordinary resolution numbered 1 in the Notice) becoming effective and (ii) the registration of a prospectus of the Company relating to the Bonus Warrants Issue (as defined below) with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrants (as defined below) and any new Consolidated Shares (as defined in ordinary resolution numbered 1 in the Notice) of the Company (the **“Warrant Shares”**) which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants:
- (a) the Directors be and are hereby authorised to create 460,489,483 warrants (**“Warrants”**), in registered form, which carry subscription rights entitling the holders of the Warrants (**“Warrantholders”**) to subscribe for new Shares at the initial exercise price of HK\$0.22 per Warrant Share (subject to adjustment) during the period from the date of the issue of the Warrants up to the second anniversary of the date of issue of the Warrants (both dates inclusive) in accordance with the conditions of Warrants and the terms of the warrant instrument (the **“Warrant Instrument”**) (a copy of a draft of which marked “C” being produced to this meeting and signed for the purpose of identification by the Chairman of this meeting), and issue the Warrants by way of bonus issue (**“Bonus Warrants Issue”**) to the Qualifying Shareholders (as defined in the Circular) in the proportion of one (1) Warrant for every ten (10) Consolidated Shares (as defined in ordinary resolution numbered 1 in the Notice) held at the close of business on the Record Date (as defined in the Circular);
  - (b) the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders (as defined in the Circular) in respect of the Bonus Warrants Issue as they may deem necessary or expedient having regard to the legal restrictions under the laws of the place and requirements of the relevant regulatory body or stock exchange in relation to the issue of the Warrants and to make arrangements in respect of fractional entitlements to the Warrants which will be aggregated and sold and the net proceeds of the sale will be retained for the benefit of the Company; and
  - (c) the Directors be and are hereby authorised to allot and issue the Warrants and the Warrant Shares upon exercise of the subscription rights attaching to the Warrants in accordance with the conditions of the Warrants and the terms of the Warrant Instrument, and to sign, execute and deliver all and any documents, deeds, certificates and instruments under hand or, where necessary, under seal of the Company in accordance with the bye-laws of the Company, and to do and/or procure to be done

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any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the transactions contemplated under the Warrant Instrument or this resolution or in connection therewith.”

By order of the Board  
**CSI Properties Limited**  
**Kan Sze Man**  
*Company Secretary*

Hong Kong, 17 February 2025

*Notes:*

1. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 48 hours (i.e. 11:00 a.m. on Tuesday, 4 March 2025 (Hong Kong time)) before the time appointed for the holding of the SGM. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the SGM or at any adjourned meeting (as the case may be) if they so desire.
3. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such Share shall be accepted to the exclusion of the votes of the other joint holders.
4. The register of members of the Company will be closed from Thursday, 27 February 2025 to Thursday, 6 March 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date for determining the entitlements of the shareholders to attend and vote at the SGM is Thursday, 6 March 2025. In order to be entitled to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 26 February 2025.
5. If typhoon signal No. 8 or above, or “extreme conditions” as announced by the Hong Kong Government or a “black” rainstorm warning is in effect in Hong Kong any time after 6:30 a.m. on the date of the SGM, the SGM will be rescheduled. The Company will post an announcement on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.csigroup.hk](http://www.csigroup.hk)) to notify shareholders of the date, time and place of the rescheduled meeting.
6. Votes on all of resolutions proposed at the SGM will be taken by poll.

*As at the date of this notice, the executive directors of the Company are Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man, Mr. Ho Lok Fai, Mr. Leung King Yin, Kevin and Ms. Chung Yuen Tung, Jasmine; and the independent non-executive directors of the Company are Mr. Cheng Yuk Wo, Mr. Shek Lai Him, Abraham, GBS, JP and Dr. Lo Wing Yan, William, JP.*