



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:

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2 Church Street

Hamilton HM 11

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

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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*

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

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.

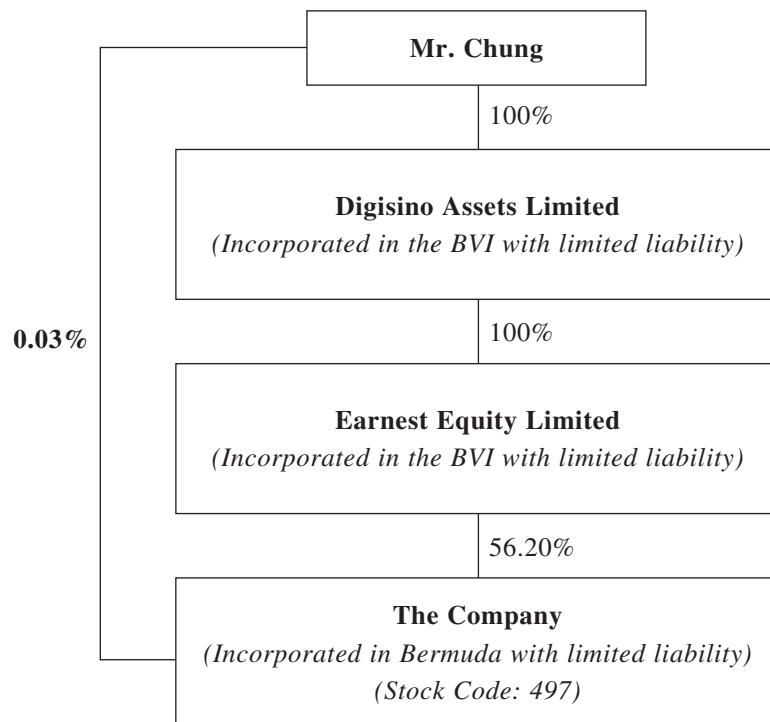
II. BACKGROUND OF THE STRATEGIC FUNDING & PARTNERSHIP PROPOSAL

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.

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.

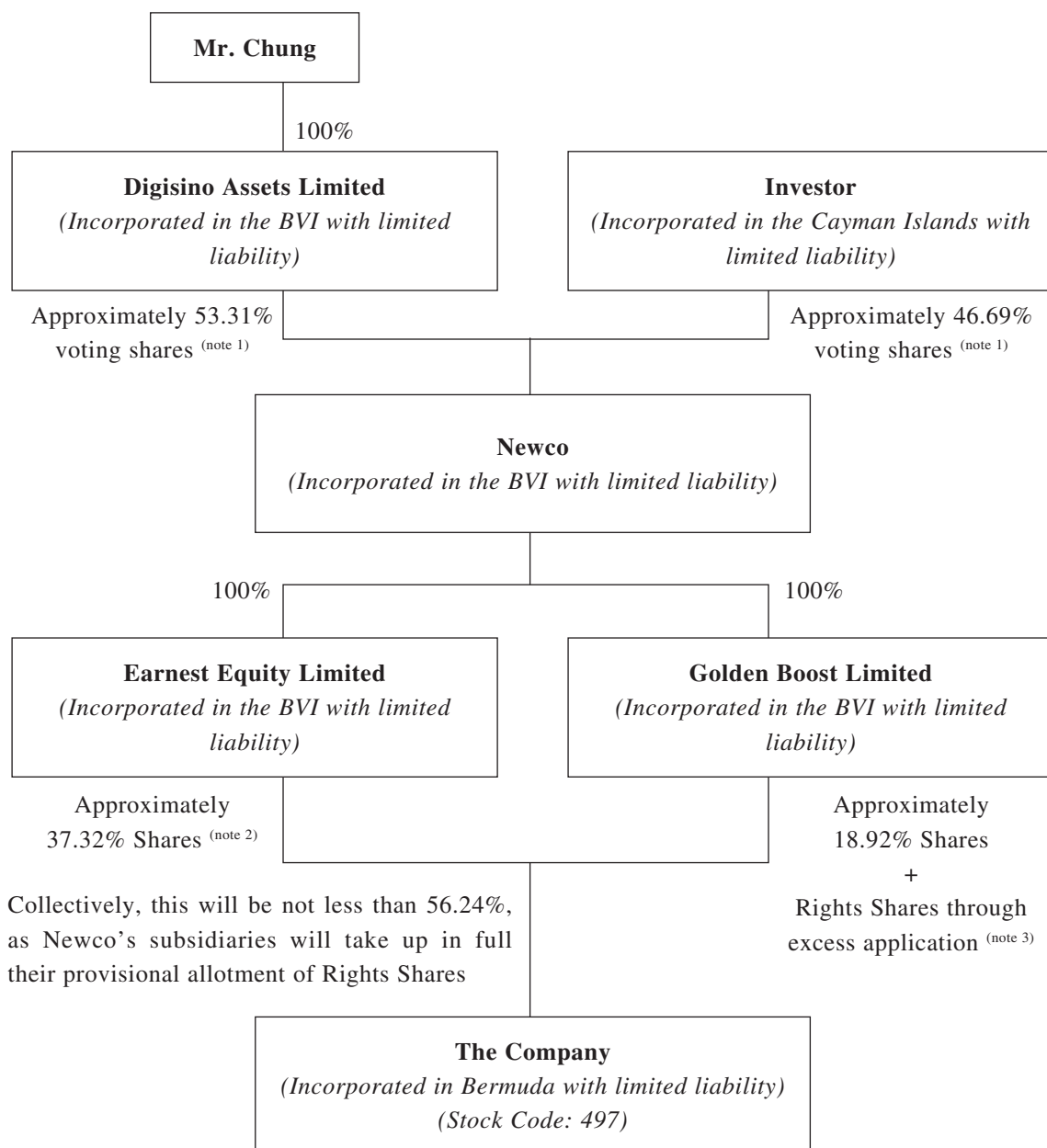
Digisino and the Investor agreed to provide Newco loans of HK\$400 million and approximately HK\$758 million (together, the “**Loan Funds**”), respectively, to fund the obligation of Earnest Equity and Golden Boost, respectively, to participate in the Rights Issue upon obtaining all relevant approvals 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.

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:



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;

- 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;

- (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.

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.

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.

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 ^(Note 1)

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"> (a) 4,661,272,854 Rights Shares to be provisionally allotted to the relevant 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
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 ^(Note 1)
Amount to be raised before expenses (assuming the Rights Issue is fully taken up):	Approximately HK\$1,492 million ^(Note 1)
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.

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;

- (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.

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) and the Stock Exchange (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.

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”.

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.

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.

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.

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);

- (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.

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.

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 Latest Practicable Date		All Rights Shares are subscribed by Qualifying Shareholders other than Mr. Kan Sze Man (Note 2) (Note 3)		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 (on a theoretical basis)	%	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%
					(Note 4)	(Note 4)
Total number of Consolidated Shares	<u>4,604,894,838</u>	<u>100%</u>	<u>12,893,705,546</u>	<u>100%</u>	<u>12,893,705,546</u>	<u>100%</u>

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.

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.

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;

- (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.

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;

- (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.

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.

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.

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.
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Maturity	The fourth anniversary of the Note Issue Date
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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:
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- (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.

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).

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

- (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;

- (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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a vertical line and a horizontal stroke.

Kan Sze Man
Company Secretary