

CONVERTIBLE BOND INSTRUMENT

by way of deed poll executed on 30 May, 2016

constituting HK\$148,000,000 convertible bonds due 2021

convertible into ordinary shares of

SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

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THIS INSTRUMENT is made by way of deed poll on 30 May, 2016 by **SUN EAST TECHNOLOGY (HOLDINGS) LIMITED**, a company incorporated in Bermuda with limited liability, whose registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 365) (the “**Issuer**”).

WHEREAS:

- (A) This Instrument is hereby issued by the Issuer pursuant to the Subscription Agreement dated 4 February, 2016 executed by and among the Issuer, Mr. But Tin Fu and Unis Technology Strategy Investment Limited (the “**Subscription Agreement**”).
- (B) The Issuer has in accordance with its bye-laws and by a resolution of its board of directors passed on 12 May, 2016 resolved to create and issue the Bonds (as defined below).

NOW THIS INSTRUMENT WITNESSES AND THE ISSUER HEREBY DECLARES AS FOLLOWS:

1. DEFINITIONS

- 1.1 In this Instrument and the Bonds, unless the context otherwise requires, capitalized terms used herein shall have the meanings ascribed to them as follows:

“**Affiliate**” of a Person (the “**Subject Person**”) means (a) in the case of a Person other than a natural person: (i) any other person that directly or indirectly Controls, or is Controlled by, or is under common Control with, the Subject Person; and (ii) without limiting the generality of the foregoing, includes any limited or general partner, venture capital, investment vehicle or investment fund or member of such person now or hereafter existing that is controlled by or under common control with the Subject Person and (b) in the case of a natural person, any other Person that is directly or indirectly Controlled by the Subject Person or is an Associate of the Subject Person;

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

“**Associate**” has the meaning given in Rule 1.01 of the Listing Rules;

“**Bond Certificate**” means a certificate, substantially in the form set out in Schedule 1 hereto, issued in the name of the holder of one or more Bonds;

“**Bondholder**” means a person whose name is for the time being entered in the Register of Bondholders as the holder of a Bond;

“**Bonds**” means the convertible bonds created and constituted by this Instrument and any deed poll supplemental hereto and issued with the benefit of, and subject to, the terms and conditions set out in this Instrument in registered form in the denomination of HK\$1,000,000 each and integral multiples of HK\$1,000,000 in excess thereof, comprising an aggregate principal amount of HK\$148,000,000, or, as the case may be, the principal amount thereof for the time being outstanding and a “**Bond**” means an integral part of the Bonds evidenced by a Bond Certificate issued in accordance with the provisions of this Instrument;

“**Business Day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of a surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered;

“Capital Distribution” means any dividend or distribution, whether of cash or assets in specie or other property by the Issuer for any financial period, and whenever paid or made and however described or declared after the Issue Date, (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 5.4(b)(i) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend));

“CCASS” means the Central Clearing and Settlement System of Hong Kong;

“Change of Control” occurs when either:

- (a) UNIS Technology Strategy Investment Limited and its Affiliates are no longer the largest shareholder of the Issuer; or
- (c) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Issuer or the successor entity being merged with or transferred all or substantially all of the Issuer’s assets;

“Closing Price” for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;

“Conditions” means the terms and conditions set out in Schedule 1 as from time to time modified in accordance with this Instrument, and any reference to a particularly numbered Condition shall be construed accordingly;

“Control” of a Person means (a) the power to appoint a majority of the members of the board of directors or equivalent governing body of such Person (or, if no such governing body exists, the direct or indirect ownership of a majority of the equity interests of such Person) or (b) the direct or indirect possession of the power to direct or cause the direction of the management or affairs of such Person, whether through ownership of securities or other ownership interests, through contractual arrangement or otherwise, and the terms **“Controlling”** and **“Controlled”** have meanings correlative to the foregoing;

“Conversion Date” has the meaning ascribed to it in Condition 5.3(b);

“Conversion Notice” means a notice electing to convert Bonds into Shares to be issued in accordance with Condition 5.3(a);

“Conversion Period” has the meaning ascribed to it in Condition 5.1(b);

“Conversion Price” means the price per Share at which Shares will be issued upon exercise of the Conversion Rights, such price initially being HK\$0.40 per Share, subject to adjustment in accordance with the terms of this Instrument;

“Conversion Right” has the meaning ascribed to it in Condition 5.1(a);

“Current Market Price” means, in respect of a Share at a particular time on a particular date, the average of the average Closing Price for one Share for each of the 30 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 30 Trading Day period, the Shares shall have been quoted ex-

dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (a) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the average Closing Price of the preceding 30 Trading Days thereof reduced by an amount equal to the amount of that dividend per Share; or
- (b) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall, for the purpose of this definition, be deemed to be the average Closing Price of the preceding 30 Trading Days thereof increased by such similar amount,

provided that, (i) if the Shares on each of the said 30 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; and (ii) if:

- (A) the Closing Price is not available on each of the 30 Trading Days during the relevant period, then the arithmetic average of such Closing Price which is available in the relevant period shall be used (subject to a minimum of two such Closing Prices`); and
- (B) only one or no such Closing Price is available in the relevant period, then the current market price shall be determined in good faith by the Expert;

“Default” means an Event of Default or any event or circumstance specified in Condition 10 which would (with the expiry of a grace period, the giving of notice, the making of any determination or any of the combination any of the foregoing) be an Event of Default;

“Default Rate” means 10 per cent. per annum;

“Designated Office” means the Issuer’s principal place of business in Hong Kong from time to time, such place being Unit H, 1st Floor, Phase 4, Kwun Tong Industrial Centre, 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong as at the date of this Instrument;

“Distribution” means any dividend or distribution, whether of cash or assets in specie or other property by the Issuer for any financial period, and whenever paid or made and however described or declared after the Issue Date (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid);

“Encumbrance” means any encumbrance, right, interest or restriction, including any mortgage, charge, assignment, pledge, lien, deed of trust, security interest, hypothecation, encroachment, easement, title defect, title retention agreement, voting trust agreement, right of pre-emption, right of first refusal, claim, option, limitation, forfeiture, penalty, equity, adverse interest or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, including without limitation, anything analogous to any of the foregoing under the laws of any relevant jurisdiction;

“Equivalent Amount” has the meaning ascribed to it in Condition 5.3(d);

“Event of Default” means any event or circumstance specified in Condition 10;

“Expert” means an independent bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Bondholders. If the Issuer fails to select an Expert when required by the Conditions, the Bondholders may at their absolute discretion select the Expert;

“Fair Market Value” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Expert; provided that: (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Expert) the fair market value of such options, warrants or other rights shall equal the average of the closing price for each such option, warrant or other rights for each of the 30 consecutive Trading Days ending on the Trading Day immediately preceding such date;

“Financial Year” means the financial year of the Issuer, currently ending on 31 March of each year;

“Group” means the Issuer and each of its Subsidiaries, associated companies and jointly controlled entities from time to time;

“HK Dollar”, “Hong Kong Dollar”, and “HK\$” means the lawful currency of Hong Kong;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Issue Date” means the date of this Instrument;

“Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in force from time to time;

“Material Adverse Effect” means any event, circumstance or effect or any combination of them which is, or which could reasonably be expected to be, materially adverse to the business, operations, business results, or financial condition or prospects of the Group taken as a whole;

“Maturity Date” means the fifth anniversary of the Issue Date;

“normal office hours” means 9 a.m. to 5 p.m. on a Business Day;

“outstanding” means, in relation to the Bonds, all the Bonds issued except:

- (a) those which have been redeemed in accordance with the terms of this Instrument;
- (b) those in respect of which Conversion Rights have been exercised and discharged (and, for the avoidance of doubt, a Bond in respect of which a Conversion Date has occurred shall be deemed to remain outstanding until the Conversion Right has been satisfied and discharged even if the holder is removed from the Register of Bondholders during the conversion process);
- (c) those in respect of which the date for redemption has occurred and the redemption monies and all accrued default interest and premium (if any) have been duly paid to the relevant Bondholder(s);

- (d) those mutilated or defaced Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 12;
- (e) (for the purpose only of determining how many Bonds are outstanding and without prejudice to their status for any other purpose) those Bonds alleged to have been lost, stolen or destroyed and in respect of which replacement Bonds have been issued pursuant to Condition 12;

provided that for the purpose of the determination of how many and which Bonds are for the time being outstanding for the purposes of Condition 10, those Bonds (if any) which are for the time being held by any person (including but not limited to the Issuer or any of its Subsidiaries) for the benefit of the Issuer or any of its Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

“Person” means any individual, company, corporation, body corporate, firm, partnership, joint-stock company, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“PRC” means the People’s Republic of China but excluding, for the purpose of this Instrument and the Bonds, Hong Kong, the Macau Special Administrative Region and Taiwan;

“Register of Bondholders” has the meaning ascribed to it in Condition 3.1;

“Registration Date” has the meaning ascribed to it in Condition 5.3(d);

“Relevant Cash Dividend” has the meaning ascribed to it in Condition 5.4(b)(i);

“Relevant Event” occurs:

- (a) when the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange for a period equal to or exceeding 30 consecutive Trading Days; or
- (b) when there is a Change of Control;

“Relevant Event Redemption Date” has the meaning ascribed to it in Condition 8.2(a);

“Relevant Event Redemption Notice” means a notice to be issued in accordance with Condition 8.2 requiring the Issuer to redeem Bonds;

“Scrip Dividend” has the meaning ascribed to it in Condition 5.4(b)(i);

“Shareholders” means the holders of Shares from time to time;

“Shares” means the ordinary shares of par value HK\$0.10 each in the share capital of the Issuer (which include ordinary shares of the Issuer listed on the Hong Kong Stock Exchange or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer);

“Stock Exchange Business Day” means any day (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange or the Alternative Stock Exchange, as the case may be, is open for business of dealing in securities;

“Subscription Agreement” shall be as defined in the Recital;

“Subsidiary” includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect the directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) not more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other subsidiaries) the management of the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law regulations or the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants from time to time or such other applicably generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person;

“Trading Day” means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days;

“Transfer Form” means a form of transfer in a form satisfactory to the Issuer to be delivered to the Issuer to transfer any Bonds;

- 1.2 Headings used in this Instrument are for ease of reference only and shall be ignored in interpreting this Instrument.
- 1.3 References to Clauses and Schedules are references to Clauses of, and Schedules to, this Instrument.
- 1.4 Words and expressions in the singular include the plural and vice versa and words and expressions importing one gender include every gender.
- 1.5 Reference to “Person” or any other person includes its successors in title, permitted assigns and permitted transferees.
- 1.6 References to a contract or document is to that contract or document as amended, novated, supplemented, restated or replaced from time to time.
- 1.7 References to times of the day are, unless otherwise specified, to Hong Kong time.
- 1.8 References to any ordinance, statute, legislation or enactment shall be construed as a reference to such ordinance, statute, legislation or enactment as may be extended, applied, amended or reenacted from time to time and for the time being in force.
- 1.9 References in this Instrument to principal, premium and other payments payable by the Issuer shall be deemed also to refer to any additional amounts which may be payable under Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to this Instrument.
- 1.10 Terms defined in the Conditions shall, unless otherwise defined herein, have the same meaning when used in the main body of this Instrument.

- 1.11 The Conditions shall be binding on the Issuer and the Bondholders. The provisions contained in the Conditions shall have the effect in the same manner as if herein set forth.

2. AMOUNT AND ISSUE OF BONDS

- 2.1 The Issuer hereby creates and constitutes the Bonds, in the denomination of HK\$1,000,000 each and integral multiples of HK\$1,000,000 in excess thereof (the “**Authorised Denomination**”) in aggregate principal amount of HK\$148,000,000, on terms and conditions set out in this Instrument.
- 2.2 The Issuer will on any date when the Bonds or any of them become due to be redeemed, and upon surrender of the relevant Bond Certificate in accordance with the Conditions, and on any date on which any amounts in respect of the Bonds become due under the Conditions, unconditionally pay to or to the order of each Bondholder by transfer to the registered account of the respective Bondholder, or by a cheque drawn on a bank in Hong Kong and mailed to the registered address of the Bondholder if such Bondholder does not have a registered account, the amount of principal of, and premium (if any) on, the Bonds becoming due for redemption on that date or such amounts due to such Bondholder (as the case may be) and will (subject to the Conditions) until such payment (both before and after judgment) is duly made, unconditionally so pay to or to the order of such Bondholder interest in Hong Kong Dollar at the rate and on the dates set out in the Conditions together in any such case with such other amounts as shall be payable in respect of the Bonds all as set out in the Conditions.

3. FORM AND ISSUE OF THE BONDS

On the issue of the Bonds, a Bond Certificate will be issued to each Bondholder in respect of the aggregate principal amount of the Bonds held by such Bondholder and the Issuer shall make entries of the Bonds on the Register of Bondholders as appropriate. The Bonds evidenced by the Bond Certificate shall be subject to the Conditions endorsed on its back.

4. STAMP DUTIES

The Issuer will bear and pay any stamp, issue, registration, documentary or other similar duties and taxes on or in connection with the issue and delivery of the Bonds, the execution and delivery of this Instrument and the deposit of Bond Certificates for the conversion of the Bonds and the issue and delivery of Shares following such deposit. The Issuer will also indemnify the Bondholders from and against all stamp, issue, registration, documentary or other taxes and duties paid by it in any jurisdiction in connection with any action taken by or on behalf of the Bondholders to enforce the obligations of the Issuer under this Instrument or the Bonds.

5. COVENANTS

The Issuer hereby covenants and undertakes to the Bondholders that it will comply with and perform and observe all the obligations on its part contained in this Instrument and Schedule 1 (as from time to time modified in accordance with the provisions contained herein), the Bond Certificates and any deed poll or other document executed in accordance with the provisions hereof (as from time to time modified as aforesaid) and expressed to be supplemental hereto and (without prejudice to the generality of the foregoing) to comply with and procure compliance with each of the Bonds in accordance with the Conditions. The Bonds shall be held subject to the provisions contained in this Instrument and Schedule 1 (as from time to time modified in accordance with the provisions contained herein), the Bond Certificates and any deed poll or other document executed in accordance with the provisions hereof (as from time to time modified as aforesaid) and expressed to be supplemental hereto, all of which shall be binding upon the Issuer and shall also be binding upon the Bondholders and all

persons claiming through or under them respectively. The provisions contained in Schedule 1 hereto shall have full effect in the like manner as if the same had been incorporated herein.

6. CURRENCY INDEMNITY

- 6.1 Hong Kong Dollar (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages.
- 6.2 An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to be so).
- 6.3 If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.
- 6.4 The indemnity in this Clause 6 constitutes a separate and independent obligation from the other obligations under the Bonds, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds or any other judgment or order.

7. COMMUNICATIONS

- 7.1 Any communications to the Issuer shall be by letter sent by registered post or courier or by fax:

Address: Unit H, 1st Floor, Phase 4, Kwun Tong Industrial Centre, 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong

Fax No: +852 2343 3120

For the attention of: The Board of Directors

The Issuer may change its contact details by giving five (5) Business Days’ notice to the Bondholders.

- 7.2 Communications will take effect, in the case of a letter sent by registered post, on the date of actual receipt; in case of a letter sent by courier, at the time of delivery; in the case of fax, at the time of dispatch if the correct error-free transmission report is received.

8. GOVERNING LAW

- 8.1 This Instrument is governed by the laws of Hong Kong.
- 8.2 For the benefit of the Bondholders, the Issuer agrees that the courts of Hong Kong have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Instrument and accordingly submit to the exclusive jurisdiction of the courts of Hong Kong.

**SCHEDULE 1
FORM OF BOND CERTIFICATE**

On the front:

Amount: HK\$[●]

Certificate No.: [●]

SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

HK\$148,000,000 Convertible Bonds due 2021 (the “Bonds”)

The Bond or Bonds in respect of which this Certificate is issued, the identifying numbers of which are noted above, are issued in registered form and form part of a series designated as above of **SUN EAST TECHNOLOGY (HOLDINGS) LIMITED** (the “**Issuer**”) and are constituted by the Bond Instrument referred to on the reverse hereof. The Bonds are subject to, and have the benefit of, that Bond Instrument and the terms and conditions (the “**Conditions**”) set out on the reverse hereof.

The Issuer hereby certifies that

UNIS Technology Strategy Investment Limited of 11th Floor, Central Tower, 28 Queen’s Road
Central, Central, Hong Kong

is, at the date hereof, entered in the Issuer's Register of Bondholders as the holder of the Bonds in the principal amount of HK\$[●] (Hong Kong Dollar [●] Only). For value received, the Issuer by such entry promises to pay the person who appears at the relevant time on the Register of Bondholders as holder of the Bonds in respect of which this Certificate is issued such amount or amounts as shall become due in respect of such Bonds in accordance with the Conditions and each of the Issuer and the Bondholder mentioned above agree to comply with the Bond Instrument and the Conditions.

The Bonds in respect of which this Certificate is issued are convertible into ordinary shares with a par value of HK\$0.10 each of the Issuer in accordance with and subject to the Conditions and the Bond Instrument.

This Certificate is evidence of entitlement only. Title to the Bonds passes only on due registration in the Register of Bondholders and only the duly registered holder is entitled to payments on the Bonds in respect of which this Certificate is issued.

This Certificate is governed by, and shall be construed in accordance with, the laws of Hong Kong.

SEALED with the **COMMON SEAL** of)
SUN EAST TECHNOLOGY)
(HOLDINGS) LIMITED)
and **SIGNED** by)
))
in the presence of:)

On the back:

TERMS AND CONDITIONS OF THE BONDS

The issue of the HK\$148,000,000 aggregate principal amount of the Bonds (the “**Bonds**”) of Sun East Technology (Holdings) Limited (the “**Issuer**”) was authorized by a resolution of the board of directors of the Issuer passed on [●], 2016. The Issuer has executed a bond instrument by way of deed poll (the “**Bond Instrument**”) constituting the Bonds. Unless otherwise defined, terms used in these terms and conditions of the Bonds (these “**Conditions**”) have the meanings specified in the Bond Instrument. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Bond Instrument which include the form of the Bonds. Copy of the Bond Instrument is available for inspection during normal office hours at the Designated Office. The Bondholders are entitled to the benefit of the Bond Instrument and are bound by, and are deemed to have notice of, all the provisions of the Bond Instrument applicable to them.

1. STATUS

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Issuer’s other present and future unsecured and unsubordinated obligations.

2. FORM, DENOMINATION AND TITLE

- 2.1 Form and Denomination. The Bonds are issued in registered form in the denomination of HK\$1,000,000 each and integral multiples of HK\$1,000,000 in excess thereof (the “**Authorised Denomination**”). A bond certificate (each a “**Bond Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond Certificate will be numbered serially with an identifying number which will be recorded on the relevant Bond Certificate and in the Register of Bondholders which the Issuer will keep.
- 2.2 Title. Title to the Bonds passes only by transfer and registration in the Register of Bondholders as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Bond Certificate issued in respect of it) and no person will be liable for so treating the holder.

3. TRANSFER OF BONDS; ISSUE OF BOND CERTIFICATES

- 3.1 Register of Bondholders. The Issuer will cause to be kept at its principal place of business in Hong Kong a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds (the “**Register of Bondholders**”). Each Bondholder shall be entitled to receive only one Bond Certificate in respect of its entire holding of Bonds. The Bondholders and any person authorized in writing by the Bondholders shall be at liberty, during normal office hours and free of charge, to inspect and take copies of the Register of Bondholders. The Issuer shall promptly notify the Bondholders of any change in the Designated Office in accordance with Condition 14.

3.2 Transfers. A Bond may be transferred at any time by delivery of the Bond Certificate issued in respect of that Bond, with the Transfer Form duly completed and signed under hand by the relevant registered Bondholder or his attorney duly authorised in writing, to the Issuer at the Designated Office, provided, however, that (a) where not all of the Bonds then held by the holder are being transferred, the aggregate principal amount of the Bonds so transferred shall be at least HK\$2,000,000 and an Authorised Denomination, and (b) if the transfer is not to a bank, financial institution or other financiers for financing purpose of the Bondholder, the prior consent of the Issuer shall have been obtained (such consent not to be unreasonably withheld or delayed and shall be deemed to have been given unless the Issuer has expressly refused such consent within five (5) Business Days of the Bondholder's request). The Bondholder shall notify the Issuer as soon as practicable after effecting such transfer. No transfer of a Bond will be valid unless and until entered on the Register of Bondholders.

3.3 Delivery of New Bond Certificates.

- (a) Each new Bond Certificate to be issued upon a transfer, exchange or conversion of Bonds shall, within three (3) Business Days of receipt by the Issuer of the Bond Certificate evidencing the Bonds which are the subject of the transfer, exchange or conversion, be made available for collection at the Designated Office or, if so requested in writing to the Issuer or otherwise as set out in the Transfer Form or the Conversion Notice, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in writing to the Issuer or in the relevant Transfer Form or Conversion Notice.
- (b) Where only part of the principal amount of the Bonds in respect of which a Bond Certificate is issued is to be redeemed or converted, a new Bond Certificate in respect of the Bonds not so redeemed or converted will, within three (3) Business Days of delivery of the original Bond Certificate to the Issuer, be made available for collection at the Designated Office or, if so requested in writing to the Issuer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds not so redeemed or converted (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register of Bondholders.
- (c) The Issuer shall promptly update and make entries into the Register of Bondholders to reflect any transfer, redemption or conversion of any Bond made pursuant to these Conditions and shall provide copies of such updated Register of Bondholders upon written request by the Bondholders

3.4 Formalities Free of Charge. Registration of a transfer of Bonds and the issuance of new Bond Certificates will be effected without charge by or on behalf of the Issuer, but only upon payment by the relevant holder in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

4. **NO INTEREST**

4.1 The Bonds will not bear any interest, save for any default interest payable pursuant to Condition 7.5.

5. **CONVERSION**

5.1 Optional Conversion.

- (a) Subject as hereinafter provided, any Bondholder shall have the right to convert all or part of the Bonds held by it (if in part, the principal amount of Bonds to be converted

shall be in the minimum amount of HK\$2,000,000 and integral multiples of HK\$1,000,000 or the whole outstanding principal amount of the Bonds) into Shares credited as fully paid at any time during the Conversion Period referred to below. The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”.

- (b) A Bondholder may not convert such part of the Bonds held by it into Shares to the extent that the conversion would result in the Issuer breaching the minimum public float requirement under Rule 8.08 of the Listing Rules.
- (c) Subject to and upon compliance with the provisions of these Conditions, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after the Issue Date up to the close of business at the Designated Office on the Maturity Date (but, except as provided in Condition 5.2(c) and Condition 10, in no event thereafter) or, if notice requiring redemption has been given by the holder of such Bond in Condition 8, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the “**Conversion Period**”).

5.2 General.

- (a) The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect on the Conversion Date, and in the case of any conversion of the Bonds in part, such number of Shares to be issued shall be rounded up to the nearest board lot and in the case where the outstanding Bonds are converted in full, be rounded down to the nearest board lot. In the event that the number of Shares to be issued shall be rounded down to the nearest board lot, the principal amount of Bond converted hereunder shall be deemed to be the amount which, after such conversion, would result in the number of Shares rounded down to the nearest board lot and the Issuer shall pay to the relevant Bondholder in cash of such principal amount of Bonds deemed not so converted in accordance with Condition 7 and at the same time when the certificate(s) to be issued upon an exercise of a Conversion Right is made available for collection in accordance with Condition 5.3(d). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of aggregate principal amount of the Bonds to be converted.
- (b) Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the Issue Date which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay to each Bondholder a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Bond Certificate deposited by such Bondholder in connection with the exercise of Conversion Rights, aggregated as provided in Condition 5.2(a), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100. Any such sum shall be due and payable on the date the Shares are delivered pursuant to Condition 5.3(d).

- (c) Notwithstanding the provisions of Condition 5.1, if: (i) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (ii) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events referred to in Condition 10; or (iii) any Bond is not redeemed on the Maturity Date in accordance with Condition 8.1 or the applicable date for redemption in accordance with Condition 8.2, the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business at the Designated Office on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the relevant Bondholder and, notwithstanding the provisions of Condition 5.1, any Bond in respect of which the Bond Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the relevant Bondholder before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

5.3 Conversion Procedure.

- (a) To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense on any Business Day falling at least one Business Day prior to the Conversion Date at the Designated Office a Conversion Notice together with the relevant Bond Certificate, or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8.2, then up to the close of business at the Designated Office on the day prior to the giving of such notice.
- (b) The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 5.2(c) and Condition 10) and will be deemed to be the Stock Exchange Business Day immediately following the date of the surrender of the Bond Certificate in respect of such Bond and, if applicable, the delivery of such Conversion Notice and any payment to be made under these Conditions in connection with the exercise of such Conversion Right.
- (c) The Issuer shall pay any stamp, issue, registration, documental or other taxes and duties, including interest and penalties in Bermuda, Hong Kong, the PRC and all other relevant jurisdictions payable on or in connection with the authorization and issue of the Bonds or the issue of the Conversion Shares and any value added, turnover or similar tax payable in respect thereof (and references in these Conditions to such amount shall be deemed to include any such taxes so payable in addition to it).
- (d) As soon as practicable, and in any event not later than seven (7) Stock Exchange Business Days after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which the relevant Bond Certificate has been delivered, register the person or persons designated for the purpose in the Conversion Notice or otherwise notified by any Bondholder in writing as holder(s) of the relevant number of Shares in the Issuer's share register in Hong Kong and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of CCASS effective from time to time, take all necessary action to procure the Shares are delivered through CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the Designated Office, or if so requested by such Bondholder in writing, will cause

its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by uninsured ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place as notified by such Bondholder in writing, together with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

If the Conversion Date in relation to any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 5.4, but before the relevant adjustment becomes effective under the relevant provision, upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws and regulations)), such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately after the relevant record date (as calculated by the Issuer in accordance with these Conditions).

The person or persons designated in the Conversion Notice or otherwise notified by the Bondholder(s) to the Issuer in writing will become the holder(s) of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 5.3(d) prior to the time such retroactive adjustment shall have become effective), the Issuer will pay to the converting Bondholder or his designee an amount (the "**Equivalent Amount**") equal to the Fair Market Value of any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a HK Dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice or as notified by the relevant Bondholder to the Issuer from time to time.

5.4 Adjustments to Conversion Price.

The Conversion Price will be subject to adjustment in the following events:

- (a) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

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

Where:

A is the nominal amount of one (1) Share immediately after such alteration; and

B is the nominal amount of one (1) Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(b) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is

the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (c) *Capital Distributions:* If and *whenever* the Issuer shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 5.4(b) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

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

Where:

A is the Current Market Price of one (1) Share on the last Stock Exchange Trading Day preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one (1) Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Capital Distribution is capable of being determined as provided in these Conditions.

- (d) *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share (herein referred to in this paragraph (d) as the “issue price”) which is less than the higher of (i) 80 per cent. of the Current Market Price on the date of the announcement of the terms of the issue or grant and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted to an amount equal to the lower of (I) the Conversion Price in force immediately before such issue or grant multiplied by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights

issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant,

and (II) the issue price.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (e) *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

Where:

A is the Current Market Price on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one (1) Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (f) *Issues at less than Current Market Price:* If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 5.4(d) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 5.4(d) above) options, warrants or other rights to subscribe for, or purchase or otherwise acquire any Shares, in each case at a price per Share (herein referred to in this paragraph (f) as the “issue price”) which is less than the higher of (i) 80 per cent. of the Current Market Price on the date of the announcement of the terms of such issue and (ii) the Conversion Price then in effect on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted to an amount equal to the lower of (I) the Conversion Price in force immediately before such issue multiplied by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue or such additional Shares would purchase at such Current Market Price; and
- C is the number of Shares in issue immediately after the issue of such additional Shares,

and (II) the issue price.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (g) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this Condition 5.4(g), the issue wholly for cash by the Issuer in Condition 5.4(d), 5.4(e) or 5.4(f) of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share (herein referred to in this paragraph (g) as the "issue price") which is less than the higher of (i) 80 per cent. of the Current Market Price on the date of the announcement of the terms of the issue of such securities and (ii) the Conversion Price in effect on the date of the announcement of the terms of the issue of such securities, the Conversion Price shall be adjusted to an amount equal to the lower of (I) the Conversion Price in force immediately before such issue or grant multiplied by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate,

and (II) the issue price.

Such adjustment shall become effective on the date of issue of such securities.

- (h) *Modification of Rights of Conversion etc.*: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 5.4(g) above (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the higher of (i) 80 per cent. of the Current Market Price on the date of announcement of the proposals for such modification and (ii) the Conversion Price in effect on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

Where:

- A is the Current Market Price of a Share on the date on which such modification is announced; and
- B is the difference between the Fair Market Value of the modification on a per Share basis on the date of such announcement and the consideration received for the modification on a per Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (i) *Other Offers to Shareholders*: If and whenever the Issuer or any of its Subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 5.4(d), 5.4(e), 5.4(f) or 5.4(g) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

Where:

- A is the Current Market Price of one (1) Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one (1) Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

- (j) *Other Events*: If the Issuer or any Bondholder determines that a downward adjustment should be made to the Conversion Price as a result of one (1) or more events or circumstances not referred to in this Condition 5.4, the Issuer or such

Bondholder shall, at the costs and expenses of the Issuer, consult the Expert to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment should take effect and upon such determination by the Expert such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 5.4 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.4 as may be advised by the Expert to be in their opinion appropriate to give the intended result.

- 5.5 All costs, charges, liabilities and expenses incurred in connection with the appointment, retention, consultation and remuneration of the Expert appointed under these Conditions shall be borne by the Issuer.
- 5.6 On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest one Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down, if applicable) would be less than one (1) per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to the Bondholders (in accordance with Condition 14) as soon as practicable after the determination thereof.
- 5.7 The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value or would require Shares to be issued in any other circumstances not permitted by applicable law.
- 5.8 Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Expert, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by the Expert, to be in its opinion appropriate in order to give such intended result.
- 5.9 No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 5.4(a) above or to correct an error.

6. UNDERTAKINGS

- 6.1 The Issuer hereby undertakes and warrants that for so long as any Bond remains outstanding, save with the prior written consent of the Bondholders, it shall (and, where applicable, shall procure that its Subsidiaries shall):
 - (a) use its best endeavours: (i) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange; (ii) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange; and (iii) if the Issuer is unable to maintain or obtain such listing, to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on an Alternative Stock Exchange as the Issuer with the approval by the Bondholders may from time to time determine and will forthwith give notice to the Bondholders (in accordance with Condition 14) of the listing or delisting of the Shares (as a class) by any of such stock exchanges; and (iv) to ensure that the

minimum public float requirement (as stipulated under the Listing Rules or, as the case may be, rules or regulations of the Alternative Stock Exchange) of the issued share capital of the Issuer is satisfied at all times;

- (b) pay the expenses of the issue of, and all expenses of obtaining and maintaining the listing for, Shares arising on conversion of the Bonds;
- (c) not in any way modify the rights attaching to the Shares with respect to voting, dividends or liquidation nor issue any other class of ordinary share capital carrying any rights which are more favourable than the rights attaching to the Shares;
- (d) reserve, free from any pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital, the full number of Shares liable to be issued on conversion of the Bonds from time to time remain outstanding and will ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid;
- (e) not issue or pay up any securities, by way of capitalization of profits or reserves unless, in any such case, it gives rise to an adjustment of the Conversion Price;
- (f) if an offer is made to all Shareholders (or all Shareholders other than the offeror and/or any offeror controlled by the Issuer and/or persons acting in concert with the offeror) to acquire all or a proportion of the Shares, forthwith give notice of such offer to the Bondholders;
- (g) not issue any Shares or issue or grant any options, warrants or other rights (other than pursuant to a rights issue of the Issuer on a pro rata basis to all Shareholders) to subscribe for or purchase or otherwise acquire any Shares, without offering a first right to the Bondholders to subscribe or acquire such Bondholder's Pro Rata Share of such issuance or grant at the same price and otherwise on the same terms as the Issuer makes the relevant offer, issue or grant. The Issuer shall, not less than 30 days before a proposed issuance hereunder, deliver to each Bondholder in accordance with Condition 14 (which notice shall be irrevocable) notice of the proposed offer, issuance or grant setting forth (i) the number, type and description of Shares, options, warrants or other rights to be offered, issued or granted and (ii) the price and all other material terms of such offer, issue or grant (the "**New Issuance Notice**"). "Pro Rata Share" shall mean, in relation to a Bondholder, the proportion that the number of Shares held by it assuming that it has exercised its Conversion Rights to convert all the Bonds held by it into Shares at the then prevailing Conversion Price on the date of such offer bears to the aggregate number of Shares held by all Shareholders on a fully converted basis. For the avoidance of doubt, the Bondholders shall be deemed and regarded to have waived its first right to subscribe or acquire Shares foregoing mentioned if the Issuer fails to receive any written reply confirmation from the Bondholders regarding its exercise of such rights within five Business Days after the receipt of the New Issuance Notice by the Bondholders.

- 6.2 The Issuer shall give notice to the Hong Kong Stock Exchange (or, as the case may be, the Alternative Stock Exchange) and the Bondholders in accordance with Condition 14 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. PAYMENTS

7.1 Principal; Premium.

- (a) Payment of principal, premium and all other amounts payable under the Bonds shall be made by transfer to the registered accounts of the Bondholders or by cheques drawn on a bank in Hong Kong mailed to the registered addresses of the respective Bondholders if such Bondholders do not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Bond Certificate at the Designated Office.
 - (b) In the event that any Bondholder is converting all and not part of the Bonds under Condition 5.1, the Issuer shall, on the Registration Date and in accordance with Condition 7, pay all amounts outstanding under the Bonds.
 - (c) When making payments to Bondholders, fractions of one Hong Kong cent will be rounded down to the nearest Hong Kong cent.
- 7.2 Registered Accounts. For the purposes of this Condition 7, a Bondholder's registered account means the Hong Kong Dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register of Bondholders at the close of business on the second Business Day before the due date for payment (or such other Hong Kong Dollar account as such Bondholder may notify to the Issuer from time to time), and a Bondholder's registered address means its address appearing on the Register of Bondholders at that time.
- 7.3 Fiscal Laws. All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- 7.4 Payment Initiation. Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque (for value on the due date) will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the date prior to the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Bond Certificate is surrendered at the Designated Office.
- 7.5 Default Interest and Delay in Payment.
- (a) If the Issuer fails to pay any sum when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the Default Rate from the due date and ending on the date on which full payment is made to the relevant Bondholder in accordance with the Conditions. Such default interest shall accrue on the basis of the actual number of days elapsed and a 365-day year.
 - (b) Any Bondholder will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if such delay is caused solely because the due date is not a Business Day, if such Bondholder is late in surrendering its Bond Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.
 - (c) If an amount which is due on the Bonds is not paid in full, the Issuer will annotate the Register of Bondholders with a record of the amount (if any) in fact paid.

8. REDEMPTION AND CANCELLATION

- 8.1 Maturity. Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on the Maturity Date.

8.2 Redemption for Relevant Event.

- (a) Following the occurrence of a Relevant Event, any Bondholder will have the right at its option, to require the Issuer to redeem such Bondholder's Bonds in whole or part only (if in part, the principal amount of Bonds to be redeemed shall be in integral multiples of HK\$1,000,000) of such holder's Bonds on the Relevant Event Redemption Date at its principal amount. To exercise such right, the Bondholder must deposit at the Designated Office a duly completed and signed Relevant Event Redemption Notice together with the Bond Certificate evidencing the Bonds to be redeemed. The "**Relevant Event Redemption Date**" shall be the date falling three (3) months from the date of the Relevant Event Redemption Notice.
- (b) A Relevant Event Redemption Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Relevant Event Redemption Notice delivered as aforesaid on the Relevant Event Redemption Date.
- (c) The Issuer shall give notice to the Bondholders in accordance with Condition 14 within three (3) days after becoming aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8.2 and shall give brief details of the Relevant Event.

8.3 Cancellation. All Bonds which are purchased, redeemed or converted by the Issuer or any of its Subsidiaries, will forthwith be cancelled and such Bonds may not be reissued or resold.

8.4 Redemption Notices and Multiple Notices. If more than one notice of redemption is given, the first in time shall prevail.

9. **SET-OFF AND TAXES**

9.1 All payments made by the Issuer under the Bonds shall be made in full without set-off or counterclaim whatsoever.

9.2 All payments, whether of principal, premium or otherwise made by the Issuer under or in respect of the Bonds will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda, Hong Kong, the PRC, or the jurisdiction of the Alternative Stock Exchange or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required and the Issuer shall indemnify the Bondholders against any losses or costs incurred by the Bondholders by reason of any failure of the Issuer to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Issuer shall promptly deliver to the Bondholders any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

10. **EVENTS OF DEFAULT**

10.1 Each of the events or circumstances set out in the following paragraphs in this Condition 10.1 is an Event of Default:

- (a) a default is made by the Issuer in the payment of any principal, premium or any other amount due in respect of the Bonds on its due date of payment (except where failure to pay is caused solely by administrative or technical error and payment is made within three (3) Business Days of its due date);
- (b) failure by the Issuer to deliver any Shares as and when such Shares are required to be delivered following conversion of a Bond and such failure continues for a period of seven (7) Business Days;
- (c) the occurrence of any event or circumstance which could reasonably likely to result in a Material Adverse Effect;
- (d) the Issuer fails to perform or comply with one or more of its other obligations in the Bonds (other than those referred to in Conditions 10.1(a) to 10.1(c)), which default is incapable of remedy or, if capable of remedy, is not remedied within 7 days after written notice of such default shall have been given to the Issuer by a Bondholder;
- (e) the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Issuer; an administrator or liquidator of the Issuer, or the whole or any part of the assets and revenue of the Issuer is appointed and such appointment is not discharged or stayed within 60 days;
- (f) any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of any Principal Subsidiary; an administrator or liquidator of any Principal Subsidiary or the whole or any part of the assets and revenue of any Principal Subsidiary is appointed and such appointment is not discharged or stayed within 60 days (other than in respect of a solvent liquidation);
- (g) any judgment or order for the payment of money in excess of HK\$1,000,000 or the equivalent thereof (for each judgment or order) or HK\$10,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Issuer and/or any Principal Subsidiary and is not discharged for a period of 30 days following such judgment (or such longer period as the Issuer and the Bondholders may agree) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (h) any judgment or order for the payment of money in excess of HK\$10,000,000 or the equivalent thereof (for each judgment or order) or HK\$20,000,000 or the equivalent

thereof in the aggregate (for all such judgments or orders) shall be rendered against the Issuer and/or any Principal Subsidiary;

- (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the relevant events mentioned above in this Condition 10.1(i) have occurred equals or exceeds HK\$100,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- (j) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries, and is not discharged or stayed within 60 days;
- (k) an order is made or an effective resolution passed for the liquidation, winding up, dissolution, judicial management or administration of the Issuer or any of its Principal Subsidiaries or the Issuer or any of its Principal Subsidiary ceases or threatens to cease to carry on all or a material part of its business;
- (l) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries (as the case may be), and is not discharged within 60 days;
- (m) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Bonds;
- (n) any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;
- (o) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds; (ii) to ensure that these obligations are legally binding and enforceable; and (iii) to make the Bonds admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; or
- (p) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.1.

For the purposes of this Condition 10.1:

“insignificant subsidiary” has the meaning given in Rule 14A.09(1) of the Listing Rules; and

“Principal Subsidiary” means any Subsidiary of the Issuer which is not an insignificant subsidiary.

- 10.2 In each case without prejudice to the rights of any Bondholder to exercise the Conversion Right in respect of the Bonds in accordance with Condition 5, on and at any time after the occurrence of an Event of Default, any Bondholder may, by notice in writing to the Issuer, declare that the Bonds are, and they shall immediately become due and payable at the Early Redemption Amount as at such date (without prejudice to the right of any Bondholder to exercise the Conversion Right in respect of the Bonds).

- 10.3 **“Early Redemption Amount”** of a Bond means such amount as determined in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{outstanding principal amount of such Bond} \times (1.10)^N$$

Where:

N = a fraction the numerator of which is the number of calendar days between the Issue Date and the date of redemption of such amount and the denominator of which is 365.

11. MODIFICATION AND WAIVER

- 11.1 The provisions of these Conditions and the rights of the Bondholders may from time to time be modified, abrogated or compromised as agreed by the Bondholders.
- 11.2 Any modification to the terms of the Bonds shall be effected by way of deed poll executed by the Issuer. A copy of such deed poll will be sent by the Issuer to the Bondholders in accordance with Condition 14 as soon as practicable thereafter.
- 11.3 No failure to exercise, nor any delay in exercising, on the part of any Bondholder, any right or remedy under these Conditions shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies herein are cumulative and not exclusive or any rights or remedies provided by law.

12. REPLACEMENT OF BOND CERTIFICATES

If any Bond Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the Designated Office upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

13. CURRENCY INDEMNITY

- 13.1 Hong Kong Dollar (the **“Contractual Currency”**) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages.
- 13.2 An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any

sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to be so).

- 13.3 If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.
- 13.4 The indemnity in this Condition 13 constitutes a separate and independent obligation from the other obligations under the Bonds, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds or any other judgment or order.

14. NOTICES

All notices to the Bondholders shall be validly given if mailed by registered post to them at the addresses specified in the Register of Bondholders. Any such notice shall be deemed to have been given on the date of actual receipt by the relevant Bondholder.

15. GOVERNING LAW AND JURISDICTION

- 15.1 This Bonds and the Instrument, as to which time shall be of the essence, are governed by and shall be construed in accordance with the laws of Hong Kong.
- 15.2 For the benefit of the Bondholders, the Issuer agrees that the courts of Hong Kong have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Instrument or any Bond and accordingly submit to the exclusive jurisdiction of the courts of Hong Kong.

EXECUTED and DELIVERED
as a **DEED** under the
COMMON SEAL of
SUN EAST TECHNOLOGY
(HOLDINGS) LIMITED
and **SIGNED** by

Cheng Chui Tung

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