

September 18, 2016

SONIC TYCOON LIMITED

and

LEE & MAN HANDBAGS HOLDING LIMITED

INVESTMENT AGREEMENT

CONTENTS

CLAUSE	PAGE
1. DEFINITIONS.....	3
2. SUBSCRIPTION FOR THE BONDS	7
3. CONDITIONS PRECEDENT	7
4. REPRESENTATIONS, WARRANTIES AND INDEMNITY	8
5. COVENANTS OF THE ISSUER.....	14
6. INDEMNITY	15
7. EXPENSES.....	15
8. CONFIDENTIALITY.....	15
9. TERMINATION.....	15
10. ANNOUNCEMENTS.....	16
11. NOTICES.....	16
12. TIME.....	18
13. GOVERNING LAW	18
14. ENTIRE AGREEMENT.....	18
15. COUNTERPARTS	18
16. ACKNOWLEDGEMENT	18
17. ENFORCEMENT	18
SCHEDULE 1 SUBSCRIPTION MECHANICS.....	20
SCHEDULE 2.....	21
FORM OF SUBSCRIPTION REQUEST	21
ANNEX A.....	23
FORM OF BOND INSTRUMENT	23

THIS AGREEMENT is made on September 18, 2016

BETWEEN:

- (1) **SONIC TYCOON LIMITED**, a company incorporated under the laws of the British Virgin Islands whose registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands (the *Investor*); and
- (2) **LEE & MAN HANDBAGS HOLDING LIMITED**, a company incorporated under the laws of the Cayman Islands whose registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands (the *Issuer*),

each a *party* and together the *parties*.

WHEREAS:

(A) As of the date of this Agreement, the Investor holds approximately 52.16% of the issued share capital of the Issuer.

(B) To facilitate the Issuer's fund raising for financing its future acquisitions, the Investor proposes to subscribe for, and the Issuer proposes to issue, on and subject to the terms and conditions set out in this Agreement, for the Bonds (as defined below).

IT IS HEREBY AGREED as follows:

1. DEFINITIONS

1.1 Terms and expressions defined in the Bond Instrument shall have the same meanings when used in this Agreement unless separately defined in this Agreement. The following terms and expressions used in this Agreement, unless the context otherwise requires, shall have the following meanings:

Affiliate(s) of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person;

Articles means the Issuer's articles of association from time to time;

Authorised Persons has the meaning given to it in Clause 8.1;

Authority means any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign;

Availability Period means a period of two years commencing on the next Business Day of the date when the Conditions Precedents set out in Clauses 3.1(a) and (b) are fulfilled, subject to the renewal of another one year upon the Investor's written consent;

Bond Certificate means a certificate in respect of a Bondholder's registered holding of Bonds issued to each Bondholder pursuant to the terms of the Bond Instrument;

Bondholder means the person in whose name a Bond is registered in the Register of Bondholders;

Bond Instrument means the instrument to be executed as a deed by the Issuer constituting the Bonds in the form set out in Annex A to this Agreement;

Bonds means the 3% coupon convertible bonds having a denomination of HK\$1,000,000 each, constituted by the Bond Instrument and issued with the benefit of, and subject to, the terms and conditions set out therein;

Business Day means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong;

Cayman Legal Opinion has the meaning given to it in Schedule 1;

Change of Control has the meaning given to it in the Bond Instrument;

Closing means the completion of each Subscription made in accordance with the mechanics set out in Schedule 1;

Closing Date means a Business Day to be determined and agreed by the Issuer and the Investor as an appropriate date for Closing to take place pursuant to Schedule 1 following satisfaction (or, to the extent legally permissible, waiver) of all Conditions Precedent (which shall be no later than the 21st day from the date of the respective Subscription Request or such other time and/or later date as the Issuer and the Investor may agree in writing);

Conditions Precedent means each of the conditions as set out in Clauses 3.1 to 3.3;

Confidential Information has the meaning given to it in Clause 8.1;

Conversion Shares means Shares issued on the conversion of the Bonds in accordance with the Bond Instrument;

Director means a director of the Issuer;

Environmental Laws has the meaning given to it in Clause 4.1(cc);

Group means the Issuer and each of its Subsidiaries from time to time;

HK\$ means the legal currency of Hong Kong;

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

intellectual property rights has the meaning given to it in Clause 4.1(dd);

Liens means pledges, claims, liens, charges, encumbrances, security interests, mortgages, options, pre-emptive rights, rights of first refusal or first offer, proxies, levies, voting trust or agreements, or other restrictions on title or transfer of any kind or nature whatsoever;

Listing Rules means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time;

Material Adverse Effect means any development, fact, circumstance, condition, event, change, occurrence or effect, individually or in the aggregate, that would have or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole, other than any development, fact, circumstance, condition, event, change, occurrence or effect resulting from (i) changes in any

applicable laws or applicable accounting regulations or principles or interpretations thereof after the date of this Agreement; (ii) any outbreak or escalation of hostilities or war or any act of terrorism; (iii) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides or other natural disasters; (iv) any failure by the Issuer to meet any published analyst estimates or expectations of the Issuer's revenue, earnings or other financial performance or results of operations for any period, in and of itself, or any failure by the Issuer to meet its internal or published projects, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of "Material Adverse Effect" may be taken into account in determining whether there has been a Material Adverse Effect); (v) the announcement of this Agreement and the transactions contemplated hereby, including the initiation of litigation by any person with respect to this Agreement, and including any termination of, reduction in or other negative impact on relationships or dealings, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of the Group due to the announcement of this Agreement or the identity of the parties to this Agreement; or (vi) the performance of or compliance with the terms of this Agreement or the consummation of the transactions contemplated under this Agreement;

Money Laundering Laws has the meaning given to it in Clause 4.1(j);

Permitted Liens means (i) mechanics', carriers', workers', and repairers' Liens arising or incurred in the ordinary course of business that are not material to the business, operations and financial condition or the property of the Group so encumbered and that are not resulting from a breach, default or violation by the Issuer of any contract or law; (ii) Liens for taxes, assessments and other governmental charges and levies that are not due and payable or that may thereafter be paid without interest or penalty; (iii) any matter listed in or referred to in any title policy, search or report which was made available to the Investor prior to the date of this Agreement; (iv) any immaterial Lien which does not interfere with day-to-day operations of the business of the Group; (v) limitations or restrictions on transfers imposed laws governing securities; and (vi) non-exclusive licenses to intellectual property of the Group granted in the ordinary course of business;

PRC means the People's Republic of China;

Proposed Transactions means the transactions contemplated under this Agreement;

Register of Bondholders means the register to be kept at the Issuer's registered office on which the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds are entered in accordance with the terms of the Bond Instrument;

Requested Bonds has the meaning given to it in paragraph 1 of Schedule 1;

Sanctions Laws and Regulations has the meaning given to it in Clause 4.1(k);

SFC means Securities and Futures Commission of Hong Kong;

Shares means ordinary shares with a par value of HK\$0.10 each in the capital of the Issuer 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;

Shareholders means holders of the Shares whose names are recorded in the register of members of the Issuer;

Subscription means the subscription of the Bonds by the Investor and the transactions ancillary thereto, in each case, in accordance with the terms and conditions of this Agreement and the Bond Instrument, as the case may be;

Subscription Amount has the meaning given to it in paragraph 1 in Schedule 1;

Subscription Request means a notice substantially in the relevant form set out in Schedule 2;

Subsidiary has the meaning given to it in the Bond Instrument;

Transfer means (in either the noun or the verb form, including with respect to the verb form, all conjugations thereof within their correlative meanings), in respect of any security, the direct or indirect transfer, sale, conveyance, gift, assignment, pledge, encumbrance, hypothecation, mortgage or disposal of such security, or entry into any swap or other derivatives transaction that transfers to any person, in whole or in part, any of the economic benefits or risks of ownership of such security, whether any such transaction is to be settled by delivery of such securities or other securities, in cash or otherwise;

Warranties mean the warranties made by the Issuer as set out in Clause 4.1; and

1.2 In this Agreement:

- (a) words denoting the singular shall include the plural and vice versa;
- (b) words denoting one gender shall include each gender and all genders;
- (c) references to persons shall be deemed to include references to natural persons, to firms, to partnerships, to bodies corporate, to undertakings, to associations, to organisations, to trusts, to trustees, to legal representatives, to governments (or any department or agency thereof) or to any other entity howsoever designated or constituted (in each case, whether or not having separate legal personality), but references to individuals shall be deemed to be references to natural persons only;
- (d) references to Clauses, Schedules and Annex are, unless stated otherwise, references to clauses of and schedules and annex to this Agreement;
- (e) references to paragraphs are, unless expressly provided otherwise, references to paragraphs of the Schedule in which the references appear;
- (f) the headings are inserted for convenience only and will not affect the construction of this Agreement;
- (g) any reference to an enactment or a statutory provision is a reference to it as it may have been or may from time to time be, amended, modified, consolidated or re-enacted;
- (h) the terms *hereof* and *hereunder* (and any other similar expressions) refer to this Agreement and not to any particular clause or other portion hereof and include any agreement supplemental hereto; and

- (i) any statement in this Agreement qualified by to the expression ‘to the best knowledge of the Issuer or any member of the Group’ or ‘so far as the Issuer is aware’ or any similar expression shall be a reference to the actual knowledge of the Directors and executive officers of the Issuer and shall be deemed to include an additional statement that it has been made after due and careful enquiry by such persons.

1.3 The Recitals and Schedules shall be deemed to be incorporated in this Agreement.

2. SUBSCRIPTION FOR THE BONDS

2.1 Subject to the terms of this Agreement, the Issuer agrees to issue to the Investor and the Investor agrees to subscribe for the Bonds at an aggregate amount up to HK\$1,500,000,000 in accordance with the mechanics set out in Schedule 1.

3. CONDITIONS PRECEDENT

Initial conditions precedent

3.1 The obligation of the Issuer and the Investor to comply with Clause 2.1 is subject to the satisfaction of each of the following conditions:

- (a) the Hong Kong Stock Exchange having approved the listing of, and granted permission to deal in the Conversion Shares;
- (b) the Issuer having obtained from Shareholders all necessary approvals required under the Articles, applicable law and the Listing Rules:
 - (i) to issue the Bonds subscribed for in Clause 2.1 to the Investor;
 - (ii) to issue the Conversion Shares; and
- (c) no court or other governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restrains, enjoins or otherwise prohibits consummation of the Subscription or any of the other Proposed Transactions.

Conditions to the Obligations of the Investor

3.2 The obligation of the Investor to consummate a Subscription is subject to the satisfaction or waiver (where permissible) of each of the following additional conditions:

- (a) the representations and warranties of the Issuer set out in Clause 4.1 being true and correct in all material respects as of the respective Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date;
- (b) the Issuer shall have performed or complied with, in all material respects, all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the respective Closing Date;
- (c) the Issuer shall have delivered to the Investor a certificate, dated the respective Closing Date, signed by a Director of the Issuer, confirming or certifying as to the

satisfaction of the conditions specified in Clause 3.2(a), Clause 3.2(b) and Clause 3.2(e);

- (d) the Investor having obtained the Cayman Legal Opinion; and
- (e) since the date of this Agreement, there shall not have been any Material Adverse Effect.

Conditions to the Obligations of the Issuer

3.3 The obligation of the Issuer to consummate a Subscription is subject to the satisfaction or waiver (where permissible) of each of the following additional conditions:

- (a) the representations and warranties of the Investor set out in Clause 4.2 being true and correct in all material respects as of the respective Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date; and
- (b) the Investor shall have performed or complied with, in all material respects, all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the respective Closing Date.

Further Action; Reasonable Best Efforts

3.4 Subject to the terms and conditions set forth in this Agreement, each party shall cooperate with each other and use their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under this Agreement and applicable laws to consummate and make effective any Subscription and the other transactions contemplated by this Agreement as soon as reasonably practicable, including preparing, executing and filing as promptly as reasonably practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any governmental authority (including the Hong Kong Stock Exchange and the SFC) in order to satisfy the Conditions Precedent set out in Clauses 3.1 to 3.3 and consummate any Subscription or any of the other transactions contemplated by this Agreement.

4. REPRESENTATIONS, WARRANTIES AND INDEMNITY

Representations and warranties of the Issuer

4.1 The Issuer represents, warrants and undertakes to the Investor that:

- (a) each of the Issuer and its Subsidiaries is a company duly incorporated and organised and validly existing under the laws of its jurisdiction of incorporation or organisation, is not in liquidation or receivership and has full power and authority to own its properties and to conduct its business;
- (b) the Issuer is lawfully qualified to conduct business in those jurisdictions in the manner in which its business is currently being conducted;
- (c) the Issuer has full power and authority to enter into and perform its obligations under this Agreement and the Bond Instrument;

- (d) this Agreement has been duly authorised (except those approvals require to satisfy the Conditions Precedent set out in Clause 3.1(b)), executed and delivered by the Issuer and constitutes, and a Bond Instrument will be duly authorised by the Issuer on or prior to the respective Closing Date and upon execution and delivery prior to or on the respective Closing Date will constitute, valid and legally binding obligations of the Issuer, enforceable in accordance with their respective terms;
- (e) the Bonds are freely transferable subject to the limitations imposed under the terms and conditions of this Agreement and the respective Bond Instrument and compliance with applicable law;
- (f) the Conversion Shares, when issued and delivered in the manner contemplated by this Agreement and the terms and conditions of the Bonds set out in the respective Bond Instrument (in respect of the Bonds), will:
 - (i) be duly and validly issued, fully-paid and non-assessable;
 - (ii) rank *pari passu* with, and carry the same rights in all aspects as, the other Shares then issued and outstanding; and
 - (iii) be freely transferable, free and clear of all Liens or claims of third parties and will not be subject to calls for further payment;
- (g) the Issuer has, or prior to any Closing Date will have, and undertakes to keep from time to time, sufficient authorised share capital to satisfy the issue of such number of Conversion Shares as would be required to be issued on the respective Closing or thereafter and upon conversion of all the Bonds (including such number of additional Shares as may be required to be issued pursuant to sub-division and other events as more particularly described in the terms and conditions of the Bonds as at the time such events occur);
- (h) to the best knowledge of the Issuer, the Issuer and its Subsidiaries are in compliance with, and will at all times comply with, all applicable laws (including any rules and regulations administered by the Office of Foreign Assets Control of the US Department of the Treasury) and the applicable requirements of the Listing Rules, save where such non-compliance would not, individually or in the aggregate, have a Material Adverse Effect;
- (i) neither the Issuer, any of its Subsidiaries, Affiliates, nor, to the best knowledge of the Issuer, their respective officers, employees, directors, representatives or agents has, directly or indirectly, made or authorised (A) any contribution, payment or gift of funds or property to any official, employee or agent of any Authority, or any candidate for public office, in Hong Kong, the Cayman Islands, the PRC, Taiwan or any other jurisdiction, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under any applicable law, rule, or regulation, or (B) any bribe, rebate, payoff, influence payment, kickback or other unlawful payment in connection with the business activities of the relevant member of the Group, and without prejudice to the foregoing, neither any member of the Group nor any director, officer, agent, employee or Affiliate of any member of the Group, to the best knowledge of the Issuer, has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, and the Issuer and the other members of the Group have instituted and maintain policies and procedures

designed to ensure compliance with applicable Laws relating to anti-bribery in the jurisdictions in which the Group conducts its business;

- (j) the operations of each member of the Group are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting and other requirements of the money laundering laws of all relevant jurisdictions (collectively, the **Money Laundering Laws**), and no action, suit, proceeding, investigation or inquiry by or before any Authority involving any member of the Group with respect to the Money Laundering Laws is pending or, to the best of the Issuer's knowledge, threatened;
- (k) (A) Neither any member of the Group nor, to the best knowledge of any member of the Group, any of its directors, officers, employees, Affiliates or agents, nor any person acting on behalf of any of them, is currently subject to any of the Sanctions Laws and Regulations (as defined below) (as used herein, **Sanctions Laws and Regulations** means (i) any U.S. sanctions related to or administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury (including, without limitation, the designation as a "specially designated national or blocked person" thereunder), (ii) any sanctions or requirements imposed by, or based upon the obligations or authorities set forth in, the U.S. Trading With the Enemy Act, the U.S. International Emergency Economic Powers Act, the U.S. United Nations Participation Act or the U.S. Syria Accountability and Lebanese Sovereignty Act, all as amended, or any of the foreign assets control regulations of the U.S. Department of the Treasury (including, without limitation, 31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto and (iii) any sanctions measures imposed by the United Nations Security Council or European Union); (B) there have been no transactions or connections between any member of the Group, on the one hand, and any country, territory, person or entity subject to sanctions under any of the Sanctions Laws and Regulations or any person or entity in those countries or territories or which performs contracts in support of projects in or for the benefit of those countries or territories, on the other hand; (C) the Issuer will not, directly or indirectly, use, lend, contribute or otherwise make available the proceeds from the transaction contemplated hereunder to any member of the Group or other person or entity, for the purpose of financing any activities or business of or with any person or entity, or of, with or in any country or territory, that is subject to any Sanctions Laws and Regulations, or in any other manner that will result in a violation of any of the Sanctions Laws and Regulations; (D) none of the issue of the Bonds, the execution, delivery and performance of this Agreement, or the consummation of the transaction contemplated hereunder will result in a violation of any of the Sanctions Laws and Regulations;
- (l) subject only to satisfaction of the Conditions Precedent, no consent, clearance, approval, authorisation, order, registration or qualification of or with any court, governmental agency or regulatory body having jurisdiction over the Issuer is required and no other action or thing is required to be taken, fulfilled or done for the issue of the Bonds or the consummation of the other transactions contemplated by this Agreement and the Bond Instrument except for those which have been, or will on or prior to the respective Closing Date be, obtained and are, or will on the respective Closing Date be, in full force and effect;
- (m) the execution and delivery of this Agreement, the Bond Instrument and the Bond Certificate, the issue and delivery of the Bonds, the consummation of the transactions contemplated hereunder and compliance with the terms hereof do not conflict with or

result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting the Issuer, or any indenture, trust deed, mortgage or other agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which it or any of its properties is bound, save where such conflict, breach or default would not, individually or in the aggregate, have a Material Adverse Effect, or infringe any existing applicable law, rule, regulation, judgment, order, authorisation or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over the Issuer or any of its Subsidiaries or any of their properties or assets or infringe the rules of any stock exchange on which securities of the Issuer are listed;

- (n) the Bonds (when issued) will constitute direct, freely tradable, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* without any preference among themselves and with all other existing and future unsecured and unsubordinated obligations of the Issuer other than those preferred by statute or applicable law;
- (o) the Conversion Shares to be issued upon conversion of the Bonds:
 - (i) will be or are fully paid and will rank *pari passu* in all aspects with the other Shares then in issue free from all Liens or claims of third parties, and together with all rights attaching to them as at the date of issue of such Shares;
 - (ii) will be duly listed on the Hong Kong Stock Exchange, and will be fully and freely tradable on the Hong Kong Stock Exchange and will not be the subject of any order, ruling or decision by the Hong Kong Stock Exchange, the SFC or any other regulatory body or court of competent jurisdiction that would have the effect of restricting trades in such Shares or any other equity securities of the Issuer; and
 - (iii) will have been duly authorised for issuance by all necessary action on the part of the Issuer and when issued and delivered to the Investor will have been validly issued, fully paid, and will not have been issued in violation of or subject to any pre-emptive rights or other contractual rights to subscribe or purchase securities issued by the Issuer;
- (p) there are no restrictions applicable to the Shares generally upon the voting or transfer of any of the Shares pursuant to the Issuer's constitutional documents or pursuant to any agreement or other instrument to which the Issuer is a party or by which the Issuer may be bound;
- (q) all information in relation to the Group and/or its business supplied or disclosed, prior to the date of this Agreement, to the Investor or its advisors by any member of the Group and/or any of their respective employees, officers, representatives or advisors in connection with the answers and documents provided to respond due diligence questions or follow-up due diligence questions from the Investor or its advisors (including any new or additional information serving to update or amend such information) is true and correct in all material respects and not misleading in any material respect;
- (r) all statements of fact contained in the announcement and the circular (other than information in relation to the Investor) to be issued on behalf of the Issuer as soon as possible following the execution of this Agreement are true and accurate in all

material respects and not misleading in any material respect and all statements of opinion, intention or expectation of the Directors in relation to the Issuer or the Group contained therein (if any) are truly and honestly held and have been made on reasonable grounds after due and careful consideration, and there is no other fact or matter omitted therefrom the omission of which would make any statement therein misleading in any material respect or which is otherwise material in the context of the Subscription;

- (s) all the outstanding shares of capital stock or other equity interests of each Subsidiary held, directly or indirectly, by the Issuer have been duly and validly authorised and issued, are fully paid and are owned directly or indirectly by the Issuer, free and clear of any Lien or any other claim of any third party (other than Permitted Liens);
- (t) the Issuer and its Subsidiaries have such title to all properties and to all assets necessary to conduct the business now operated by them in each case free from Liens (other than Permitted Liens), and any real property or buildings held under lease by the Issuer or any of its Subsidiaries are held by it under valid, existing and enforceable leases;
- (u) the Issuer and its Subsidiaries possess all certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit;
- (v) no stamp or other duty is assessable or payable in, and no withholding or deduction for any taxes, duties, assessment or governmental charges of whatever nature is imposed or made for or on account of any income, registration, transfer or turnover taxes, customs or other duties or taxes of any kind, levied, collected, withheld or assessed by or within, the Cayman Islands, Hong Kong, the PRC, or any other relevant jurisdiction in connection with the creation or issue of the Bonds, the issue and allotment of Conversion Shares upon exercise of conversion rights attaching to the Bonds or the execution or delivery of this Agreement or the Bond Instrument;
- (w) there are no police, governmental or regulatory investigations nor any pending actions, suits or proceedings against or affecting the Issuer or any of its Subsidiaries or to the best of the knowledge, information or belief of the Issuer any of their respective directors, officers, employees or properties which, if determined adversely to the Issuer or any of its Subsidiaries or any of their respective directors, officers or employers, would individually or in the aggregate bring the Issuer or its Subsidiaries into disrepute or otherwise have a Material Adverse Effect, or would materially and adversely affect the ability of the Issuer to perform its obligations under this Agreement or the Bond Instrument, and no such investigation, actions, suits or proceedings are to the best of the knowledge, information or belief of the Issuer threatened or contemplated;
- (x) each of the Issuer and its Subsidiaries has in place all material policies of insurance sufficient and customary for the conduct of its businesses as currently operated and for compliance with all requirements of law, such policies are in full force and effect, and all premiums with respect thereto have been paid, and no notice of cancellation or termination has been received with respect to any such policy, and the Issuer and its Subsidiaries have complied in all material respects with the terms and conditions of such policies;

- (y) each of the Issuer and its Subsidiaries has duly and timely filed all tax returns that are required to be filed in all jurisdictions or has duly requested extensions thereof and has paid all taxes required to be paid by any of them in all jurisdictions and any related assessments, fines or penalties, except for any such tax, assessment, fine or penalty that is being contested in good faith and by appropriate proceedings;
- (z) no event has occurred or circumstance arisen in the 12 months preceding the date of this Agreement which, had the Bonds already been issued, could reasonably be expected to (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under “Events of Default” in the Bond Instrument;
- (aa) all information disclosed in the public announcements prior to the date of this Agreement by the Issuer was true, accurate and not misleading (whether by omission or otherwise) as of the date such information was disclosed in all material respects;
- (bb) the Issuer and its Subsidiaries are in compliance with all material provisions of the financing agreements to which it or they are party;
- (cc) the Issuer and its Subsidiaries (i) are in compliance with any and all applicable foreign, national and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (*Environmental Laws*), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws necessary to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval;
- (dd) each member of the Group owns, possesses, or has validly licensed to it, all patents, trademarks, service marks, logos, trade names, internet domain names, copyright (including rights in computer software) and moral rights, database rights, utility models, rights in designs, rights in get-up, rights in inventions, rights in know-how and other intellectual property rights, in each case whether registered or unregistered, and all rights or forms of protection having equivalent or similar effect anywhere in the world (and *registered* includes registrations and applications for registration) (collectively, *intellectual property rights*) which are material to the Group’s ability to conduct its business in the manner in which it is now operated by it, or presently employed by it, and has not received any notice of infringement of or conflict with, or to the Issuer’s knowledge infringed, asserted rights of a third party with respect to any such intellectual property rights; and
- (ee) the information and communications technologies used by the Issuer and which are material to the conduct of the Issuer’s business, including hardware, proprietary and third party software, services, networks, peripherals and associated documentation are owned by, or properly licensed, leased or supplied under third party contracts to, the Issuer.

Representations and warranties of the Investor

- 4.2 The Investor hereby represents, warrants and undertakes to the Issuer that:
- (a) the Investor is a company incorporated and organised and validly existing under the laws of its jurisdiction of incorporation or organisation, is not in liquidation or receivership and has full power and authority to own its properties and to conduct its business;

- (b) the Investor has power under its constitutional documents to subscribe for the Bonds upon the terms set out in this Agreement;
- (c) the Investor has full power and authority to enter into this Agreement and to perform its obligations under this Agreement; and
- (d) this Agreement has been duly authorised, executed and delivered by the Investor and constitutes valid and legally binding obligations of the Investor, enforceable in accordance with their respective terms.

4.3 The representations and warranties contained in or given pursuant to Clause 4.2 shall, be repeated at any Closing Date taking into account facts and circumstances subsisting at such date.

5. COVENANTS OF THE ISSUER

Payment of Stamp Duty in Respect of the Bonds and Conversion Shares

5.1 The Issuer covenants to pay any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties in the Cayman Islands, Hong Kong, the PRC and all other relevant jurisdictions payable on or in connection with the creation and issue of the Bonds, the issue and allotment of the Conversion Shares on the conversion of the Bonds or the execution or delivery of this Agreement, the Bond Instrument and the Bond Certificate; and any value added, turnover or similar tax payable in respect thereof (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it).

Notification of Certain Matters

5.2 From the date of this Agreement and until Closing (or earlier termination of this Agreement in accordance with its terms), each party shall promptly notify the other in writing of:

- (a) any notice or other communication from any governmental authority in connection with this Agreement or any Subscription, or any notice or other communication from any person alleging that the consent of such person is or may be required in connection with such Subscription;
- (b) the discovery of any fact or circumstance that, or the occurrence or non-occurrence of any event the occurrence or non-occurrence of which, would reasonably be expected to cause or result in any of the Conditions Precedent not being satisfied or satisfaction of those Conditions Precedent being materially delayed in violation of any provision of this Agreement, including the accuracy of any representations and warranties provided by a party herein; and
- (c) any change affecting any of its representations, warranties, agreements and indemnities herein and take such steps as may be reasonably requested by the other party to remedy the same.

Maintenance of Listing

5.3 As long as the Bonds remain outstanding (in part or in full), the Issuer will use its commercially reasonable endeavours to take all action necessary to maintain the listing of its Shares on the Hong Kong Stock Exchange.

6. INDEMNITY

6.1 Each party shall indemnify and keep indemnified the other party against any loss, liability, damages, costs or expenses (including legal expenses) suffered or incurred by the other party as a result of or in connection with, directly or indirectly, any breach of the representations or warranties set out in Clause 4). For the purposes of this Clause 6.1 only, the expression party shall mean the party and its Affiliates, and their respective directors, officers, employees and agents.

7. EXPENSES

7.1 The Parties shall each be liable for their own fees, costs and expenses incurred by them in connection the Subscription, provided that the Issuer shall bear 100% of the legal fees and disbursements incurred by the Investor in connection with the Proposed Transactions.

7.2 The Issuer agrees to pay all fees, costs and expenses incurred in connection with the listing of any Conversion Shares on the Hong Kong Stock Exchange.

8. CONFIDENTIALITY

8.1 Each party undertakes that it shall (and shall procure that its Affiliates shall, and where relevant, undertakes to procure that its officers, employees, agents, investment managers and professional and other advisers and those of any Affiliate (together its *Authorised Persons*)) use its best endeavours to keep confidential at all times and not permit or cause the disclosure of any information (other than to its Authorised Persons) which it may have or acquire before or after the date of this Agreement relating to the provisions of, and negotiations leading to, this Agreement and the Bond Instrument and the performance of the obligations thereunder (such information being *Confidential Information*). In performing its obligations under this Clause 8.1, each party shall apply confidentiality standards and procedures at least as stringent as those it applies generally in relation to its own confidential information.

8.2 Each party shall use its reasonable endeavours to alert the other party as soon as is reasonably practical after it becomes aware of any request from a third party for disclosure of any Confidential Information.

8.3 The obligation of confidentiality under Clause 8.1 does not apply to:

- (a) information which at the date of disclosure is within the public domain (otherwise than as a result of a breach of this Clause 8);
- (b) the disclosure of information to the extent required to be disclosed by law, regulation or any regulatory authority;
- (c) any announcement made in accordance with the terms of Clause 10; or
- (d) the provision of information to a prospective purchaser of some or all of the Investor's Bonds, provided any such prospective purchaser shall be required to enter into a customary confidentiality agreement prior to the disclosure of such information to them.

9. TERMINATION

9.1 This Agreement may be terminated as follows:

- (a) upon occurrence of an event of Change of Control;
- (b) by mutual written consent of the parties;
- (c) by any party if:
 - (i) the other party shall have breached its representations and warranties or failed to perform any of its covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Clause 3.2(a) or 3.3(a), as the case may be, and (B) if capable of being cured, has not been cured by the breaching party within fifteen (15) Business Days after its receipt of written notice of such breach from the non-breaching party; or
 - (ii) any governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any injunction, which shall have become final and non-appealable, that restrains, enjoins or otherwise prohibits the Subscription.

10. ANNOUNCEMENTS

10.1 Subject to Clauses 10.2 and 10.3, no public announcement of any kind in connection with this Agreement, the Bond Instrument or the transactions contemplated thereunder shall be made or issued by or on behalf of any party or any of its Affiliates without the prior written consent of the other party, except where such announcement is made for or in connection with the termination of this Agreement.

10.2 If either party is required by law or by any stock exchange or by any governmental or regulatory authority to make any announcement in connection with this Agreement or the Bond Instrument or the transactions contemplated thereunder (other than the announcement referred to in Clause 10.3), the relevant party shall, to the extent legally permissible, immediately notify the other party and shall use all reasonable endeavours to accommodate the requests of such party with respect to the terms and provisions of such announcement.

10.3 The parties agree that the Issuer shall make a public announcement in relation to the subject matter contained herein promptly following entry into this Agreement by the parties. The Issuer agrees to provide the Investor with a draft of such announcement for review and comment, and to consider the incorporation of all reasonable comments made by the Investor on the announcement.

11. NOTICES

Notices

11.1 Any notice or other formal communication to be given under this Agreement shall be in writing and signed by or on behalf of the party giving it. It shall be:

- (a) sent by fax to the relevant number set out in Clause 11.3; or
- (b) delivered by hand or sent by prepaid recorded delivery, special delivery or registered post to the relevant address in Clause 11.3.

11.2 In each case such notice or formal communication shall be marked for the attention of the relevant party set out in Clause 11.3 (or as otherwise notified from time to time under this Agreement). Any notice given by hand delivery, fax or post shall be deemed to have been duly received:

- (a) if hand delivered, when delivered;
- (b) if sent by fax, 12 hours after the time of despatch; and
- (c) if sent by recorded delivery, special delivery or registered post, at 11 a.m. on the second Business Day from the date of posting,

unless there is evidence that it was received earlier than this and provided that, where (in the case of delivery by hand or fax) the delivery or transmission occurs after 6 p.m. on a Business Day or on a day which is not a Business Day, service shall be deemed to occur at 9 a.m. on the next following Business Day. References to time in this Clause are to local time in the country of the addressee.

Notice details

11.3 The addresses and fax numbers of the parties for the purpose of Clause 11.1 are:

For the Issuer:

Address: Lee & Man Handbags Holding Limited
Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands
Fax No: (852) 2537 7607
For the attention of: Company Secretary

For the Investor:

Address: c/o Suites 2701, One Exchange Square, Central Hong Kong
Fax No: (852) 3961 9799
For the attention of: Mr. LIN Tun

With a copy (which shall not constitute notice) to:

Address: Cleary Gottlieb Steen & Hamilton (Hong Kong)
37th Floor, Hysan Place
500 Hennessy Road
Causeway Bay, Hong Kong
Fax No: + 852 2845 9026
For the attention of: Mr. Freeman CHAN

A party may change or supplement the addresses given above, or designate additional addresses by giving the other party written notice of the new address in the manner set forth above.

English language

11.4 All notices or formal communications under or in connection with this Agreement shall be in the English language or, if in any other language, accompanied by a translation

into English. In the event of any conflict between the English text and the text in any other language, the English text shall prevail.

12. TIME

Time shall be of the essence in relation to the obligations to be performed by the parties under this Agreement.

13. GOVERNING LAW

13.1 This Agreement is governed by and shall be construed in accordance with Hong Kong law.

13.2 All disputes arising out of or in connection with this Agreement shall be submitted to the Hong Kong International Arbitration Centre and shall be finally settled and resolved under the Hong Kong International Arbitration Centre Administered Arbitration Rules by three arbitrators appointed in accordance with the said Rules. The place of arbitration shall be Hong Kong and the language to be used in the arbitral proceedings shall be English. Nothing in this Clause shall prevent any party at any time seeking any interim or interlocutory relief in aid of any arbitration or in connection with enforcement proceedings.

14. ENTIRE AGREEMENT

This Agreement, together with any agreements or documents referred to herein, sets out the entire agreement and understanding between the parties with respect to its subject matter and supersedes all prior agreements, understandings, negotiations and discussions (whether oral or written) and all previous agreements in relation to the subject matter contained herein are hereby terminated and shall have no further force or effect.

15. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

16. ACKNOWLEDGEMENT

The Investor acknowledges that it has relied on the representations, warranties and undertakings of the Issuer expressly and specifically set forth in this Agreement. Such representations and warranties by the Issuer constitute the sole and exclusive representations and warranties of the Issuer to the Investor in connection with the transactions contemplated hereby. The Investor acknowledges and agrees that all other representations, warranties and undertakings of any kind or nature expressed or implied (including any relating to the future financial condition, results of operation, assets or liabilities of the Issuer and any set forth in the confidential information previously delivered to the Investor), which are not specifically or expressly set forth in this Agreement, are specifically disclaimed by the Investor.

17. ENFORCEMENT

17.1 Each party hereby acknowledges and agrees:

- (a) the other party would be irreparably harmed and would not have an adequate remedy at law for money damages in the event that any of the covenants or agreements of

such party in this Agreement were not performed in accordance with their terms, and it is therefore agreed that each party, in addition to and without limiting any other remedy or right it may have, shall be entitled to an injunction or other equitable relief without posting a bond to enforce specifically the terms and provisions of this Agreement;

- (b) not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to applicable law or inequitable for any reason; and
- (c) that each party hereby waives any and all defences it may have to such an injunction or other equitable relief,

provided, that nothing in this Clause 17.1 shall limit the ability of any party to contest any assertion that any of the covenants or agreements of such party in this Agreement were not performed in accordance with their terms.

17.2 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce any term of this Agreement.

SCHEDULE 1

SUBSCRIPTION MECHANICS

1. At any time during the Availability Period, the Issuer may request the Investor to subscribe for the Bonds by delivering the Subscription Request to the Investor specifying the following information:

- (a) the principal amount of the Bonds to be subscribed (the *Requested Bonds*);
- (b) the subscription price for Requested Bonds, which shall be equal to the aggregate principal amount of the Requested Bonds (the *Subscription Amount*);
- (c) proposed use of proceeds: the parties acknowledges and agrees that a substantial portion of the Subscription Amount shall be used for the purpose of investment and/or acquisition proposed by the Issuer, details of which shall be set out in the Subscription Request;

2. At Closing,

- (a) the Issuer shall do the following:
 - (i) deliver to the Investor a certified copy of the duly executed Bond Instrument;
 - (ii) deliver to the Investor a certificate signed by a duly authorised officer of the Issuer certifying that each of the Warranties is true, accurate and correct in all material respects as at the Closing Date;
 - (iii) deliver to the Investor a legal opinion of legal counsels advising on the laws of Cayman Island addressed to the Investor in respect of, among other things, (i) the corporate authority of the Issuer entering into this Agreement and executing the Bond Instrument; (ii) performance of the rights and obligations in respect of the Issuer under this Agreement and the Bond Instrument to issue the Bond Certificate to the Investor in respect of the Bonds; (iii) the transactions contemplated under this Agreement and other matters customary for transactions of this nature, in a form to the reasonable satisfaction of the Investor and dated as the Closing Date (the *Cayman Legal Opinion*);
 - (iv) deliver to the Investor all powers of attorney or other authorities under which any document in connection with the transactions contemplated under this Agreement is executed and proof of the authority of any person signing on behalf of the Issuer; and
 - (v) Issue the Bonds as specified in the Subscription Request to the Investor and procure the entry of the name of the Investor on the Register of Bondholders and deliver to the Investor the Bond Certificate duly executed and authenticated representing the aggregate principal amount of the Bonds subscribed for; and
- (b) against issue and delivery of items set out in paragraph 2(a) above, the Investor shall subscribe for, and pay or cause to be paid to the Issuer the Subscription Amount.

SCHEDULE 2

FORM OF SUBSCRIPTION REQUEST

From: Lee & Man Handbags Holding Limited
To: Sonic Tycoon Limited
Date:

Dear Sirs

Investment Agreement dated September 18, 2016 between Sonic Tycoon Limited, as the investor, and Lee & Man Handbags Holding Limited (as amended and /or supplemented from time to time, the *Investment Agreement*)

1. We refer to the Investment Agreement. This is a Subscription Request. Terms defined in the Investment Agreement have the same meaning in this Subscription Request unless given a different meaning herein.
2. We wish to issue the Bonds on the following terms:
 - (a) Subscription Amount: ☐
 - (b) Proposed use of proceeds: ☐
3. We confirm that each Condition Precedent is satisfied on the date of this Subscription Request.
4. The Subscription Amount shall be paid to [*account*].
5. This Subscription Request is irrevocable.

Yours faithfully

Lee & Man Handbags Holding Limited

Authorised signatory
Name:

IN WITNESS WHEREOF this Agreement has been duly executed by the authorised representatives of the parties on the date first above written.

THE INVESTOR

SIGNED by
for and on behalf of
Sonic Tycoon Limited

) X 
)
)

THE ISSUER

SIGNED by
for and on behalf of
Lee & Man Handbags Holding Limited

) 
)
)

ANNEX A
FORM OF BOND INSTRUMENT

[•], 201[•]

LEE & MAN HANDBAGS HOLDING LIMITED

CONVERTIBLE BOND INSTRUMENT

**constituting HK\$[•] HK\$ Settled convertible bonds
due [•] convertible into shares of
Lee & Man Handbags Holding Limited**

CONTENTS

CLAUSE	PAGE
1. INTERPRETATION.....	2
2. AMOUNT AND ISSUE OF BONDS.....	8
3. STATUS	8
4. FORM, DENOMINATION AND TITLE	8
5. TRANSFERS OF BONDS; ISSUE OF BOND CERTIFICATES.....	8
6. NEGATIVE PLEDGE	10
7. INTEREST.....	10
8. CONVERSION.....	11
9. UNDERTAKINGS	19
10. PAYMENTS	20
11. REDEMPTION, PURCHASE AND CANCELLATION	22
12. TAXATION.....	24
13. EVENTS OF DEFAULT	24
14. MEETINGS OF BONDHOLDERS AND MODIFICATIONS	27
15. VOTING AND OTHER RIGHTS.....	28
16. REPLACEMENT OF BOND CERTIFICATES	28
17. FURTHER ISSUES	28
18. NOTICES.....	28
19. GOVERNING LAW AND JURISDICTION.....	28
20. OTHERS	29
SCHEDULE 1 FORM OF BOND CERTIFICATE	30
SCHEDULE 2 FORM OF TRANSFER.....	32
SCHEDULE 3 FORM OF CONVERSION NOTICE.....	34
SCHEDULE 4 PROVISIONS FOR MEETINGS OF BONDHOLDERS	37

THIS INSTRUMENT is made by way of deed on the [•] day of [•] 201[] by Lee & Man Handbags Holding Limited (the **Issuer**) whose registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

WHEREAS:

The Issuer has in accordance with its Memorandum and Articles of Association and by a resolution of its Board of Directors passed on September 18, 2016, resolved to create and issue the convertible bonds constituted as provided below.

NOW THIS INSTRUMENT WITNESSES AND THE ISSUER DECLARES as follows:

1. INTERPRETATION

1.1 The following expressions have the following meanings:

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;

Bond Certificate has the meaning given to it in Condition 4.1;

Bondholders, and (in relation to a Bond) **holder** means the person in whose name a Bond is registered on the Register of Bondholders;

Bonds means the convertible bonds in an aggregate principal amount of HK\$[] having a denomination of HK\$1,000,000 each, which are convertible into Shares in accordance with the terms 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 distribution of assets in specie charged or provided or to be provided for in the accounts of the Issuer for any financial period (whenever paid or made and however described) but excluding a cash Dividend and a distribution of assets in specie in lieu of a cash Dividend (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-up (other than Shares credited as fully paid) by way of capitalisation of reserves); PROVIDED THAT:

- (a) a purchase or redemption of Shares by or on behalf of the Issuer shall not constitute a Capital Distribution or be taken into account in determining whether any other Dividend or distribution shall constitute a Capital Distribution unless in the case of purchases of Shares by the Issuer, the average price per Share (before expenses) on any one day in respect of such purchases exceeds by more than 5 per cent. the Current Market Price per Share either: (1) on that date; or (2) where an announcement has been made (excluding, for the avoidance of doubt, any general authority for such purchases given by a Shareholders' meeting of the Issuer, or any notice convening such meeting) of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement in which case such purchase shall be deemed to constitute a Capital Distribution in the amount of the aggregate price paid (before expenses) in respect of such Shares purchased by the Issuer; and

- (b) in making any such calculation under this definition, such adjustments (if any) shall be made as a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders, may consider appropriate to reflect: (1) any consolidation or subdivision of the Shares; (2) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event; or (3) the modification of any rights to Dividends of Shares;

Change of Control occurs when either:

- (a) the Investor ceases, directly or indirectly, to be able to exercise or control the exercise of 30 per cent. or more of the voting rights attaching to the issued share capital of the Issuer (a ***Control Stake***);
- (b) the Investor ceases to be the single largest shareholder of the Issuer;
- (c) any person or persons (other than the Investor), acting individually or together, directly or indirectly, acquires a Control Stake in the Issuer; or
- (d) 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 the other person or persons acquiring a Control Stake in the Issuer or the successor entity;

Change of Control Put Exercise Notice has the meaning given to it in Condition 11.2(b);

Change of Control Put Date has the meaning given to it in Condition 11.2(b);

Change of Control Put Price has the meaning given to it in Condition 11.2(a);

Change of Control Put Right has the meaning given to it in Condition 11.2(a);

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;

Conversion Date has the meaning given to it in Condition 8.2(a)(ii);

Conversion Notice has the meaning given to it in Condition 8.2(a)(i);

Conversion Period has the meaning given to it in Condition 8.1(a);

Conversion Price means HK\$1.18 (subject to adjustment in accordance with the terms of this Instrument);

Conversion Right has the meaning given to it in Condition 8.1(a);

Current Market Price means, in respect of a Share at a particular time on a particular date, the average of the volume-weighted average price (***VWAP***) quoted by the Hong Kong Stock Exchange or, as the case may be, by the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to Dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said five 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 VWAP 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 amount thereof reduced by an amount equal to the Fair Market Value of that Dividend per Share; or
- (b) if the Shares to be issued in such circumstances rank for the Dividend in question, the VWAP 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 amount thereof increased by an amount equal to the Fair Market Value of that Dividend per Share,

PROVIDED THAT:

- (i) if the Shares on each of the said five 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 VWAP is not available on each of the five Trading Days during the relevant period, then the arithmetic average of such VWAP which is available in the relevant period shall be used (subject to a minimum of two such VWAP); and
 - (B) only one or no such VWAP is available in the relevant period, then the current market price shall be determined in good faith by an independent investment bank of international repute (acting as experts) appointed by the Issuer and approved by an Ordinary Resolution of the Bondholders;

Day Count Fraction has the meaning given to it in Condition 7.4;

Debt Securities means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes, loan stock or other debt securities but shall exclude any indebtedness constituted by loan agreements with lenders not involving the issue of securities;

Delisting has the meaning given to it in Condition 11.3(a);

Delisting Put Date has the meaning given to it in Condition 11.3(a);

Delisting Put Notice has the meaning given to it in Condition 11.3(d);

Delisting Put Price has the meaning given to it in Condition 11.3(a);

Delisting Put Exercise Notice has the meaning given to it in Condition 11.3(b);

Delisting Put Right has the meaning given to it in Condition 11.3(a);

Designated Office means the Issuer's principal place of business in Hong Kong, Suites 2701, One Exchange Square, Central, Hong Kong, as may be changed from time to time in accordance with Condition 5.1;

Dividend means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid-up) provided that:

- (a) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question shall be treated as a cash Dividend of an amount equal to the greater of: (a) the cash Dividend so announced; and (b) the Current Market Price on the date of announcement of such Dividend of such Shares or the Fair Market Value of other property or assets to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of Shares elected therefor, regardless of whether any such election is made); and
- (b) any issue of Shares falling within Condition 8.3(b) shall be disregarded;

Early Redemption Amount of a Bond means the outstanding principal amount, plus the amount of interest representing 8% of the internal rate of return of the principal amount of the Bond from the Issue Date to the payment date, rounded up to give an amount to the nearest HK\$;

Equivalent Amount has the meaning given to it in Condition 8.2(c)(iv);

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 a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders; 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 investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day on which such options, warrants or other rights are publicly traded;

Group means the Issuer and its subsidiaries;

HK Dollar, Hong Kong Dollar, HKD and HK\$ means the legal currency of Hong Kong;

Interest Payment Date as the meaning give to it in Condition 7.1(a);

Investment Agreement has the meaning given to it in Condition 2;

Issue Date means, in respect of any Bond, the date of issue of such Bond;

Listing Rules means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**), as amended from time to time;

Maturity Date means the fifth anniversary of the Issue Date, or, subject to the agreement of the Bondholders, the seventh anniversary of the Issue Date;

Memorandum and Articles of Association means the memorandum and articles of association of the Issuer adopted, as amended from time to time;

Merger has the meaning given to it in Condition 6.1(b);

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

Ordinary Resolution has the meaning given to it in paragraph 19 of Schedule 4;

Outstanding Bonds refers to all the Bonds issued other than:

- (a) those which have been redeemed or in respect of which Conversion Rights (as defined in Condition 8.1(a)) have been exercised and which have been cancelled in accordance with these Conditions;
- (b) those in respect of which the date for redemption in accordance with these Conditions has occurred and the redemption moneys have been duly paid to the relevant Bondholders or on their behalf;
- (c) those mutilated or defaced Bonds which have been surrendered in exchange for replacement Bonds pursuant to Condition 16; or
- (d) (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 16;

Principal Subsidiary has the meaning given to it in Condition 13.2;

Public Float Requirement means the public float requirement set out in Rule 8.08(1)(a) of the Listing Rules and/or such other similar requirement under the Listing Rules or any other listing rules of any Alternative Stock Exchange to which the Issuer is subject to;

Rate of Interest means 3.0 per cent. per annum;

Register of Bondholders has the meaning given to it in Condition 5.1;

Registration Date has the meaning given to it in Condition 8.2(c)(iii);

Relevant Period means the period beginning on the 30th Trading Day prior to, and ending on, the Trading Day immediately preceding the date of declaration of a Dividend or a distribution in respect of a relevant financial year, which when aggregated with any other Dividends or distributions declared or made in respect of that financial year, causes an adjustment to the Conversion Price pursuant to Condition 8.3(c);

Security has the meaning given to it in Condition 6.1(a);

Shares means ordinary shares with a par value of HK\$0.10 each in the capital of the Issuer (which include ordinary shares of the Issuer listed on The Stock Exchange of Hong Kong Limited (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;

Shareholders means the holders of Shares from time to time;

Special Resolution has the meaning given to it in paragraph 18 of Schedule 4;

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 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 or 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 or such other applicable 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 VWAP or Closing Price, as the case may be, is reported in respect of the relevant Shares on the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange, 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;

VWAP has the meaning given to it in the definition of Current Market Price.

1.2 In this Instrument,

- (a) words denoting the singular shall include the plural and vice versa;
- (b) words denoting one gender shall include each gender and all genders;
- (c) references to persons shall be deemed to include references to natural persons, to firms, to partnerships, to bodies corporate, to undertakings, to associations, to organisations, to trusts, to trustees, to legal representatives, to governments (or any department or agency thereof) or to any other entity howsoever designated or constituted (in each case, whether or not having separate legal personality), but references to individuals shall be deemed to be references to natural persons only;
- (d) references to Conditions and Schedules are, unless stated otherwise, references to conditions and schedules to this Instrument;
- (e) references to paragraphs are, unless expressly provided otherwise, references to paragraphs of the Schedule in which the references appear;
- (f) the headings are inserted for convenience only and will not affect the construction of this Instrument;
- (g) any reference to an enactment or a statutory provision is a reference to it as it may have been or may from time to time be, amended, modified, consolidated or re-enacted;
- (h) the terms *hereof* and *hereunder* (and any other similar expressions) refer to this Instrument and not to any particular clause or other portion hereof and include any agreement supplemental hereto; and

- (i) any statement in this Instrument qualified by to the expression 'to the best knowledge of the Issuer or any member of the Group' or 'so far as the Issuer is aware' or any similar expression shall be a reference to the actual knowledge of the Directors and executive officers of the Issuer and shall be deemed to include an additional statement that it has been made after due and careful enquiry by such persons.

1.3 The Recitals and Schedules shall be deemed to be incorporated in this Instrument.

1.4 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 11 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to this Instrument.

2. AMOUNT AND ISSUE OF BONDS

The Issuer hereby constitutes the Bonds, in aggregate principal amount of HK\$[•], which shall be issued pursuant to an investment agreement dated September 18, 2016 between the Issuer and Sonic Tycoon Limited, a company incorporated under the laws of the British Virgin Islands whose registered address is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands (the *Investment Agreement*).

3. STATUS

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 6) 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 and subject to Condition 6, at all times rank at least equally with all of the Issuer's other present and future direct, unsubordinated, unconditional and unsecured obligations. No application will be made for a listing of the Bonds.

4. FORM, DENOMINATION AND TITLE

4.1 Form and Denomination

The Bonds are issued in registered form in the denomination of HK\$1,000,000 each. A bond certificate in the form set out in Schedule 1 (each a *Bond Certificate*) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and 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.

4.2 Title

Title to the Bonds passes only by transfer and registration in the Register of Bondholders as described in Condition 5. 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 (other than the endorsed form of transfer)) and no person will be liable for so treating the holder.

5. TRANSFERS OF BONDS; ISSUE OF BOND CERTIFICATES

5.1 Register of Bondholders

The Issuer will cause to be kept at the Designated Office 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 the Bonds. Any change in the Designated Office shall be notified to the Bondholders in accordance with Condition 18.

5.2 Transfers

Subject to Condition 5.5, a Bond, in whole or in part, may be transferred or exchanged at any time by delivery of the Bond Certificate issued in respect of that Bond, with the endorsed form of transfer (in the form set out in Schedule 2 to these Conditions) duly completed and signed by the registered Bondholder or his attorney duly authorised in writing, to the Issuer at the Designated Office together with such evidence as the Issuer may reasonably require to prove the authority of the individuals who have executed the form of transfer provided that, the prior approval of the Hong Kong Stock Exchange or any Alternative Stock Exchange, as the case may be, shall be obtained (if required) for any transfer or exchange to any person who the transferor knows to be a connected person (as defined in the Listing Rules) of the Issuer. No transfer of title to a Bond will be valid unless and until entered on the Register of Bondholders.

5.3 Delivery of New Bond Certificates

- (a) Each new Bond Certificate to be issued upon a transfer, exchange or conversion of Bonds shall, within five Business Days of receipt by the Issuer of the endorsed form of transfer duly completed and signed, be made available for collection at the Designated Office or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder) to the address specified in the form of transfer.
- (b) Where only part of the principal amount of the Bonds in respect of which a Bond Certificate is issued is to be transferred, exchanged or converted, a new Bond Certificate in respect of the Bonds not so transferred, exchanged or converted will, within five Business Days of delivery of the original Bond Certificate to the Issuer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds not so transferred, exchanged or converted (but free of charge to the holder) to the address of such holder appearing on the Register of Bondholders.

5.4 Formalities Free of Charge

Registration of a transfer of Bonds will be effected without charge by or on behalf of the Issuer, but only upon payment (or the giving of such indemnity as the Issuer may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

5.5 Closed Periods

No Bondholder may require the transfer of a Bond to be registered: (i) during the period of seven days ending on (and including) the dates for redemption pursuant to Condition 11.2; (ii) after a Conversion Notice has been delivered with respect to a Bond; (iii) after a Change of Control Put Exercise Notice has been deposited in respect of such a Bond; (iv) after a Delisting Put Exercise Notice has been deposited in respect of such a Bond; or (iv) after a Bond has otherwise been called or put for redemption in accordance with its terms, each such period being a ***Closed Period***.

6. NEGATIVE PLEDGE

6.1 Negative Pledge

- (a) So long as there are Outstanding Bonds, unless with the prior consent by an Ordinary Resolution of the Bondholders, the Issuer will not, and the Issuer will procure that its Subsidiaries will not create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (*Security*) upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Debt Securities or to secure any guarantee of or indemnity in respect of, any Debt Securities, save for any hedging arrangements ordinarily entered into for the purpose of hedging interest rate or currency exposure arising in respect of such Debt Securities, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds: (i) are secured equally and rateably therewith; or (ii) have the benefit of such other Security, guarantee, indemnity or other arrangement as is not materially less beneficial to the Bondholders or as shall be approved by a Special Resolution of the Bondholders.
- (b) So long as there are Outstanding Bonds, the Issuer will not, and will procure that its Subsidiaries will not, consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a *Merger*), unless:
 - (i) the Issuer has notified the holders of the Bonds of such event in accordance with Condition 18;
 - (ii) the corporation formed by such Merger or the person that acquires such properties and assets shall expressly assume all obligations of the Issuer under the Bonds and the performance of every covenant and agreement applicable to it contained therein and herein;
 - (iii) immediately after giving effect to any such Merger, none of the events specified in Condition 13.1 shall have occurred or be continuing or would result therefrom and the Issuer shall have provided to the Bondholders an authorised officer's certificate to such effect; and
 - (iv) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, to indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal and premium on the Bonds.
- (c) So long as there are Outstanding Bonds, the Issuer will not, and will procure that its Subsidiaries will not, directly or indirectly, engage in trading in shares, derivatives, options or other securities (save for in respect of hedging arrangements ordinarily entered into for the purposes of hedging interest rate or currency exposure) except with the prior consent by an Ordinary Resolution of the Bondholders.

7. INTEREST

7.1 Interest Commencement and Rate

- (a) The Bond bear interest from and including the Issue Date at the Rate of Interest payable annually on [] in each year (each an Interest Payment Date) commencing on [], provided that if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which case the Interest Payment Date will be brought forward to the previous Business Day.
- (b) Interest in respect of a Bond shall be calculated and paid in Hong Kong Dollar calculated by applying Rate of Interest to the Principal Amount of such Bond.

7.2 Cessation of the Interest Accrual

Each Bond will cease to bear interest on the earlier of:

- (a) the Conversion Date; and
- (b) the date where the Bond has been fully repaid, purchased and cancelled or redeemed in accordance with these Conditions or otherwise as agreed between the Bondholders and the Issuer.

7.3 Principal Amount Not Paid on Due Date

If, upon due presentation of any Bond on the due date for redemption, payment of principal is improperly held or refused, such Bond will continue to bear interest at the Rate of Interest (both before and after judgment) until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

7.4 Interest Amount

If interest is required to be paid in respect of a Bond on any other date or on an Interest Payment Date but in respect of a period which does not commence on an earlier Interest Payment Date, the interest in respect of a Bond shall be the amount calculated by applying the Rate of Interest to the Principal Amount of such Bond, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest HKD (half a HKD being rounded upwards), where **Day Count Fraction** means, in respect of any period, the number of days in the relevant period divided by 360 (being the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

8. CONVERSION

8.1 Conversion Right

- (a) *Conversion Period*: Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period. The right of a Bondholder to convert any Bond into Shares is called the **Conversion Right**. Subject to and upon compliance with the provisions of this Condition, 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 place where the Bond Certificate evidencing such Bond is deposited for conversion) on the Maturity Date (but, except as provided in Condition 8.1(d), in no event thereafter) or if such Bond shall have been called or put for redemption at any time on or after the Issue Date, then up to the close of business (at the place aforesaid) on a date no later than

five Business Days (at the place aforesaid) prior to the date fixed for redemption thereof (the **Conversion Period**).

- (b) *Fractions of Shares:* 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 the Bondholder in cash (in Hong Kong dollars) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Bond Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 8.1(c), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid. Any such sum shall be due and payable on the date the Shares are delivered pursuant to Condition 8.2(c).
- (c) *Conversion Price and Conversion Ratio:* 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 at the Conversion Date. 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 the aggregate principal amount of the Bonds to be converted.
- (d) *Revival and/or survival after Default:* Notwithstanding the provisions of Condition 8.1(a), if: (i) the Issuer shall default in making payment in full in respect of any Bond which shall have been called 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 13; or (iii) any Bond is not redeemed on the Maturity Date in accordance with Condition 11.1, 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 Bondholders and, notwithstanding the provisions of Condition 8.1(a), 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 Bondholders before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (e) *Conversion Restriction:* The Conversion Rights shall not be exercised by the Bondholder, or if exercised by virtue of a Conversion Notice having been given, the Issuer shall not be obliged to issue any Shares under this Instrument and may treat the Conversion Notice as being invalid, if immediately following such conversion, the Issuer will be unable to meet the Public Float Requirement. If a proposed exercise of the Conversion Right would result in any non-compliance with the Public Float Requirement, the Issuer shall, within two (2) Business Days from the date of receipt of the applicable Conversion Notice, issue a notice to inform the Bondholders in writing that the Conversion Date in respect of the relevant Bonds shall be deferred

and instead be the date on which the issue of Shares would not result in non-compliance with the Public Float Requirement.

8.2 Conversion Procedure

(a) *Conversion Notice:*

- (i) To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal office hours at the Designated Office a notice of conversion (a **Conversion Notice**) in duplicate in the form set out in Schedule 3 to this Instrument, together with the relevant Bond Certificate. A Conversion Notice deposited outside the normal office hours or on a day which is not a Business Day at the place of the Designated Office shall for all purposes be deemed to have been deposited with the Issuer during the normal office hours on the next Business Day following such day. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.
- (ii) 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 8.1(d) above) and will be deemed to be the Trading Day immediately following the date of the surrender of the Bond Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right.

(b) *Stamp Duty etc.:* A Bondholder delivering a Bond Certificate in respect of a Bond for conversion must pay: (i) any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Hong Kong, and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or Alternative Stock Exchange on conversion) (the **Taxes**); and (ii) all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion, in each case directly to the relevant authorities. The Issuer is under no obligation to determine whether a Bondholder is liable to pay any Taxes under this Condition 8.2 and shall not be liable for any failure of a Bondholder to make such payment. The Issuer will pay all other expenses arising on the issue of Shares upon any conversion of Bonds.

(c) *Registration:*

- (i) In the case of any Bonds converted on exercise of the Conversion Right and a duly completed Conversion Notice as required by Condition 8.2(a) has been delivered with the relevant Bond Certificate and amounts payable by the relevant Bondholder being deposited or paid as required by this Instrument, the Issuer shall, as soon as practicable, and in any event not later than five Trading Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register and will cause its Hong Kong 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 specified in the Conversion Notice, 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.

- (ii) 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 8.3, but before the relevant adjustment becomes effective under the relevant Condition, 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).
- (iii) The person or persons designated in the Conversion Notice 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.
- (iv) 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 8.2(c) 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 Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

8.3 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 Share immediately after such alteration; and

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

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

- (b) *Capitalisation of Profits or Reserves:* 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 any share premium account) 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 and which would not have constituted a Capital Distribution (a **Script Dividend**), 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.

- (c) *Capital Distribution:* If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except where the Conversion Price falls to be adjusted under Condition 8.3(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 Share on the last 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 Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

- (d) *Dividends*: If and whenever the Issuer shall pay or make any Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Dividend by the following fraction:

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

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Dividend is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the cash distribution attributable to one Share.

Such adjustment shall become effective on the date that such Dividend is paid.

- (e) *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, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

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 purchase 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 issue or grant.

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).

- (f) *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 or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the issue or grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase 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 of one Share on the last Trading Day preceding 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 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).

- (g) *Modification of Rights of Conversion etc:* If and whenever there is any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any securities arising from a conversion or exchange of other existing securities (other than in accordance with the existing terms applicable to such securities), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

where:

- A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Issuer for the purposes of, or in connection with, such issue, less the number of Shares so issued);
- B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange, subscription or purchase price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription or purchase price or rate but giving credit in such manner as a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders, consider appropriate (if at all) for any previous adjustment under this Condition 8.3(g) above.

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

- (h) *Other Offers to Shareholders:* If and whenever there is an issue, sale or distribution by or on behalf of the Issuer or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Issuer or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 50 per cent. of the Shares outstanding at the time such offer is made) 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 8.3(e) or (f) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

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

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue 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 Share.

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

- (i) *Other Events*: If either: (i) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such options, rights, warrants or securities); or (ii) the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in any other provisions of this Condition 8.3 which in either case have or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Issuer, taken as a class, which is analogous to any of the events referred to in Conditions 8.3(a) to (h) (including any demerger, spin-off or similar arrangement in respect of any business of the Issuer and its Subsidiaries), then, in any such case, the Issuer shall at its own expense request a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination *provided that* where the circumstances giving rise to any adjustment pursuant to this Condition 8.3 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of 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 8.3 as may be advised by a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders, to be in their opinion appropriate to give the intended result.

8.4 All costs, charges, liabilities and expenses incurred in connection with the appointment, retention, consultation and remuneration of the investment bank appointed under these Conditions shall be borne by the Issuer.

8.5 On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest four decimal places of 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 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 18) as soon as practicable after the determination thereof.

8.6 The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their nominal value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong.

8.7 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 a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders, 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 a leading investment bank of international repute (acting as experts), selected by the Issuer and approved by an Ordinary Resolution of the Bondholders, to be in their opinion appropriate in order to give such intended result.

8.8 No adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees, former employees, contractors or former contractors (including directors holding or formerly holding executive office) of the Issuer or any Subsidiary, pursuant to any share option scheme or plan that is duly adopted by the Issuer in accordance with the Listing Rules.

8.9 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 8.3(a) above or to correct an error.

9. UNDERTAKINGS

9.1 The Issuer undertakes and warrants, inter alia, that so long as there are any Outstanding Bonds save with the approval of a Special Resolution of the Bondholders, it shall (and, where applicable, shall procure that its Subsidiaries shall):

- (a) continue to be primarily engaged in the core business in which it is engaged as at the date hereof;
- (b) use all reasonable endeavours: (i) to obtain and maintain all necessary consents, licences, approvals, permits and authorisations required for the ownership and operation of its business and shall comply with the terms of such consents, licences, approvals, permits and authorisations; (ii) (subject to (iv) below) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange; (iii) 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; (iv) 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 an Ordinary Resolution of the Bondholders may from

time to time determine and will forthwith give notice to the Bondholders (in accordance with Condition 18) of the listing or delisting of the Shares (as a class) by any of such stock exchanges; and (v) to meet the Public Float Requirement;

- (c) keep sufficient authorised share capital to satisfy the issue of such number of Shares as would be required to be issued on conversion of the Outstanding Bonds;
- (d) pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds;
- (e) not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as permitted by law);
- (f) comply in all material respects with (i) the applicable rules, regulations and requirements of the Hong Kong Stock Exchange (including the Listing Rules) or the Alternative Stock Exchange (if applicable); (ii) the Foreign Corrupt Practices Act 1977, as amended, or any other law relating to anti-corruption legislation applicable to the Group; and (iii) all other laws applicable to the Group and its operations, except in the case of this sub-clause (iii), for such non-compliance as would not have a material adverse effect on the Group, taken as a whole;
- (g) 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 and will ensure that all Shares issued upon conversion of the Bonds will be duly and validly issued as fully-paid; and
- (h) not make any offer, issue or distribution or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

9.2 Notice of Change in Conversion Price

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 18 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.

10. PAYMENTS

10.1 Principal and Premium

- (a) Payment of principal, premium, default interest and all other amounts payable under these Conditions, will be made by transfer to the Registered Account of the Bondholder or by HK\$ cheque drawn on a bank in Hong Kong mailed to the Registered Address of the Bondholder if it does 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) When making payments to Bondholders, fractions of one HK cent will be rounded down to the nearest HK dollar.

10.2 Registered Accounts

For the purposes of this Condition 10, a Bondholder's registered account means the HK\$ account maintained by or on behalf of it with a bank in Hong Kong (or such other HK\$ account as the Bondholder may notify to the Issuer from time to time), 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, and a Bondholder's registered address means its address appearing on the Register of Bondholders at that time.

10.3 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 12. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

10.4 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.

10.5 Default Interest and Delay in Payment

- (a) If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 5 per cent. per annum from the due date and ending on the date on which full payment is made to the Bondholders in accordance with the Conditions (the ***Default Interest***). Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.
- (b) Bondholders 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 the Bondholder is late in surrendering its Bond Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 10 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.
- (d) Any failure to pay the Default Interest by the twentieth Business Days after the due date of the original sum in respect of the Bonds shall entitle such relevant Bondholder to a Default Put Right (as defined below). For the avoidance of doubt, irrespective of the entitlement of a Bondholder to exercise the Default Put Right, the Default Interest shall continue to accrue until such date the Issuer redeems, in whole but not in part only, such Bondholder's Bonds at the Early Redemption Amount or until such date the Issuer pays the Default Interests and any other required interests in full, whichever is earlier.

11. REDEMPTION, PURCHASE AND CANCELLATION

11.1 Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at an amount equal to the principal amount on the Maturity Date, plus accrued interest and all other amounts accrued or outstanding under the Bond which remain unpaid on the Maturity Date. The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 11.2 and 11.3 below (but without prejudice to Condition 13).

11.2 Redemption on Change of Control

- (a) Following the occurrence of a Change of Control, each Bondholder will have the right (the ***Change of Control Put Right***) at such holder's option, to require the Issuer to redeem in whole but not in part such holder's Bonds on the Change of Control Put Date at the HK Dollar Equivalent of their Early Redemption Amount (the ***Change of Control Put Price***).
- (b) To exercise its Change of Control Put Right to require the Issuer to redeem its Bonds, the Bondholder must complete, sign and deposit at the Designated Office a duly completed and signed irrevocable notice of redemption, in the form for the time being current, obtainable during normal office hours from the Designated Office (***Change of Control Put Exercise Notice***) together with the Bond Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18. The ***Change of Control Put Date*** shall be the fourteenth day after the expiry of such period of 30 days as referred to above.
- (c) A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Change of Control Put Exercise Notice delivered as aforesaid on the Change of Control Put Date.
- (d) Not later than seven days after becoming aware of a Change of Control, the Issuer shall procure that notice regarding the Change of Control shall be delivered to the Bondholders (in accordance with Condition 18) stating:
 - (i) the Change of Control Put Date;
 - (ii) the date of such Change of Control and, briefly, the events causing such Change of Control;
 - (iii) the date by which the Change of Control Put Exercise Notice must be given;
 - (iv) the Change of Control Put Price and the method by which such amount will be paid;
 - (v) the then current Conversion Price;
 - (vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Change of Control Put Right or the Conversion Right; and

- (vii) that a Change of Control Put Exercise Notice, once validly given, may not be withdrawn.

11.3 Redemption on Delisting

- (a) In the event that the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange (a ***Delisting***) each Bondholder shall have the right (the ***Delisting Put Right***), at such Bondholder's option, to require the Issuer to redeem, in whole but not in part only, such Bondholder's Bonds on the twentieth Business Day after a Delisting Put Notice has been given to the Bondholders by the Issuer under Condition 11.2(d) below (the ***Delisting Put Date***) at the Early Redemption Amount (the ***Delisting Put Price***).
- (b) To exercise its Delisting Put Right to require the Issuer to redeem its Bonds, the Bondholder must complete, sign and deposit at the Designated Office a duly completed and signed irrevocable notice of redemption, in the form for the time being current, obtainable during normal office hours from the Designated Office (a ***Delisting Put Exercise Notice***) together with the Bond Certificate evidencing the Bonds to be redeemed, on any Business Day prior to the close of business at the location of the Designated Office on such day and which day is not less than 10 Business Days prior to the Delisting Put Date.
- (c) A Delisting Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Delisting Put Exercise Notices delivered as aforesaid on the Delisting Put Date.
- (d) Not later than seven days after becoming aware of a Delisting, the Issuer shall procure that notice regarding the Delisting Put Right (***Delisting Put Notice***) shall be given to the Bondholders (in accordance with Condition 18) stating:
 - (i) the Delisting Put Date;
 - (ii) the date of such Delisting and, briefly, the events causing such Delisting;
 - (iii) the date by which the Delisting Put Exercise Notice must be given;
 - (iv) the Delisting Put Price and the method by which such amount will be paid;
 - (v) the then current Conversion Price;
 - (vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Delisting Put Right or Conversion Right; and
 - (vii) that a Delisting Put Exercise Notice, once validly given, may not be withdrawn.

11.4 Purchases

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations.

11.5 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.

11.6 Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 11 will be given in accordance with Condition 18, and without prejudice to the other content requirements set out in this Condition 11, specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, the applicable Early Redemption Amount or redemption amount, the date for redemption, the manner in which redemption will be effected and the aggregate principal amount of the Outstanding Bonds as at the latest practicable date prior to the publication of the notice.

12. TAXATION

12.1 Gross-Up

All payments, whether of principal, premium or otherwise made by the Issuer 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 Hong Kong, the PRC, the Cayman Islands 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 except that no such additional amounts shall be payable of any Bond under this Condition 12 if a Bondholder (or to a third party on behalf of a Bondholder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having connection with Hong Kong, the PRC, the Cayman Islands or the jurisdiction of the Alternative Stock Exchange other than the mere holding of the Bond or by the receipt of amounts in respect of the Bonds or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority.

13. EVENTS OF DEFAULT

13.1 If any of the following events occurs:

- (a) the Shares (as a class) cease to be listed on the Hong Kong Stock Exchange;
- (b) a default is made by the Issuer in the payment of any principal, premium or any other amount due in respect of the Bonds within ten (10) Business Days from the due date for payment (except where failure to pay is caused by administrative or technical error and payment is made within five days of its due date);
- (c) failure by the Issuer to deliver the Shares as and when such Shares are required to be delivered following conversion of a Bond and such failure continues for a period of ten days;

- (d) the Issuer fails to perform or comply with one or more of its other obligations in the Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within thirty (30) Business Days after written notice of such default shall have been given to the Issuer by a Bondholder;
- (e) the Issuer or 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 as they fall due or takes any proceeding under any law for readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or by reason of actual financial difficulties commences negotiation with its creditors generally with a view to rescheduling any or all of its debts, or proceedings for any of the foregoing are initiated and are not discharged or stayed within a period of 30 days;
- (f) any final judgment or order for the payment of money in excess of HK\$50,000,000 (or the equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Issuer or any Principal Subsidiary and shall not be bonded, paid or discharged for a period of 90 days following such judgment during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) (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 due and payable prior to its stated maturity by reason of any 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 events mentioned above in this Condition 13.1(g) have occurred equals or exceeds HK\$50,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the HK\$ 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);
- (h) a distress, attachment, execution 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, which is material to the Issuer and its Subsidiaries as a whole, and is not discharged or stayed within 30 days;
- (i) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by a Special Resolution of the Bondholders;
- (j) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial 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 30 days;
- (k) it is or will become unlawful for the Issuer to perform or comply with any one or more of its material obligations under the Bonds;

- (l) any seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries, which is material to the Issuer and its Subsidiaries as a whole;
- (m) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer lawfully to exercise its rights and perform and comply with its obligations under the Bonds; or (ii) to ensure that these obligations are legally binding and enforceable, is not taken, fulfilled or done; or
- (n) 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 13.1,

then any the Bondholders may, acting by Ordinary Resolution, by notice in writing given to the Issuer at the Designated Office by the holder, declare the relevant Bond and the relevant Bond shall become, immediately due and payable, whereupon such Bond shall become immediately due and payable by the Issuer without further formality at the Early Redemption Amount.

13.2 For the purposes of this Condition 13, ***Principal Subsidiary*** means any Subsidiary:

- (a) whose revenues or (in the case of a Subsidiary which itself has Subsidiaries), consolidated revenues, are at least ten per cent. of the consolidated revenues of the Issuer and its Subsidiaries; or
- (b) whose gross assets, or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, exceed ten per cent. of the consolidated gross assets of the Issuer and its Subsidiaries; or
- (c) whose profits or (in the case of a Subsidiary which itself has Subsidiaries), consolidated profits before taxation and extraordinary items exceed 10 per cent. of the consolidated profits before taxation and extraordinary items of the Issuer and its Subsidiaries,

in each case as based on the then latest audited accounts (consolidated where appropriate) of the relevant Subsidiary and the then most recent audited consolidated accounts of the Issuer, provided that, in relation to paragraphs (a) to (c) above:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, gross assets of the Issuer and/or any such Subsidiary shall be determined on the

basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer and reviewed by the auditors of the Issuer;

- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer and reviewed by the auditors of the Issuer; and
 - (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary of the Issuer shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; and
- (d) to which is transferred the whole, or substantially the whole, of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary of the Issuer, provided that the Principal Subsidiary of the Issuer which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary of the Issuer and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary of the Issuer at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared such transfer are issued, unless such Subsidiary would continue to be a Principal Subsidiary of the Issuer on the basis of such accounts by virtue of the provisions of paragraph Condition 13.2(a), 13.2(b) or 13.2(c) above.

A report by the auditors of the Issuer that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer shall, in the absence of manifest error, be conclusive and binding on all parties.

14. MEETINGS OF BONDHOLDERS AND MODIFICATIONS

14.1 Meetings

- (a) Schedule 4 to these Conditions contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Special Resolution of a modification of the Bonds (subject to Condition 14.2 below) and the sanctioning by Ordinary Resolution of any matter requiring their approval pursuant to these Conditions. When there is only one Bondholder, no meetings are required and any resolution of the Bondholder can be passed by written resolution in accordance with paragraph 20 of Schedule 4.
- (b) A Special Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. Schedule 4 provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Outstanding Bonds shall be as valid and effective as a duly passed Special Resolution.

14.2 Modification

The Issuer may without any such meeting or sanction of the Bondholders, amend the terms of Bonds if, in the reasonable opinion of the Issuer, having consulted with its financial adviser,

legal adviser or auditor, such amendment is of a minor or technical nature or corrects a manifest error. Any such amendment will be binding on the Bondholders.

14.3 Form of Modification

Any modification to the terms of the Bonds, whether pursuant to Condition 14.1 or 14.2, 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 18 as soon as practicable thereafter.

15. VOTING AND OTHER RIGHTS

The Bondholders will not be entitled to receive notice of or attend or vote at general meetings of the Issuer by reason only of being the holders of a Bond. The Bondholders will not be entitled to participate in any distribution and/or offers of further securities made by the Issuer by reason only of being the holders of the Bonds.

16. 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.

17. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (other than the date of issue) and so that such further issue shall be consolidated and form a single series with the Bonds.

18. NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register of Bondholders. Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed to the Bondholders, as the case may be.

19. GOVERNING LAW AND JURISDICTION

19.1 This Agreement, as to which time shall be of the essence, is governed by and shall be construed in accordance with Hong Kong law.

19.2 All disputes arising out of or in connection with this Agreement shall be submitted to the Hong Kong International Arbitration Centre and shall be finally settled and resolved under the Hong Kong International Arbitration Centre Administered Arbitration Rules by three arbitrators appointed in accordance with the said Rules. The place of arbitration shall be Hong Kong and the language to be used in the arbitral proceedings shall be English. Nothing in this clause shall prevent any party at any time seeking any interim or interlocutory relief in aid of any arbitration or in connection with enforcement proceedings.

20. OTHERS

20.1 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce any term of this Agreement.

SCHEDULE 1

FORM OF BOND CERTIFICATE

Amount

HK\$[•]

Certificate No.

[•]

Identifying nos.:

LEE & MAN HANDBAGS HOLDING LIMITED.

(a company incorporated in the Cayman Islands with limited liability)

HK\$1,000,000 Denominated

HK\$ Settled Convertible Bonds due [] (the *Bonds*)

The Bond or Bonds in respect of which this Certificate is issued, the identifying numbers of which are noted above, are in registered form and form part of a series designated as above of **LEE & MAN HANDBAGS HOLDING LIMITED** (the *Issuer*) and are constituted by a bond instrument dated [•] 201[] (the *Bond Instrument*). The Bonds are subject to, and have the benefit of, that Bond Instrument and the terms and conditions set out therein.

The Issuer hereby certifies that

[Name of bondholder] of [•]

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\$[•] (HK dollars [•] 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 terms and conditions set out in the Bond Instrument and each of the Issuer and the Bondholder mentioned above agree to comply with the terms and conditions of the Bond Instrument.

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 terms and conditions of 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.

IN WITNESS whereof the Issuer has executed this Certificate as a deed on 201[].

EXECUTED AS A DEED BY)
LEE & MAN HANDBAGS HOLDING)

LIMITED

)

)

Acting by:

)

In the presence of:

)

SCHEDULE 2

FORM OF TRANSFER

LEE & MAN HANDBAGS HOLDING LIMITED.

**HK\$1,000,000 Denominated
HK\$ Settled Convertible Bonds due 201[] (the *Bonds*)**

TRANSFER NOTICE

FOR VALUE RECEIVED the undersigned hereby transfers to

Name:

Address:

.....

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

HK\$[●] (Hong Kong dollars []) principal amount of the Bonds in respect of which the enclosed Bond Certificate is issued, and all rights in respect thereof.

All payments in respect of the Bonds hereby transferred are to be made (unless otherwise instructed by the transferee) to the following account or, if no account is specified, by cheque posted to the address above:

Name of bank:

HK\$ account number:

For the account of:

SIGNED BY)	SIGNATURE	_____
FOR AND ON BEHALF OF)		
[●])	NAME	_____

Dated:

Notes:

- (a) A representative of the holder of the Bonds should state the capacity in which he signs, e.g. executor.

- (b) The signature of the persons effecting a transfer shall conform to any list of duly authorised specimen signatures supplied to the Issuer by the registered holder or be certified by a notary public or in such other manner as the Issuer may require.
- (c) This form of transfer should be dated as of the date it is deposited with the Issuer.

SCHEDULE 3
FORM OF CONVERSION NOTICE

LEE & MAN HANDBAGS HOLDING LIMITED

HK\$1,000,000 Denominated
HK\$ Settled Convertible Bonds due 201[]

CONVERSION NOTICE

(To be completed in duplicate)

(Please read the notes overleaf before completing this Notice.)

Name:.....

Date:.....

Address:.....

Signature:.....

To: Lee & Man Handbags Holding Limited (the **Issuer**)

I/We, by or on behalf of the holder or beneficial owner of the Bonds (the **Bonds**) specified below, hereby elect to convert such Bonds into ordinary shares of the Issuer (the **Shares**) in accordance with Condition 8 of the terms and conditions of the Bonds.

1. Total principal amount and certificate numbers of Bonds to be converted:

Total principal amount:.....

Total number of Bonds:.....

Certificate numbers of Bonds:.....

N.B. If necessary, the certificate numbers of Bonds attached need not be in consecutive serial number order.

2. Total number of Shares to be issued upon conversion of the Bonds:

Principal amount of the Bonds to be delivered divided by the Conversion Price

3. Name(s), address(es) and signature(s) of person(s) in whose name(s) the Shares required to be delivered on conversion are to be registered:-

Name:.....

Address:.....

.....

.....

Signature:.....

4. I/We hereby request that the certificates for the Shares (or other securities) required to be delivered upon conversion be despatched (at my/our risk and expense if dispatched other than by ordinary mail) to the person whose name and address is given below and in the manner specified below:

Name:.....

Address:.....

.....

.....

Manner of despatch (if other
than by ordinary mail):.....

5. I/We hereby request that any cash amount (or property) required to be delivered upon conversion be despatched by cheque (at my/our risk and expense if dispatched by other than ordinary mail) to the person whose name and address is given below and in the manner specified below:

Name:.....

Address:.....

.....

.....

Manner of despatch (if other
than by ordinary mail):.....

6. The Bond Certificates representing the Bonds converted hereby accompany this Conversion Notice.
7. I/We hereby declare that all approvals, consents and authorisations (if any) required by the laws of to which I am / we are subject and to be obtained by me/us prior to the said conversion have been obtained and are in full force and effect and that any applicable condition thereto has been complied with by me/us.
8. The Issuer has notified the Bondholders that the Issuer's register of shareholders will be closed on the following dates:

.....

.....

Notes:

- (i) This Conversion Notice will be void unless the introductory details, Sections 1, 2, 3 and (if applicable) 4 are completed.
- (ii) Your attention is drawn to Condition 8.2 of the Bonds with respect to the conditions precedent which must be fulfilled before the Bonds specified above will be treated as effectively eligible for conversion.
- (iii) Despatch of share certificates or other securities, cash or property will be made at the risk and expense of the converting Bondholder is dispatched other than by ordinary mail and the converting Bondholder will be required to prepay the expenses of, and submit any necessary documents required in order to effect, despatch in the manner specified.
- (iv) If an adjustment contemplated by the terms and conditions of the Bonds is required in respect of a conversion of Bonds where additional Shares are to be issued, certificates for the additional Shares deliverable pursuant to such adjustment (together with any other securities, property or cash) will be delivered or despatched in the same manner as the Shares, other securities, property and cash previously issued pursuant to the relevant Conversion Notice.

.....
For the Issuer's use only:-

- 1 (A) Bonds conversion identification reference:.....
(B) Conversion Date:.....
(C) Delivery Date:
- 2 (A) Aggregate principal amount of Bonds in respect of which Bond Certificates have been deposited for conversion:
(B) Conversion Price on Conversion Date:.....
(C) Number of Shares issuable:.....
(disregard fractions)
- 3 (If applicable) amount of cash payment due to converting Bondholder under Condition 8.2(c)(iv):.....
....

Note: The Issuer must complete items 1, 2 and (if applicable) 3.

SCHEDULE 4

PROVISIONS FOR MEETINGS OF BONDHOLDERS

1. Proxies

A holder of a Bond may by an instrument in writing (a *form of proxy*) in the form available from the Designated Office signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the Issuer not later than 48 hours before the time fixed for any meeting, appoint any person (a *proxy*) to act on his or its behalf in connection with any meeting or proposed meeting of Bondholders. A Proxy need not be a Bondholder.

2. Representatives

A holder of a Bond which is a corporation may by delivering to the Issuer not later than 48 hours before the time fixed for any meeting a resolution of its directors or other governing body in English authorise any person to act as its representative (a *representative*) in connection with any meeting or proposed meeting of Bondholders.

3. Duration of Appointment

A proxy or representative so appointed shall so long as such appointment remains in force be deemed, for all purposes in connection with any meeting or proposed meeting of Bondholders specified in such appointment, to be the holder of the Bonds to which such appointment relates and the holder of the Bond shall be deemed for such purposes not to be the holder.

4. Calling of Meetings

The Issuer may at any time convene a meeting of Bondholders. If the Issuer receives a written request by Bondholders holding at least 10 per cent. in principal amount of the Outstanding Bonds it shall as soon as reasonably practicable convene a meeting of Bondholders. Every meeting shall be held at a time and place approved by the directors of the Issuer.

5. Notice of Meetings

At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Bondholders to convene a meeting of Bondholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting, be given in the manner provided in the Conditions and shall specify the nature of the resolutions to be proposed and shall include a statement to the effect that the holders of Bonds may appoint proxies by executing and delivering a form of proxy in English to the Designated Office not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution in English of their directors or other governing body and by delivering an executed copy of such resolution to the Issuer not later than 48 hours before the time fixed for the meeting. The accidental omission to give notice to, or the non-receipt of notice by, any Bondholder shall not invalidate any resolution passed at any such meeting.

6. Chairman of Meetings

A person (who may, but need not, be a Bondholder) nominated in writing by the Issuer may act as chairman of a meeting but if no such nomination is made or if the person nominated is

not present within 15 minutes after the time fixed for the meeting the Bondholders present shall choose one of them to be chairman. The chairman of an adjourned meeting need not be the same person as was chairman of the original meeting.

7. Quorum at Meetings

At a meeting two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 10 per cent. in principal amount of the Outstanding Bonds shall (except for the purpose of passing a Special Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted unless the requisite quorum be present at the commencement of business. The quorum at a meeting for passing a Special Resolution shall (subject as provided below) be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate over 50 per cent. in principal amount of the Outstanding Bonds provided that the quorum at any meeting the business of which includes any of the matters specified in the proviso to paragraph 16 shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 66 per cent. in principal amount of the Outstanding Bonds.

8. Absence of Quorum

If within 15 minutes from the time fixed for a meeting a quorum is not present the meeting shall, if convened upon the requisition of Bondholders, be dissolved. In any other case it shall stand adjourned to such date, not less than 14 nor more than 42 days later, and to such place as the chairman may decide. At such adjourned meeting two or more persons present in person holding Bonds or being proxies or representatives (whatever the principal amount of the Bonds so held or represented) shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting provided that at any adjourned meeting at which is to be proposed a Special Resolution for the purpose of effecting any of the modifications specified in the proviso to paragraph 16 the quorum shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 33 per cent. in principal amount of the Outstanding Bonds.

9. Adjournment of Meetings

The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.

10. Notice of Adjourned Meetings

At least 10 days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

11. Manner of Voting

Each question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Bondholder or

as a proxy or representative. Unless a poll is (before or on the declaration of the result of the show of hands) demanded at a meeting by the chairman, the Issuer or by one or more persons holding one or more Bonds or being proxies or representatives and holding or representing in the aggregate not less than two per cent. in principal amount of the Outstanding Bonds, a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

12. Manner of Taking Poll

If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such an adjournment as the chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuation of the meeting for the transaction of any business other than the question on which the poll has been demanded.

13. Time for Taking Poll

A poll demanded on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.

14. Persons Entitled to Attend

The Issuer (through its representatives) and its financial and legal advisers may attend and speak at any meeting of Bondholders. No one else may attend or speak at a meeting of Bondholders unless he is the holder of a Bond or is a proxy or a representative.

15. Votes

On a poll every person who is so present shall have one vote in respect of each Bond produced or in respect of which he is a proxy or a representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

16. Powers of Meetings of Bondholders

A meeting of Bondholders shall, subject to the Conditions, in addition to the powers given above, have power exercisable by Special Resolution:

- (a) to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Issuer;
- (b) to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds, or other obligations or securities of the Issuer or any other entity;
- (c) to assent to any modification of the Bonds which shall be proposed by the Issuer;
- (d) to authorise anyone to concur in and do anything necessary to carry out and give effect to a Special Resolution;

- (e) to give any authority, direction or sanction required to be given by Special Resolution;
- (f) to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer on them any powers or discretions which the Bondholders could themselves exercise by Special Resolution; and
- (g) to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Bonds,

provided that the special quorum provisions contained in the proviso to paragraph 7 and, in the case of an adjourned meeting, in the proviso to paragraphs 8 and 9 shall apply for the purpose of making any modification to the provisions contained in the Bonds which would have the effect of:

- (i) modifying the Maturity Date or the due dates for any payment in respect of the Bonds; or
- (ii) reducing or cancelling the amount of principal, premium (including any Early Redemption Amount) or Equivalent Amount or the rate of default interest payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount; or
- (iii) changing the currency of any payment in respect of the Bonds; or
- (iv) modifying or cancelling the Conversion Rights; or
- (v) modifying the provisions contained in this Schedule concerning the quorum required at a meeting of Bondholders or the majority required to pass a Special Resolution or sign a resolution in writing; or
- (vi) amending this proviso.

17. **Resolutions Binding on all Bondholders**

Any Special Resolutions or Ordinary Resolutions passed at a meeting of Bondholders duly convened and held in accordance with this Schedule and the Conditions shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances of such resolution justify the passing of it.

18. **Special Resolution**

The expression *Special Resolution* means a resolution passed at a meeting of Bondholders duly convened and held in accordance with these provisions by a majority consisting of not less than three-quarters of the votes cast at such meeting.

19. **Ordinary Resolution**

The expression *Ordinary Resolution* means a resolution passed at a meeting of Bondholders duly convened and held in accordance with these provisions by a majority consisting of not less than half of the votes cast at such meeting.

20. Written Resolution

A resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Outstanding Bonds who for the time being are entitled to receive notice of a meeting in accordance with these provisions shall for all purposes be as valid as a Special Resolution or an Ordinary Resolution passed at a meeting of Bondholders convened and held in accordance with these provisions. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Bondholders.

21. Minutes

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Bondholders, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

IN WITNESS whereof the Issuer has caused its Common Seal to be affixed hereto the day and year first above written.

The COMMON SEAL of)
LEE & MAN HANDBAGS HOLDING)
LIMITED)
was hereunto affixed)
in the presence of:-)