
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **Lenovo Group Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company. This circular is not for release, publication or distribution into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

Lenovo

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(HKD Counter Stock Code: 992 / RMB Counter Stock Code: 80992)

**(1) CONNECTED TRANSACTION IN RELATION TO PROPOSED
ISSUANCE OF WARRANTS UNDER SPECIFIC MANDATE
(2) PROPOSED ISSUANCE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
(3) NOTICE OF GENERAL MEETING**



**Financial Adviser to the Company on the Strategic Business Transactions
and Placing Agent to the private placement of the Warrants**



Alliance Capital Partners Limited
同人融資有限公司

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

The General Meeting of Lenovo Group Limited will be a hybrid meeting to be held on Thursday, September 12, 2024 at 9:30 a.m. at Salon Rooms, 5/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong with an online access via the e-meeting platform (<https://spot-emeeting.tricor.hk/#/login>). The notice of the General Meeting is set out on pages 119 to 124 of this circular.

Whether or not you are able to attend the General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the share registrar of the Company, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the General Meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting (by means of electronic facilities or in person) at the General Meeting or any adjourned meeting should you so wish.

Shareholders may consider attending the General Meeting by means of electronic facilities and exercising their right to vote by means of electronic means or by appointing the chairman of the General Meeting as their proxy and returning the form of proxy by the time specified above, instead of attending the General Meeting in person.

Light refreshments will be served at the General Meeting.

Hong Kong, August 19, 2024

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DEFINITIONS

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

“AI”	artificial intelligence;
“Alat” or “Investor”	ALAT Technologies Company (formerly known as Industrial Company for Electronics), a company incorporated under the laws of the Kingdom of Saudi Arabia and a wholly owned subsidiary of the Public Investment Fund;
“Articles of Association”	the articles of association of the Company and all supplementary, amended or substituted articles for the time being in force;
“Board”	the board of directors of the Company and shall include any committee of the board of directors that is duly authorized to act on behalf of the Board;
“Bond Issue”	the issuance of the Convertible Bonds by the Company;
“Bond Subscription Agreement”	the subscription agreement dated May 28, 2024 entered into between the Company and the Investor in respect of the Bond Issue (as amended and supplemented from time to time);
“Capital Stock”	of any person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however described) equity of such person, including any Preferred Stock, but excluding any debt securities convertible into such equity;
“CB Completion Date”	the 30th business day after all the conditions precedent under the Bond Subscription Agreement are satisfied or waived or any other date agreed in writing between the Company and the Investor;
“CB Long Stop Date”	March 31, 2025, subject to extension pursuant to the Bond Subscription Agreement;
“CB Maturity Date”	the date falling on the third anniversary from the issue date of the Convertible Bonds, subject to extension of three months pursuant to the Terms and Conditions;
“CB Specific Mandate”	the specific mandate to be sought from the Shareholders to the Board at the General Meeting for the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds;

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“Change of Control”	<p>occurs when:</p> <ul style="list-style-type: none">(i) any person or persons (other than one or more Permitted Holders), acting together, acquires Control of the Company; or(ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person (other than a Permitted Holder), unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity, <p>provided that if the Company announces any of the events referred to in (i) or (ii) earlier than it actually occurs, such event shall be deemed to have occurred at the time of the relevant announcement of the Company;</p>
“Company”	<p>Lenovo Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange (HKD counter stock code: 992/RMB counter stock code: 80992);</p>
“connected person(s)”	<p>has the meaning ascribed to it under the Listing Rules;</p>
“Control”	<p>the acquisition of control of at least 50 per cent. of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;</p>
“Convertible Bonds”	<p>the US\$2,000,000,000 in an aggregate principal amount of convertible bonds to be issued by the Company;</p>
“Conversion Price”	<p>price for the conversion of the Convertible Bonds, which initially is HK\$10.42 per Conversion Share;</p>
“Conversion Share(s)”	<p>Share(s) to be allotted and issued by the Company upon conversion of the Convertible Bonds;</p>
“Director(s)”	<p>the director(s) of the Company;</p>

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“Employee Share Scheme”	means a scheme, the terms of which are in compliance with the Listing Rules (or if applicable, the rules of an alternative stock exchange), pursuant to which Shares or other securities (including rights, warrants or options) are or will be issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of eligible participants such as Directors (including executive and non-executive Directors), senior management, employees or former employees and consultants of the Company or any subsidiary of the Company;
“Exercise Price”	exercise price of the Warrants, which initially is HK\$12.31 per Warrant Share;
“Existing Convertible Bonds”	the 2.50% convertible bonds due 2029 in the principal amount of US\$675,000,000 (bond stock code: 05440; ISIN: XS2523390867) issued by the Company on August 26, 2022;
“Financial Adviser”	Citigroup Global Markets Asia Limited, who also acts as the placing agent to the private placement of the Warrants;
“Fundamental Change Event”	occurs (i) when the Shares cease to be listed or admitted to trading on the Stock Exchange or (if applicable) an alternative stock exchange, or are suspended for trading on the Stock Exchange or (if applicable) an alternative stock exchange, for a period equal to or exceeding 30 consecutive trading days; (ii) there is a Change of Control; (iii) on the 7th business day after the date of the delivery of an irrevocable relevant event redemption notice or default redemption notice (both as defined in the Terms and Conditions) by the holder(s) of the Convertible Bonds to the Company to redeem the Convertible Bonds in full pursuant to the Terms and Conditions, or full redemption of the Convertible Bonds, whichever is earlier; or (iv) there is an insolvency event (as defined in the instrument of the Warrants);
“General Meeting”	the general meeting of the Company to be held on September 12, 2024 (or any adjournment thereof) for the Shareholders to consider, and if thought fit, approve, among others, the Bond Subscription Agreement, the CB Specific Mandate, the Warrants Issuance, the Warrants Subscription, the Warrants Specific Mandate and the transactions contemplated thereunder;

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“Group”	the Company and its subsidiaries;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HKSCC”	HKSCC Nominees Limited;
“ICT”	information and communications technology;
“Independent Board Committee”	an independent board committee established by the Board, comprising all independent non-executive Directors of the Company;
“Independent Financial Adviser” or “Alliance Capital”	Alliance Capital Partners Limited, independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“Independent Shareholders”	Shareholders other than (i) LHL, RLL, LEL, the Initial Warrants Subscriber; and (ii) any Shareholder who is involved in or interested in the Warrants Subscription, Warrants Issuance and/or the Warrants Specific Mandate;
“ISG”	infrastructure solutions group, one of the three major business groups of the Company, which provides smart infrastructure solutions (including servers and storage systems) to organizations of all sizes;
“Latest Practicable Date”	August 16, 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“LEL”	Legion Elite Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of RLL;
“LHL”	Legend Holdings Corporation, a joint-stock company incorporated with limited liability in the PRC, the H shares of which are listed on the main board of the Stock Exchange (stock code: 03396) and, where applicable, this term shall include LHL’s wholly owned subsidiaries and any entity controlled by it;

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“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Management Participants”	consisting of a group of senior management members (including executive vice presidents and senior vice presidents) of the Group who may subscribe for the Warrants through a common investment holding vehicle and may include connected persons of the Company at subsidiary level only;
“MEA Region”	Middle East and Africa region;
“MOP Agreement”	manufacturing operational plan agreement contemplated under the Strategic Collaboration Framework Agreement, which will set out, among others, details of the manufacturing facility and particulars of each development phase;
“Mr. Yang” or “Initial Warrants Subscriber”	Mr. Yang Yuanqing, Chairman of the Board, Chief Executive Officer and an executive Director of the Company;
“Permitted Holders”	means: <ul style="list-style-type: none">(i) LHL (or any person or entity designated by LHL to hold the Warrant Shares which are issued upon exercise of the exercise rights attached to the Warrants);(ii) RLL;(iii) LEL;(iv) the Initial Warrants Subscriber;(v) any Warrants Subscribers (with respect to their Retained Shares);(vi) any person directly or indirectly controlled by or under direct or indirect common control with, the person specified in clauses (i), (ii), (iii), (iv) or (v); and

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	(vii) any person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are at least 51% owned by any of the persons specified in clauses (i), (ii), (iii), (iv), (v) or (vi);
“Public Investment Fund”	Public Investment Fund, the sovereign wealth fund of the Kingdom of Saudi Arabia;
“PRC” or “China”	the People’s Republic of China, and solely for the purpose of this circular, means the Chinese mainland, which does not include the special administrative regions of Hong Kong and Macao, and Taiwan region;
“Preferred Stock”	as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however described) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation;
“Professional Investors”	professional investors as defined under the SFO and as extended by the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong);
“R&D”	research and development;
“RLL”	Right Lane Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of LHL;
“Sales and Distribution Agreement”	sales and distribution agreement contemplated under the Strategic Collaboration Framework Agreement, which will set out, among others, product specifications and distribution arrangements between the Company and the Investor;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	the holder(s) of Share(s);

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Business Transactions”	the Strategic Collaboration, the Bond Issue and the Warrants Issuance;
“Strategic Business Collaboration Agreements”	the Sales and Distribution Agreement and the MOP Agreement;
“Strategic Collaboration”	the strategic collaboration between the Company and the Investor under the Strategic Collaboration Framework Agreement;
“Strategic Collaboration Framework Agreement”	the strategic collaboration framework agreement dated May 28, 2024 entered into between the Company and the Investor in respect of the Strategic Collaboration;
“SSG”	solutions and services group, one of the three major business groups of the Company, which brings together all the Company’s IT solutions and services across PC, infrastructure, and smart verticals, including attached services, managed services, and as-a-service offerings, into one dedicated organization;
“Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the Hong Kong Securities and Futures Commission;
“Terms and Conditions”	the terms and conditions of the Convertible Bonds (as amended and supplemented from time to time);
“trading day(s)”	a day when the Stock Exchange or, as the case may be, an alternative stock exchange is open for dealing business;
“US\$” or “USD”	United States dollars, the lawful currency of the United States;
“Voting Stock”	means, with respect to any person, Capital Stock or any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person;
“VWAP”	the volume weighted average price (determined on Bloomberg page <992 HK Equity VWAP>) of the Shares on the Stock Exchange;

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“Warrant Share(s)”	new Share(s) to be issued by the Company to the holder(s) of the Warrants pursuant to the exercise rights attached to the Warrants;
“Warrants”	an aggregate of 1,150,000,000 warrants of the Company, which are exercisable, subject to the terms and conditions of the Warrants, into a total of 1,150,000,000 Warrant Shares at the initial Exercise Price;
“Warrants Completion Date”	the day on which the completion of the issuance of the Warrants and the completion of the Bond Issue take place concurrently or any other date agreed in writing between the Company and the Warrants Subscribers pursuant to the Warrants Subscription Agreement;
“Warrants Issuance”	the proposed issuance of the Warrants by the Company;
“Warrants Last Exercise Date”	the date falling on the third anniversary of the date of Warrants Issuance, subject to extension of three months to align with the CB Maturity Date;
“Warrants Long Stop Date”	March 31, 2025, subject to extension pursuant to the Warrants Subscription Agreement;
“Warrants Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the General Meeting for the Warrants Issuance and the allotment of the Warrant Shares;
“Warrants Subscriber(s)”	Subscriber(s) of the Warrants under the Warrants Subscription Agreement, including the Initial Warrants Subscriber;
“Warrants Subscription”	the subscription of the Warrants by the Warrants Subscribers under the Warrants Subscription Agreement;
“Warrants Subscription Agreement”	the subscription agreement dated July 15, 2024 entered into between the Company and the Initial Warrants Subscriber (as amended and supplemented from time to time) and where applicable, including the subscription letter to be signed by any Warrants Subscriber; and
“%”	per cent.

GUIDANCE FOR ATTENDING THE GENERAL MEETING

The General Meeting will be held as a hybrid meeting which involves a physical meeting and a virtual meeting via our online platform. The virtual meeting option can broaden the reach of the General Meeting to Shareholders who do not wish to attend physically, or for other overseas Shareholders who are unable to attend in person.

1. ATTENDING THE GENERAL MEETING BY MEANS OF ELECTRONIC FACILITIES (ONLINE)

Each registered Shareholder will receive a notification letter before the General Meeting (the “**Letter**”). Shareholders can access the online platform by scanning the QR Code or entering the hyperlink <https://spot-emeeting.tricor.hk/#/login> or the URL of the unique meeting number as provided in the Letter (the “**Online Platform**”) and entering the designated distinctive username and password.

Non-registered Shareholders whose Shares of the Company are held through banks, brokers, custodians or HKSCC should consult directly with their banks, brokers, custodians or HKSCC (as the case may be) before the time limit required by the relevant intermediary to assist them to attend or vote using the Online Platform.

By participating the Online Platform, Shareholders will be able to view the live streaming of the meeting, be counted towards the quorum and they will be able to cast their vote and submit questions through the Online Platform.

The Online Platform will be open for Shareholders to log in approximately 15 minutes prior to the commencement of the General Meeting and can be accessed from any location via their smartphones, tablets, or computer devices.

For corporate registered Shareholders who wish to attend the General Meeting and to vote online, please contact the share registrar of the Company, Tricor Abacus Limited at (852) 2975 0928 at least three business days before the General Meeting (i.e. on or before September 9, 2024) for arrangement.

Online voting is available for registered and non-registered Shareholders as well as authorized representatives/proxies appointed by HKSCC.

A copy of the Online Meeting User Guide and Electronic Proxy User Guide can be found on the website of the Company at <https://investor.lenovo.com/en/publications/guide.php>.

2. ATTENDING THE GENERAL MEETING IN PERSON

For Shareholders who choose to attend the General Meeting physically, an on-site e-voting system will be used at the General Meeting to enhance the efficiency in the poll counting process. This is a full paperless General Meeting process that facilitates easy and intuitive voting procedures for Shareholders. On-site support for e-voting will be provided on request.

GUIDANCE FOR ATTENDING THE GENERAL MEETING

3. SUBMISSION OF PROXY FORMS FOR REGISTERED SHAREHOLDERS

A form of proxy for use at the General Meeting is enclosed with this circular and such form of proxy is also published on the websites of HKEXnews of Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and the Company at https://investor.lenovo.com/en/publications/proxy_forms.php. To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is public holiday. Completion and delivery of the form of proxy will not preclude you from attending and voting at the General Meeting or any adjourned meeting thereof if you so wish.

4. APPOINTMENT OF PROXY FOR NON-REGISTERED SHAREHOLDERS

Non-registered Shareholders should contact their banks, brokers, custodians or HKSCC (as the case may be) as soon as possible for assistance regarding the appointment of proxy.

5. HELP AND SUPPORT

If Shareholders have any queries relating to the General Meeting, please contact the share registrar of the Company, Tricor Abacus Limited, via their hotline at (852) 2975 0928 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).



Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(HKD Counter Stock Code: 992 / RMB Counter Stock Code: 80992)

Chairman and Executive Director:

Mr. Yang Yuanqing

Non-executive Directors:

Mr. Zhu Linan

Mr. Zhao John Huan

Independent Non-executive Directors:

Mr. William O. Grabe

Mr. William Tudor Brown

Mr. Gordon Robert Halyburton Orr

Mr. John Lawson Thornton

Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted)

Mr. Woo Chin Wan Raymond

Ms. Yang Lan

Ms. Cher Wang Hsiueh Hong

Professor Xue Lan

Registered Office:

23rd Floor

Lincoln House

Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

August 19, 2024

To the Shareholders,

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO PROPOSED
ISSUANCE OF WARRANTS UNDER SPECIFIC MANDATE
(2) PROPOSED ISSUANCE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
(3) NOTICE OF GENERAL MEETING**

INTRODUCTION

On May 28, 2024, the Company entered into the Strategic Collaboration Framework Agreement and the Bond Subscription Agreement with Alat to issue the Convertible Bonds in an aggregate principal amount of US\$2,000,000,000 (equivalent to approximately HK\$15,623 million). Reference is made to the announcement of the Company dated May 29, 2024 with

LETTER FROM THE BOARD

respect to the Strategic Collaboration and the Bond Subscription Agreement. On the same date as the date of the Bond Subscription Agreement, the Company also proposed the issuance of 1,150,000,000 Warrants at the issue price of HK\$1.43 per Warrant. The initial proceeds of the Warrants Issuance will be approximately US\$210 million, and assuming full exercise of the Warrants at the initial Exercise Price, additional capital of US\$1.8 billion would be realized. Reference is also made to the announcements of the Company dated May 29, 2024 and July 15, 2024 with respect to the Strategic Collaboration Framework Agreement, the Bond Issue and the Warrants Issuance.

The Company intends to use the proceeds of the Convertible Bonds primarily for existing debt refinancing, while the proceeds of the Warrants Issuance will be deployed for expansion in the MEA region, and the proceeds from full exercise of the Warrants will insure timely and adequate investment in R&D and hybrid AI.

Whilst requiring separate approvals as two distinct proposals for consideration and shareholder approval at the General Meeting, the Strategic Business Transactions are considered to be equally integral elements of a unified strategic initiative to advance the Company's commercial growth and delivery of long-term shareholder value. The Company is of the view that the Strategic Business Transactions, as a whole, present a significant opportunity for the Company to grow in the PRC and the MEA Region in the long run, for the following key reasons:

(i) Introduction of a long-term strategic partner internationalizes shareholder base and strategic options

The long-term strategic partnership with Alat allows the Company to access the potential business opportunities in the Kingdom of Saudi Arabia, in the MEA Region, and globally through Alat and the Public Investment Fund's investments and affiliations;

(ii) Geographical diversification into the MEA Region while strengthening our position in China provides growth opportunities and momentum

Business development and manufacturing footprint expansion with enhanced market reach to capture the robust growth momentum globally and in particular, the MEA Region;

(iii) Financing instruments at favorable terms support multiple strategic initiatives

The Company can leverage the proceeds raised for refinancing existing debt, supplementing general working capital purposes, expanding in the MEA Region and supporting strategic initiatives and at the same time the Bond Issue will not cause any dilution of existing Shareholders' proportionate holdings during the first three years. The Warrants, if exercised, will provide capital to the Company with an effective issuance price at near 20-year share price high at HK\$13.74. The

LETTER FROM THE BOARD

Company expects to have an interest savings of approximate US\$110 million per year from the Strategic Business Transactions which did not take into account the proceeds from the exercise of the Warrants;

(iv) Financial flexibility enables strategic transformation

Additional revenue growth opportunities and interest savings generated provide the Company with greater financial flexibility to pursue incremental strategic investments in areas including AI, R&D and potential inorganic growth opportunities to facilitate its ongoing strategic transformation;

(v) Strong support from management team with large personal financial commitment demonstrates confidence in the long-term prospects of the Company

The Chairman's subscription of the Warrants represents a vote of confidence in the Company's ongoing transformation, global market leadership, and growth momentum, also aligns the interests between the Shareholders and the Company management by enhancing the Company management's motivation; and

(vi) The Strategic Business Transactions as a whole present the best structure available to the Company

The Company has considered other financing alternatives and thoughtfully determined that the proposals in their entirety, including discussion with market participants on the terms of the Warrants, comprise the best alternative for the Company. The Company considers that the Strategic Business Transactions as a whole present the best structure available to the Company.

The Board believes that Alat's unique position (being a wholly owned subsidiary of the Public Investment Fund, a sovereign fund) would provide the Group with sovereign wealth resources of Kingdom of Saudi Arabia, which other private funds would not be able to leverage on. The Company and Alat entered into the Strategic Collaboration Framework Agreement on May 28, 2024, which forms the foundation of the Strategic Collaboration between the Company and Alat. Pursuant to the Strategic Collaboration Framework Agreement, the Company will, among other things, launch a new regional headquarters for the MEA Region in Riyadh, the Kingdom of Saudi Arabia, which will include a customer center to generate customer demand from the MEA Region and a research and development center focusing on the MEA Region. Alat will support and provide assistance to the Company to ensure the smooth implementation of the Strategic Collaboration, including assistance to the Company in selecting the premises for the regional headquarters in Riyadh and the obtaining of all permits, licenses and approvals of governmental authorities applicable to the regional headquarters in Riyadh. Alat will also deliver the premises for the manufacturing facility based on the Company's requirements for this manufacturing facility.

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Alat is a wholly owned subsidiary of the Public Investment Fund of the Kingdom of Saudi Arabia, with an independent investment mandate, and is a long-term strategic investor with US\$100 billion of capital to assist investee companies to grow globally via leveraging the sovereign wealth resources of the Kingdom of Saudi Arabia.

The Warrants Issuance will generate immediate proceeds to the Company of approximately US\$210 million but there is no certainty that the Warrants will be exercised in full nor the amount of additional proceeds that will be generated by the Company from such exercise. The exercise of the subscription rights attached to the Warrants, if materializes, will also have a positive effect on the working capital position of the Group. Accordingly, the cash position, current assets and current ratio of the Company are expected to be improved.

With the background of the Strategic Business Transactions, the purpose of this circular is to provide you with (i) further information on the Warrants Issuance and the Bond Issue and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Warrants Issuance and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Warrants Issuance and the transactions contemplated thereunder; and (iv) the notice of the General Meeting and other information in accordance with the requirements of the Listing Rules.

PROPOSED ISSUANCE OF WARRANTS UNDER SPECIFIC MANDATE

On July 15, 2024, the Company approved further details on the proposed issuance of 1,150,000,000 Warrants at the issue price of HK\$1.43 per Warrant as part of the Strategic Business Transactions. The principal terms of the Warrants have been discussed on normal commercial terms between the Company and market participants, who have indicated that participation by the management members of the Company in the Warrants Issuance would demonstrate their endorsement and support of the transaction. As such, Mr. Yang, the Chairman of the Board, Chief Executive Officer and an executive Director of the Company, entered into the Warrants Subscription Agreement on July 15, 2024 as the Initial Warrants Subscriber.

Pursuant to the Warrants Subscription Agreement, the Initial Warrants Subscriber has agreed to subscribe for 220,000,000 Warrants, representing approximately 19.13% of the total number of Warrants to be issued. The remaining 930,000,000 Warrants are expected to be offered by way of a private placement to independent Professional Investors (which may include existing Shareholders who are institutional and corporate investors) in Hong Kong and certain Management Participants. In the event that there is insufficient participation by Management Participants, the Initial Warrants Subscriber agrees to subscribe for up to an additional 330,000,000 Warrants (representing the maximum amount that the Management Participants can subscribe for and approximately 28.70% of the total number of Warrants to be issued). The Initial Warrants Subscriber will procure suitable independent Professional

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Investors to fully subscribe for the 600,000,000 remaining Warrants (representing approximately 52.17% of the total number of Warrants to be issued) and the Initial Warrants Subscriber will thereby ensure all the Warrants are fully subscribed.

As the Warrants Issuance is subject to conditions, including Independent Shareholders' approval at the General Meeting, the Company intends to commence the private placement following Independent Shareholders' approval of the Warrants Issuance.

The Warrants Subscription Agreement

The principal terms of the Warrants Subscription Agreement are summarized as follows:

Date: July 15, 2024

Parties: (i) the Company, as the issuer; and
(ii) the Initial Warrants Subscriber, as a subscriber.

The Warrants Subscription and the Warrants Issuance constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Number of Warrants issuable to the Initial Warrants Subscriber: 220,000,000 Warrants to be subscribed by the Initial Warrants Subscriber and, if there is insufficient participation by the Management Participants in the Warrants Issuance, the Initial Warrants Subscriber agrees to subscribe for up to an additional 330,000,000 Warrants.

Issue price of the Warrants: HK\$1.43 per Warrant

The issue price of the Warrants was determined by the Company after assessing, among others, (i) the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance) and (ii) business prospect of the Company. The issue price of the Warrants is equal to 15.1% of the reference price.

The combined effective price of the capital raise per share is HK\$13.74, which is the combination of the issue price of HK\$1.43 and the initial Exercise Price of HK\$12.31.

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The issue price of the Warrants was determined using a Black-Scholes call option pricing model from Bloomberg, referencing the specific structural terms of the Warrants and the following key assumptions:

- (i) risk free rate of 4.20%, which was the three-year Hong Kong dollar swap rate on May 28, 2024, reflecting the tenor of the Warrants;
- (ii) stock price of HK\$9.47, which was the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (iii) the initial Exercise Price of HK\$12.31 per Share, which was a 30% premium over the HK\$9.47 reference stock price as described above; and
- (iv) volatility of approximately 30%, which was determined upon considering a number of factors, including the implied volatility of the Existing Convertible Bonds, the large size of the Warrant Issuance, and the transfer restrictions and other undertakings by the Warrants Subscribers.

As advised by the Financial Adviser and after reviewing the letter from the Independent Financial Adviser, the Board has taken into account factors including the volatility of the Existing Convertible Bonds, the size of the Existing Convertible Bonds being significantly smaller than the size of the proceeds upon full exercise of the Warrants and the bespoke features of the Warrants. The Board considers that the slight difference in volatility is acceptable and the issue price of the Warrants is fair and reasonable as a whole.

Conditions precedent:

Completion of the Warrants Subscription Agreement is subject to and conditional upon the following conditions precedent being satisfied:

- (i) the passing of resolutions by the Independent Shareholders by way of poll at the General Meeting approving the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate;

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- (ii) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrant Shares and such approval and granting of permission not having been withdrawn or revoked; and
- (iii) the completion of the Bond Issue having taken place or will take place on the same day as the completion of the Warrants Issuance.

Neither the Company nor the Warrants Subscribers may waive any of the conditions precedent above. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

In the event any of the above conditions has not been fulfilled on or before the Warrants Long Stop Date, the Warrants Subscription Agreement shall lapse automatically.

Completion: Completion of the Warrants Subscription Agreement will take place on the Warrants Completion Date concurrently with the completion of the Bond Issue.

Termination: The Warrants Subscription Agreement shall automatically be terminated if the Bond Subscription Agreement is terminated pursuant to the terms thereof.

The Warrants

The principal terms of the Warrants under the form of the Warrant instrument (as amended) are summarized as follows:

Issuer:	The Company
Number of Warrants issuable:	1,150,000,000 Warrants
Exercise period:	From the date of issuance of the Warrants until the Warrants Last Exercise Date (both dates inclusive)
Warrants Last Exercise Date:	The date falling on the third anniversary of the date of Warrants Issuance, if the CB Maturity Date is extended, the Warrants Last Exercise Date will be automatically extended by a fixed period of three months to align with the CB Maturity Date. There are no other conditions to the extension of the Warrants Last Exercise Date.

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For details relating to extension of the CB Maturity Date, please refer to the section headed “The Convertible Bonds — CB Maturity Date” in this circular.

Exercise rights: Each Warrant is exercisable at the Exercise Price, which initially is HK\$12.31 per Share (subject to adjustment).

Number of Shares underlying the Warrants: Upon the full exercise of the Warrants at the initial Exercise Price, 1,150,000,000 Warrant Shares will be issued and allotted.

The exercise ratio is the number of Warrant Shares to be issued per Warrant, being 1:1. The number of Warrant Shares to be issued on the relevant exercise date will be determined by multiplying the number of Warrants by (i) initial Exercise Price divided by (ii) adjusted Exercise Price as at the relevant exercise date.

As a result, the number of Warrant Shares to be issued and allotted will be adjusted due to the adjustment to the Exercise Price. Please refer to the section headed “The Warrants — Adjustment of Exercise Price” for details of the adjustment events.

Exercise Price: The initial Exercise Price shall be HK\$12.31 per Share, which represents:

- (i) a premium of approximately 2.2% over the closing price of HK\$12.04 per Share as quoted on the Stock Exchange on May 27, 2024, being the trading day immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (ii) a premium of approximately 14.8% over the average closing price of HK\$10.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (iii) a premium of approximately 30.0% over the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);

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- (iv) a premium of approximately 9.7% over the closing price of HK\$11.22 per Share on July 12, 2024, being the trading day immediately prior to July 15, 2024 (being the date of the Warrants Subscription Agreement);
- (v) a premium of approximately 27.2% over the closing price of HK\$9.68 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 221.5% over the net asset value of HK\$3.83 per Share as at March 31, 2024, being the date of which the Company's latest published audited accounts were made up.

The initial Exercise Price of HK\$12.31 per Share was determined by the Company with reference to (i) the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance); and (ii) business prospect of the Company.

Adjustment of Exercise
Price:

The Exercise Price is subject to standard warrant exercise price adjustments events including but not limited to (i) consolidation, subdivision or reclassification of the Shares; (ii) capitalization of profits or reserves; (iii) distributions; (iv) rights issues of Shares or options over Shares; (v) rights issues of other securities; (vi) issues at less than current market price; (vii) other issues at less than current market price; (viii) modification of rights of conversion etc.; (ix) other offers to Shareholders; and (x) other events determined by the Company. For detailed price adjustment mechanism of the Exercise Price, please refer to Appendix I of this circular.

No adjustment will be made to the Exercise Price in the case of an issue of Shares on the exercise of any rights of conversion into, or exchange or subscription of Shares of the Convertible Bonds and the Existing Convertible Bonds.

Subsequent to the Company's announcement of July 15, 2024, the term concerning trigger of adjustment events has been amended as follows to reflect the equity nature of the Warrants:

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The initial Exercise Price shall be adjusted upon any such adjustment events occurring after the date an independent Professional Investor enters into a Warrant subscription letter as if the Warrants had been in issue when such adjustment events occur.

Rights of the holders of Warrants:

The holders of Warrants will not have any right to attend or vote at any shareholders meeting of the Company by virtue of them being holders of the Warrants. Before exercise of the subscription right, the holders of Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of Warrants on liquidation:

If a winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holders of the Warrants, or some persons designated by them for such purpose by a special resolution passed by the holders of Warrants, shall be a party or in conjunction with which a proposal is made to the holders of the Warrants and is approved by a special resolution of the holders of Warrants, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the holders of the Warrants.

In any other case, every holder of the Warrant shall be entitled at any time within six (6) weeks after the passing of such resolution by irrevocable surrender of his Warrant certificate(s) to the Company with the subscription form(s) duly completed, together with payment of the Exercise Price, to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised such of the exercise rights represented by his Warrant(s) as are specified in the subscription form(s) submitted by him and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the holder of the Warrants of the passing of such resolution within seven (7) days after the passing thereof and such notice shall contain a reminder to holder of the Warrants with respect to their rights (to the extent applicable).

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

Rights and ranking of the
Warrant Shares:

The Warrant Shares, when issued and fully paid, will rank equally in all respects among themselves and with all other Shares in issue as at the respective dates of allotment and issue of the Warrant Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company with a record date falling on or after the respective dates of allotment and issue of the Warrant Shares.

Transfer and Exercise
Limit:

The Company will not register any transfer of Warrants or issue any Warrant Shares in satisfaction of the exercise rights in respect of the relevant Warrants if by doing so it will result in the aggregate number of Warrants transferred and/or exercised being in excess of the transfer and exercise limit. The transfer and exercise limit refers to 306,666,666 Warrants (which will not be adjusted throughout the term of the Warrants) during each 12-month period from the date of Warrants Issuance, which applies to unexercised Warrants held by the Warrants Subscriber (except for those subject to the Final ROFR Notice (as defined below) or Final Call Notice (as defined below)). The transfer and exercise limit will not be adjusted as a result of any of the adjustment events to the initial Exercise Price.

Undertakings by the
Warrants Subscribers:

Subject to the transfer and exercise limit of the relevant Warrants, if any of the Warrants Subscribers wishes to exercise the exercise rights in relation to any or all of their respective Warrants or sell or otherwise dispose of any or all of its Warrants (the “**ROFR Warrants**”), such Warrants Subscribers shall first offer their respective ROFR Warrants to LHL by written notice (the “**ROFR Notice**”). Upon receipt of a ROFR Notice, LHL may within five business days purchase part or all of the ROFR Warrants.

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If LHL does not purchase the ROFR Warrants, such Warrants Subscribers may (i) sell or otherwise dispose such ROFR Warrants on the same terms as set forth in the ROFR Notice (other than the transfer price) and such ROFR Warrants so transferred will not be subject to the undertakings given by the Warrants Subscribers, or (ii) exercise the exercise rights in relation to the ROFR Warrants and in respect of the Warrant Shares which are retained by the Warrants Subscribers after the exercise (the “**Retained Shares**”), the holder of the Warrant Shares shall notify LHL five business days prior to disposal of the Warrant Shares and shall act in concert with LHL on matters relating to the Company which require shareholders’ approval until such holder ceases to hold any interest in such Warrant Shares, subject to the provisions and exceptions detailed in the terms and conditions of the Warrants.

Subsequent to the Company’s announcement of July 15, 2024, certain terms concerning the Final ROFR Notice have been amended as follows for logistics reasons:

Without being subject to the transfer and exercise limit, on the seventh business day immediately prior to the Warrants Last Exercise Date, each Warrants Subscriber may serve a ROFR Notice to LHL with respect to its remaining Warrants (the “**Final ROFR Warrants**”) to LHL (the “**Final ROFR Notice**”). If LHL does not exercise the right to acquire the Final ROFR Warrants, such Warrants Subscribers may (i) sell or otherwise dispose such Final ROFR Warrants and such Final ROFR Warrants so transferred will not be subject to the undertakings given by the Warrants Subscribers, or (ii) exercise the exercise rights in relation to the Final ROFR Warrants and in respect of the Retained Shares, the holder of such Warrant Shares shall notify LHL five business days prior to disposal of such Warrant Shares and shall act in concert with LHL on matters relating to the Company which require shareholders’ approval until such holder ceases to hold any interest in such Warrant Shares, subject to the provisions and exceptions detailed in the terms and conditions of the Warrants.

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If and only to the extent that any Warrants Subscriber is unable to serve a Final ROFR Notice on the seventh business day immediately prior to the Warrants Last Exercise Date due to any restrictions imposed upon such Warrants Subscriber by applicable regulations, such Warrants Subscriber shall first serve the Final ROFR Notice to LHL on a date which is earlier than the seventh business day immediately prior to the Warrants Last Exercise Date but not earlier than three months before the Warrants Last Exercise Date.

If any Warrants Subscriber fails to serve a Final ROFR Notice to LHL on the seventh business day immediately prior to the Warrants Last Exercise Date, LHL may purchase the Final ROFR Warrants by serving a written final call notice (the “**Final Call Notice**”) on such Warrants Subscriber without being subject to the transfer and exercise limit.

After expiry of the Final ROFR Notice and at any time from 4:00 p.m. (Hong Kong time) on the business day immediately prior to the Warrants Last Exercise Date and before 4:00 p.m. (Hong Kong time) on the Warrants Last Exercise Date, LHL has the right to purchase, and each Warrants Subscriber shall sell to LHL or any person designated by LHL, any outstanding Warrants at the price of HK\$0.01 per Warrant.

Termination of
undertakings and
restriction:

The undertakings by the Warrants Subscribers and transfer and exercise limit as described above will automatically cease to have effect under the following circumstances: (i) when LHL ceases to treat the Company as a subsidiary in accordance with the applicable accounting standards, (ii) with respect to any relevant Warrants Subscriber, when such Warrants Subscriber no longer holds any of the Warrants and Retained Shares, (iii) when a Fundamental Change Event has occurred, or (iv) LHL has given written notice to the Company to unilaterally request for the termination of such the undertakings and restriction.

Undertaking of the
Company:

For as long as the aforementioned undertakings by the Warrants Subscribers and/or the transfer and exercise limit apply, the Company shall not conduct any new issue of warrants with more favourable terms than the Warrants.

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Transferability: *Subsequent to the Company's announcement of July 15, 2024, the integral multiple of Warrants that can be transferred has been amended for clarification purpose:*

Subject to the undertakings provided by the Warrants Subscribers, the minimum number of Warrants to be transferred is 2,000 Warrants and any transfer in excess of 2,000 Warrants would be in integral multiples of 1 Warrant in excess thereof.

Form of instrument: The Warrants will be issued in paper form. The Warrants will not be arranged for deposit, clearance or settlement at any clearing platform.

Cash settlement: Notwithstanding the exercise rights of each Warrants Subscriber in respect of each Warrant, at any time when the delivery of Warrant Shares deliverable is required to satisfy the exercise rights, the Company shall have the option to pay to the relevant Warrants Subscriber an amount of cash in Hong Kong dollars equal to the cash settlement amount in order to satisfy such exercise rights in full or in part (in which case the other part shall be satisfied by delivery of Warrant Shares).

In order to exercise the cash settlement option, the Company shall provide notice of the exercise of the cash settlement option to the relevant Warrants Subscriber as soon as practicable but no later than three (3) business days immediately following the due exercise of the Warrants by surrendering the Warrants certificate(s) together with payment of the Exercise Price. The cash settlement notice must specify the number of Warrant Shares in respect of which the Company will make a cash payment. The Company shall pay the cash settlement amount no later than 23rd business days following the date of the cash settlement notice. The cash settlement amount shall be the product of (i) the number of Warrant Shares otherwise deliverable upon exercise of the exercise rights in respect of which the Company has exercised the cash settlement option, and (ii) the arithmetic average of the volume weighted average price of the Shares for each day during 20 consecutive trading days immediately after the date of the cash settlement notice, provided that if at any time during the said 20 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 the quotations on the relevant trading day shall be adjusted in accordance with the terms and conditions of the Warrants.

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Subsequent to the Company's announcement of July 15, 2024, the term concerning cash settlement has been amended as follows for clarification purpose:

If and only to the extent that the Company is at any time unable to issue Shares in satisfaction of the exercise rights of any Warrants Subscriber due to any restrictions imposed upon the Company by applicable regulations, the Company undertakes to exercise the cash settlement option to the extent required to satisfy the exercise rights of such Warrants Subscriber.

Mandate to issue the Warrants and the Warrant Shares

The Warrants and the Warrant Shares (in the event that the Warrants are exercised) will be issued pursuant to the Warrants Specific Mandate to be sought at the General Meeting.

Application for listing of the Warrant Shares

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchange.

Private placement of the remaining Warrants

The remaining 930,000,000 Warrants not taken up by the Initial Warrants Subscriber are expected to be offered by the Company by way of a private placement to independent Professional Investors (which may include existing Shareholders who are institutional and corporate investors) in Hong Kong and certain Management Participants (which may include connected persons of the Company at subsidiary level only but not any connected persons at company level).

Given the Warrants Issuance is subject to various conditions, including Independent Shareholders' approval at the General Meeting, the Company intends to commence the private placement following Independent Shareholders' approval of the Warrants Issuance. The Company expects that the Warrants will be placed through private placement to more than six independent places (including the Professional Investors and the Management Participants). It is envisaged that the Management Participants will subscribe for the Warrants through a common investment holding vehicle for no more than 330,000,000 Warrants (representing approximately 28.70% of the total number of Warrants to be issued). The transfer and exercise limit of the Warrants will be complied by the investment holding vehicle as the Warrants Subscriber. As at the Latest Practicable Date, the Company has engaged the Financial Adviser as the placing agent with respect to the placing of the remaining Warrants.

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The Company will publish further announcement(s) after the Warrants Issuance is approved at the General Meeting once the placing arrangements are finalized and to include further particulars if any of the final placees are connected persons of the Company. If the total number of placees are less than six, the Company will disclose further information of the placees as required by the applicable Listing Rules.

Use of Proceeds

The gross and net aggregate proceeds after deducting all relevant costs and expenses of the Warrants Issuance will be approximately HK\$1,645 million (equivalent to approximately US\$210 million) and approximately HK\$1,601 million (equivalent to approximately US\$205 million), respectively, representing a net issue price of approximately HK\$1.39 per Warrant. Upon completion of the Warrants Issuance, the proceeds from the Warrants Issuance would be used for business expansion in the MEA Region, including establishing sustainable manufacturing facility, regional headquarters and sales and distribution in the MEA Region pursuant to the Strategic Business Collaboration Agreements. Given the premium strike price of the Warrants above 9-year share price highs and under the terms of the Warrants Subscription Agreement, there is an annual exercise limit imposed on the Warrants Subscribers, as such proceeds from the exercise of the Warrants are not currently factored into the financial planning.

Assuming the full exercise of the Warrants at the initial Exercise Price, it would provide the Company with up to an additional capital of approximately US\$1.8 billion to further strengthen its equity base. The Company aims to use 40% of the proceeds for further expansion of the Company's operation (including future potential acquisition opportunities), 50% of proceeds for investment in R&D and AI and 10% of the proceeds for general working capital purposes to meet daily operational business needs, such as supply chain investments. The additional proceeds will strengthen the Company's balance sheet and will also enable the Company to pursue potential acquisition opportunities to boost inorganic growth and expand the product offerings under the Company's ISG and SSG. As of the Latest Practicable Date, the Company has not identified any potential acquisition opportunities that would utilize the proceeds from the exercise of the Warrants.

For further details of the business expansion in the MEA Region and potential usage of the proceeds from the Warrants Issuance and the exercise of the Warrants, please refer to the section headed "Reasons and Benefits for the Strategic Business Transactions" in this circular.

Listing Rules Implications

The Initial Warrants Subscriber is the Chairman of the Board, Chief Executive Officer and an executive Director of the Company and therefore, is a connected person of the Company under the Listing Rules and the terms of the Warrants contained certain rights for LHL to purchase the Warrants and the Warrant Shares. In addition, the Warrants may be placed to certain Management Participants through a common investment holding vehicle. As

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such, the Warrants Subscription and the Warrants Issuance constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, the connected transaction must be conditional on shareholders' approval at a general meeting held by the listed issuer. Any shareholder who has a material interest in the transaction must abstain from voting on the resolution. As the Initial Warrants Subscriber and other Warrants Subscribers are subscribers of the Warrants and they will provide certain undertakings in favour of LHL as disclosed in the section headed "The Warrants — Undertakings by the Warrants Subscribers", the Initial Warrants Subscriber, LHL and their respective close associates (as defined in the Listing Rules) shall abstain from voting on the resolutions for the Warrants at the General Meeting pursuant to the Listing Rules. As at the Latest Practicable Date, the Initial Warrants Subscriber and LHL (together with their respective close associates) respectively hold approximately 5.91% and 31.41% of the total issued shares of the Company.

As of the Latest Practicable Date, no Management Participant has entered into any agreement to subscribe for the Warrants. Given that certain Management Participants are connected persons of the Company at subsidiary level, such Management Participants (including their respective close associates (as defined in the Listing Rules) shall abstain from voting on the resolutions for the Warrants Issuance at the General Meeting pursuant to the Listing Rules. If the Company has initiated discussions or agreed with a Management Participant that he/she will subscribe for the Warrants at or before the General Meeting, such Management Participant shall also abstain from voting on the resolutions for the Warrants Issuance at the General Meeting. As at the Latest Practicable Date and based on the information available to the Company, the Management Participants who are connected persons of the Company at subsidiary level (together with their respective close associates), in aggregate hold less than 1% of the total issued shares of the Company.

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares of the Company or (ii) any securities convertible into new Shares of the Company, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the Warrant Shares to be issued upon exercise of the Warrants will be allotted and issued pursuant to the Warrants Specific Mandate to be sought from the Shareholders at the General Meeting.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercising of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other exercise rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the number of issued shares of the Company at the time the Warrants are issued.

As at the Latest Practicable Date, save for the Existing Convertible Bonds, the Company does not have any securities with subscription rights outstanding and not yet exercised. Assuming the full exercise of the Warrants at the initial Exercise Price, it will result in the

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issue of 1,150,000,000 Warrant Shares, which represent (i) approximately 9.27% of the total number of Shares in issue of the Company as of the Latest Practicable Date and (ii) approximately 8.48% of the total number of Shares in issue of the Company upon the full exercise of the Warrants (assuming there will be no change to the initial Exercise Price and the total number of Shares in issue from the Latest Practicable Date up to the exercise of the Warrants). Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1).

By virtue of the interests of the Initial Warrants Subscriber in the Warrants Subscription and the interest of LHL in the Warrants, (i) the Initial Warrants Subscriber, (ii) Mr. Zhu Linan (who is also a director of LHL) and (iii) Mr. Zhao John Huan (who is also a director of LHL) have abstained from voting on the relevant Board resolutions for approving the Warrants Subscription Agreement, the Warrants Issuance and the transactions contemplated thereunder.

In the event that there is any material change to the terms of the Warrants Subscription Agreement since the date of this circular, the Company will re-comply with the announcement and shareholders' approval requirements pursuant to the Listing Rules.

PROPOSED ISSUANCE OF ZERO-COUPON CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On May 28, 2024, the Company entered into the Bond Subscription Agreement with Alat, pursuant to which Alat agreed to subscribe for the Convertible Bonds in an aggregate principal amount of US\$2,000,000,000 (equivalent to approximately HK\$15,623 million) subject to the satisfaction or waiver of the conditions precedent as set out in the Bond Subscription Agreement and as summarized below.

The Bond Subscription Agreement

A summary of the principal terms of the Bond Subscription Agreement is set out below:

Date:	May 28, 2024
Parties:	(i) The Company, as issuer (ii) Alat, as subscriber
Principal amount:	US\$2,000,000,000 (equivalent to approximately HK\$15,623 million)
Conditions precedent:	Completion of the Bond Subscription Agreement is subject to and conditional upon the following conditions precedent being satisfied (or, if applicable, waived by the respective party):

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- (i) the passing of resolution(s) by the Shareholders at the General Meeting approving the issuance of the Conversion Shares under the CB Specific Mandate;
- (ii) the listing of, and the permission to deal in, the Conversion Shares having been granted by the Listing Committee of the Stock Exchange and such listing and permission not having been revoked on or prior to completion;
- (iii) clearance of the Committee on Foreign Investment in the United States (CFIUS) in connection with the Bond Issue having been received;
- (iv) any other regulatory filings or approvals which may be required in connection with the Bond Issue having been obtained;
- (v) each of the fundamental warranties of the Company remaining true and accurate and there being no breach of company warranties that are not fundamental warranties that would or would be reasonably likely to, individually or in the aggregate, have a material adverse effect (as defined in the Bond Subscription Agreement), as at the date of the Bond Subscription Agreement and when repeated at completion and as if made at such time;
- (vi) each of the warranties of the Investor remaining true and accurate in all material respects as at the date of the Bond Subscription Agreement and when repeated at completion and as if made at such time;
- (vii) the Company having complied in all material respects with its obligations under the Bond Subscription Agreement that are required to be performed on or before completion;
- (viii) there not having been a change of control (as defined under the Takeovers Code) of the Company (subject to certain exceptions listed in the Bond Subscription Agreement);

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- (ix) there not having been a suspension or limitation of trading in any of the Shares by the Stock Exchange for more than 15 consecutive trading days (subject to certain exceptions listed in the Bond Subscription Agreement); and
- (x) the Strategic Business Collaboration Agreements having been mutually agreed and executed between the Investor and the Company within the specified timeframe.

The Investor may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of items (v), (vii) to (x) of the conditions precedent stated above. The Company may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or part of item (vi) of the conditions precedent stated above. Completion of the Bond Issue is not conditional upon the completion of the Warrants Issuance. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion:

Completion of the Bond Subscription Agreement will take place on the CB Completion Date subject to the satisfaction (or, if applicable, waiver) of the conditions precedent set out above.

Specific Mandate:

The Conversion Shares will be allotted and issued pursuant to the CB Specific Mandate. The Bond Issue is subject to the approval of the Shareholders.

Termination:

The Bond Subscription Agreement may be terminated under certain circumstances, including, among others:

- (i) the conditions precedent are not satisfied or waived by the CB Long Stop Date;
- (ii) either party does not comply with its respective material completion obligations (as defined in the Bond Subscription Agreement);

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- (iii) there is a material adverse effect (as defined in the Bond Subscription Agreement) on the Company's ability to perform its material obligations under the Bond Subscription Agreement or the Strategic Collaboration Framework Agreement; or
- (iv) the Strategic Collaboration Framework Agreement is terminated in accordance with its terms prior to completion.

The Convertible Bonds

The principal terms of the Convertible Bonds (as amended) are summarized as follows:

Issuer:	The Company
Principal amount:	US\$2,000,000,000 (equivalent to approximately HK\$15,623 million)
CB Maturity Date:	<i>Subsequent to the Company's announcement of May 29, 2024, the term concerning the CB Maturity Date has been amended as follows for logistics reason:</i>

The date falling on the third anniversary from the issue date of the Convertible Bonds. Pursuant to the Terms and Conditions, the Investor may extend the CB Maturity Date by a fixed period of three months by way of an extension notice to the Company at least 15 calendar days prior to the CB Maturity Date if not all regulatory approvals for the conversion of the Convertible Bonds are obtained by then.

Issue price:	100% of the aggregate principal amount of the Convertible Bonds
Interest rate:	Interest free
Status:	The Convertible Bonds constitute direct, unconditional, unsubordinated and (subject to the negative pledge covenant as described below) unsecured obligations of the Company which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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Conversion period: *Subsequent to the Company's announcement of May 29, 2024, the term concerning the conversion period has been amended as follows for logistics reason:*

Subject to the Terms and Conditions, the conversion right attaching to the Convertible Bonds can be exercised at the option of the holder of the Convertible Bonds by way of a conversion notice to the Company at least 15 calendar days prior to the CB Maturity Date. Upon the exercise of the conversion right, conversion of the Convertible Bonds shall take place on the CB Maturity Date.

Conversion Price: The initial Conversion Price is HK\$10.42 per Share, which represents:

- (i) a discount of approximately 13.5% over the closing price of HK\$12.04 per Share as quoted on the Stock Exchange on May 27, 2024, being the trading day immediately prior to the date of the Bond Subscription Agreement;
- (ii) a discount of approximately 2.8% over the average closing price of HK\$10.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Bond Subscription Agreement;
- (iii) a premium of approximately 10.0% over the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days immediately prior to the date of the Bond Subscription Agreement;
- (iv) a premium of approximately 11.5% over the average VWAP of HK\$9.35 per Share for the last 60 consecutive trading days immediately prior to the date of the Bond Subscription Agreement;
- (v) a premium of approximately 7.6% over the closing price of HK\$9.68 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 172.1% over the net asset value of HK\$3.83 per Share as at March 31, 2024, being the date of which the Company's latest published audited accounts were made up.

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The initial Conversion Price of HK\$10.42 per Conversion Share was determined after arm's length negotiations between the Company and the Investor with reference to (i) the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days immediately prior to the date of the Bond Subscription Agreement; and (ii) business prospect of the Company.

Adjustment of Conversion Price:

The Conversion Price will be subject to standard adjustments clauses including but not limited to (i) consolidation, subdivision or reclassification of the Shares; (ii) capitalization of profits or reserves; (iii) certain distributions; (iv) rights issues of Shares or options over Shares; (v) rights issues of other securities; (vi) issues at less than current market price; (vii) other issues at less than current market price; (viii) modification of rights of conversion etc.; (ix) other offers to Shareholders; and (x) other events determined by the Company, that may occur from the date of the Bond Subscription Agreement and the CB Maturity Date. For detailed price adjustment mechanism of the Conversion Price, please refer to Appendix II of this circular.

Pursuant to the Bond Subscription Agreement, the Conversion Price will be subject to the same standard adjustment clauses from the date of the Bond Subscription Agreement.

Ranking of Conversion Shares:

The Conversion Shares will in all respects rank *pari passu* with the Shares in issue on the relevant conversion date.

Redemption by the Company:

The Company will redeem the Convertible Bonds not so converted or redeemed at 100% of its principal amount outstanding on the CB Maturity Date.

The Company may not redeem the Convertible Bonds at its option prior to the CB Maturity Date.

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Redemption by the
Convertible Bonds
holder:

The Convertible Bonds holder shall have the right to require the Company to redeem all of the Convertible Bonds prior to the CB Maturity Date if (i) the Shares cease to be listed or admitted to trading on the Stock Exchange or, if applicable, the alternative stock exchange, or are suspended for trading on the Stock Exchange or, if applicable, the alternative stock exchange, for a period equal to or exceeding 30 consecutive trading days; (ii) there is a change of control event (as defined in the Terms and Conditions); or (iii) there is a continuing event of default under the Terms and Conditions. The Company shall redeem the Convertible Bonds at 100% of their principal amount (in case of (i) and (ii)) and at 100% of their principal amount plus interest of 4.5% per annum from the issue date of the Convertible Bonds up to the date of redemption (in case of (iii) only).

Negative pledge:

For so long as any Convertible Bonds remain outstanding, the Company will not, and will ensure that none of its subsidiaries will, apart from certain agreed exceptions set out in the Terms and Conditions, create, permit to subsist any security interest, upon the whole or any part of its present or future assets to secure any of its relevant indebtedness (as defined in the Terms and Conditions) unless the aggregate outstanding principal amount of all such secured relevant indebtedness would not exceed 10.0% of the Company's consolidated tangible assets (as defined in the Terms and Conditions).

Pursuant to the Bond Subscription Agreement, prior to completion of the Bond Subscription Agreement, the parties shall co-operate in good faith to amend the forms of the instrument of the Convertible Bonds and the Terms and Conditions (in each case, without altering the principal terms), to include relevant features that are required for clearing of the Convertible Bonds through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), including but not limited to (a) the ability for the Convertible Bonds to be held by the common depository as a custodian for Euroclear and Clearstream in global form, and (b) having a trustee and agents for the Convertible Bonds.

Listing Rules Implications

Pursuant to Rule 13.36(6) of the Listing Rules, where the convertible securities are issued pursuant to a general mandate for cash consideration, the initial conversion price must not be lower than the benchmarked price of the Shares at the time of issue. As the initial Conversion Price of HK\$10.42 is lower than the benchmarked price (being HK\$11.82,

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pursuant to Rule 13.36(5) of the Listing Rules), a general mandate cannot be used by the Company to issue the Convertible Bonds. Accordingly, the Bond Issue is subject to Shareholders' approval and the Conversion Shares will be allotted and issued pursuant to the CB Specific Mandate to be approved by the Shareholders at the General Meeting.

As disclosed in the section headed "The Warrants Subscription Agreement — Conditions precedent", the Warrants Issuance is conditional upon the Bond Issue. In light of the interest of the Initial Warrants Subscriber and certain Management Participants are connected persons of the Company at subsidiary level in the Warrants Issuance and the Bond Issue, the Initial Warrants Subscriber and the Management Participants who are connected persons of the Company at subsidiary level (including their respective close associates (as defined in the Listing Rules)) shall abstain from voting on the resolutions for the Bond Issue at the General Meeting pursuant to the Listing Rules. If the Company has initiated discussions or agreed with a Management Participant that he/she will subscribe for the Warrants at or before the General Meeting, such Management Participant shall also abstain from voting on the resolutions for the Bond Issue at the General Meeting. As at the Latest Practicable Date, the Initial Warrants Subscriber, together with his respective close associates, hold approximately 5.91% of the total issued shares of the Company.

In the event that there is any material change to the Terms and Conditions after the date of this Circular, the Company will re-comply with the announcement and shareholders' approval requirements pursuant to the Listing Rules.

Application for Listing

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Governance

As part of the Strategic Collaboration, for so long as (i) not less than 50% of the principal amount of the Convertible Bonds remain outstanding or (ii) the Investor and its affiliates hold at least 5% of the total number of Shares issued and outstanding, the Investor shall have the right to nominate one candidate as a non-executive director of the Company, provided that such candidate shall have such appropriate qualifications and experience to serve as a member of the Board, the appointment procedures shall follow the requirements under the constitutional documents of the Company, the Listing Rules and other applicable laws, and the final decision to appoint such candidate is subject to fiduciary duties of the Directors and the decisions of the Board (or any nomination committee thereunder) at their discretion. The director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

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Use of Proceeds

The gross proceeds and the net proceeds (after deduction of estimated expenses) from the Bond Issue will be US\$2,000,000,000 (equivalent to approximately HK\$15,623 million) and approximately US\$1,980,000,000 (equivalent to approximately HK\$15,467 million), respectively. Approximately US\$1.7 billion will be used for refinancing of existing debt and approximately US\$280 million for working capital purposes.

Of the US\$1.7 billion proceeds earmarked for refinancing of existing debts, the Company will make a holistic assessment of all the current borrowings of the Company and intends to use the proceeds to repay the existing borrowings and debts based on an optimal assessment of the interest rates, maturity dates, overall liquidity and market price of outstanding borrowings and debts. All the proceeds will be applied to repay borrowings and debts with independent third parties of the Company. For a current summary of borrowings of the Company, please refer to note 24 of the consolidated financial statements of the Company for the year ended March 31, 2024 contained in the annual report of the Company (pages 224 to 226) published on June 19, 2024 (which is available on <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0619/2024061900373.pdf>).

Of the US\$280 million proceeds earmarked for working capital, the Company will use it for appropriate working capital purposes, including supply chain procurement, digital transformation and further R&D.

As of March 31, 2024, the Company maintains bank deposits and cash and cash equivalents of approximately US\$3,626 million. This robust balance sheet position allows the Company to have more flexibility in pursuing future investment and development opportunities based on prevailing market conditions, over and above the initiatives described above.

REASONS AND BENEFITS FOR THE STRATEGIC BUSINESS TRANSACTIONS

The Strategic Business Transactions, as a whole, present a compelling business and financial opportunity whereby the Company can leverage the significant amount of funds raised to facilitate refinancing activities and generate stable interest savings annually, while also greatly enhancing the Company's financial and operational flexibility and speed to market. The Strategic Business Transactions take advantage of financing instruments issued at attractive and historically high share price levels, allowing the Company to expand its manufacturing facilities into important and fast growing markets so as to capture a meaningful opportunity in the MEA Region as well as to potentially serve other international markets such as Europe over the longer term. In addition, the Strategic Business Transactions are expected to help the Company to strengthen its market leadership in China, to expand its investments in AI and R&D at a pivotal moment in the industry, and selectively pursue partnership & investment opportunities in various strategic initiatives which support the Company's long-term growth and transformation.

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Introduction of a long-term strategic partner internationalizes shareholder base and strategic options

The Strategic Collaboration introduces Alat as a long-term strategic partner to accelerate the Company's growth in the MEA Region and the rest of the world outside the historical core markets. The Company will be able to leverage the strategic strength of Kingdom of Saudi Arabia to expand its business footprint into the MEA Region.

Alat, a wholly owned subsidiary of the Public Investment Fund, is a long-term strategic investor with US\$100 billion of capital focused on transforming global industries (electronics and industrials) and creating a world-class manufacturing hub in the Kingdom of Saudi Arabia powered by clean energy to build a better tomorrow. Alat will deliver sustainable manufacturing to help global companies reduce their emissions and move towards zero-carbon by leveraging the sovereign wealth resources of the Kingdom of Saudi Arabia. The Strategic Collaboration will help enhance the Company's access to the potential business opportunities in the Kingdom of Saudi Arabia and globally through Alat and the Public Investment Fund's investments and affiliations.

Geographical diversification into the MEA Region while strengthening our position in China provides growth opportunities and momentum

The Strategic Business Transactions will enable the Company to achieve business expansion in the MEA Region, while also strengthening its market leadership in China, with the benefits of diversification of manufacturing facilities, enhanced access to local markets and more resilient and agile supply chain to better serve regional and global customer base.

According to International Monetary Fund, Saudi Arabia is a top 20 economy globally by GDP. It is also one of the fastest-growing economies globally with 4.5% GDP growth expected in 2025. Saudi Arabia is undergoing an economic transformation where technology is a significant focus. Fueled by a strong economy and an increasing number of major infrastructure projects, the MEA Region continues to see strong growth momentum. The spending on ICT in the Kingdom of Saudi Arabia in 2023 reached US\$35 billion and is projected to grow 10% annually by 2026, according to the Public Investment Fund estimates.

The Strategic Collaboration is a long-term win-win partnership for the Company and Alat. The Company will enter into the Strategic Collaboration Business Agreements with Alat, pursuant to which (i) Alat will undertake to help the Company expand local distribution capabilities in smart devices, servers, storage and smart services solutions; and (ii) the Company and Alat will produce smart devices in the Kingdom of Saudi Arabia complying with local regulations at the highest level for the local market.

Over the longer term, under the strategic investment of Alat, the Company will build a sustainable manufacturing facility in Saudi Arabia leveraging the significant cost efficiencies and environmental advantages of green energy produced within the country. Based on information currently available, the cost of the business expansion in the MEA Region is

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estimated at US\$250 million over the next three to five years. The Company will set up its regional headquarters in Riyadh. We target a long-term goal of 10% of the revenue of the Group from the MEA Region within the next 5 years from less than 2.7% of the revenue of the Group for the last financial year. The collaboration with Alat not only enhances the Company's competitive advantage but also signifies a shared commitment to driving innovation, market expansion, and sustainable business development in the evolving tech landscape.

The Company is also committed to ensuring strong support for its business growth initiatives in the PRC, which is the largest revenue generating country in the last financial year. As the single largest, and oldest, shareholder of the Company, LHL is foundational to our continued success in the large and dynamic PRC market, and their support of our fundraising and strategic transformation is an important stability factor for the business of the Company in the PRC. The Company is committed to capturing future growth opportunities in China, enhancing its market leadership and better serving its customers there.

With a new manufacturing site in the Kingdom of Saudi Arabia and more geographic diversification of supply chain, the Company can expand its regional footprint, serving a wider customer base spanning across Europe, Middle East and Africa. Additionally with the continued support from the largest shareholder and the consistent commitment to better serve the Chinese market, the Company is well-positioned for robust growth momentum globally.

Financing instruments at favorable terms support multiple strategic initiatives

The Bond Issue will provide the Company US\$2 billion of zero interest financing for three years. The initial Conversion Price of HK\$10.42 per Conversion Share was determined with reference to, among other things, a 10% premium over the average VWAP per Share for the 30 consecutive trading days immediately prior to the date of the Bond Subscription Agreement, being a 9-year historic high 30-day VWAP. The investment, agreed while share price was at a 9-year historic high, represents a strong endorsement of the Company's long-term business prospects.

Based on the approval received by National Development and Reform Commission of the PRC in October 2023 for US\$2 billion of debt issuance, as noted above the majority of proceeds will be used for existing debt refinancing, while the rest will be used for general working capital purposes. The Company expects to have an interest savings of approximately US\$110 million per year from the Strategic Business Transactions which did not take into account the proceeds from the exercise of the Warrants.

The Convertible Bonds are convertible at maturity in three years (subject to extension of three months pursuant to the terms and conditions of the Convertible Bonds) and as such will not cause any dilution of existing Shareholders' proportionate holdings during the first three years (subject to extension of three months pursuant to the terms and conditions of the Convertible Bonds) from the date of the Bond Issue.

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The Warrants have an expiry date of 3 years from the date of issuance (subject to extension pursuant to the terms of the Warrants) with an issue price of HK\$1.43 per Warrant. The Company expects to raise approximately US\$210 million from the Warrants Issuance, which will be used to cover the US\$250 million capital expenditure and expenses related to the set-up of manufacturing facilities in the MEA Region.

The Warrants, if exercised, will provide capital to the Company with an effective issuance price at near 20-year share price high at HK\$13.74, which is the combination of the issue price of HK\$1.43 and the initial Exercise Price of HK\$12.31. Assuming the Warrants are exercised in full based on the initial Exercise Price and cash settlement is not elected by the Company, the exercise of the Warrants would provide the Company with additional capital of up to approximately US\$1.8 billion.

Financial flexibility enables strategic transformation and early market penetration

The Strategic Business Transactions will raise approximately US\$2.2 billion in total upon issue of the Convertible Bonds and the Warrants, and an additional US\$1.8 billion if Warrants are fully exercised, which grants the Company financial flexibility and unleashes the potential to capture global opportunities, supporting the Company's long-term growth and transformation.

While large, arranging for these total combined proceeds now enables the Company to fully embrace geographic expansion opportunities as well as the AI computing revolution expected in coming years. According to International Data Corporation, AI-capable PCs will grow from niche to majority, and become more than half (52%) of the total PC market by 2027. Being ready for this adoption curve requires securing financing now, and this should also result in earlier creation of greater shareholder value.

The Company has maintained an unwavering commitment to innovation by allocating a record-high percentage of its yearly revenue to R&D, as the Group's R&D expense to revenue ratio has increased for the third year running in the most recent financial year. The Company plans to continuously invest in R&D, which will play a pivotal role in realizing the Group's medium-term goal of improving profitability, driving innovation and enhancing its operational efficiency. By allocating resources towards innovation and product development and leveraging the proceeds from the Warrants Issuance to fund strategic investments in AI technologies and further diversify its product portfolio under ISG and SSG, the Company can fully capture the massive opportunities beyond its historically strong business segment.

Strong support from management team with personal financial commitment demonstrates the confidence in the long-term prospect of the Company

The Company has entered into the Warrants Subscription Agreement with the Initial Warrants Subscriber, who has agreed to subscribe for 220,000,000 Warrants, representing approximately 19.13% of the total number of Warrants to be issued. The Chairman's subscription of the Warrants represents a vote of confidence in the Company's ongoing transformation, global market leadership, and growth momentum.

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The Company demonstrates its unwavering dedication to driving sustainable growth and value creation. The Company believes the Strategic Business Transactions will align the interests between the Shareholders and the management, reinforce the confidence of investors, underscore the key management team's commitment to advancing the Company's strategic objectives, and pave the way for continued success in the competitive market.

The Strategic Business Transactions as a whole present the best structure available to the Company

The Company has thoroughly researched financing options and potential parties to the Strategic Business Transactions and thoughtfully determined that the proposals in their entirety, including discussion with market participants on the terms of the Warrants, comprise the best alternative for the Company.

Use of proceeds

As detailed in sections headed "Proposed Issuance of Warrants Under Specific Mandate — Use of Proceeds" and "Proposed Issuance of Zero-coupon Convertible Bonds Under Specific Mandate — Use of Proceeds", the US\$2 billion raised from the Bond Issue will be used for debt refinancing and general working capital usage, while the US\$210 million from the Warrants Issuance would be immediately used for business expansion in the MEA Region.

In addition, the US\$1.8 billion raised upon full exercise of the Warrants will unleash the potential for the Company to capture global opportunities, and grant it with financial flexibility to create a competitive hybrid AI portfolio and R&D investments. The Company is committing a further US\$1 billion in investment for R&D and AI that will focus on providing AI devices, AI-ready and AI-optimized computing infrastructure, and embedded AI generated content into the intelligent solutions of vertical industries to help customers improve their productivity.

As the Strategic Business Transactions introduce a long-term strategic partner to the Company, this will enhance its access to the massive strategic resources of Alat and the Public Investment Fund to capture potential synergies. The Strategic Business Transactions as a whole present a significant business opportunity for stronger revenue and profit potential in the fast-growing market as well as greater financial flexibility with significant interest savings in a high interest rate environment. In the absence of approval for the Strategic Business Transactions, the Company would miss the significant opportunity to enter a rapidly developing market in the MEA Region. Additionally, the Company would lose access to US\$2 billion in interest-free funding, which would have improved the Company's liquidity position. The Company would also need to look for alternative funds for the ongoing business expansion in the MEA Region. Having to focus on alternative ways of financing its growth would further distract management from the strategic business imperative they are ready to pursue, and it would disadvantage the Company relative to more nimble competitors.

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Share Issue Mandate

The Company is aware that capital raising initiatives such as the Bond Issue and the Warrants Issuance can have dilutive impacts on the shareholdings of existing Shareholders and the Company has obtained a share issue mandate to issue not more than 2,480,931,860 Shares (the “**Share Issue Mandate**”), representing 20% of the number of issued shares of the Company, pursuant to the resolutions passed on July 18, 2024 at the annual general meeting of the Company. If the Bond Issue and Warrants Issuance are both completed, the Board considers that the short-term fundraising needs of the Company will have been fulfilled. In this regard, if both the Bond Issue and Warrants Issuance proceed to completion, the Board undertakes that the Company will not issue any new Shares under the Share Issue Mandate before the next annual general meeting (i.e. the Share Issue Mandate will not be used by the Board).

CONSIDERATION OF FINANCING ALTERNATIVES

Before deciding on the Strategic Business Transactions, the Company’s management in conjunction with the Board conducted a comprehensive evaluation of possible financing alternatives including but not limited to issuance of public bonds, public convertible bonds, straight equity securities and other equity-linked solutions including options and derivatives. The Company evaluated various alternatives with input from global investment banks as well as regional investment banks and financial advisors taking into various perspectives and market intelligence. With USD interest rates remaining at multi-year highs and with potential cuts in 2025, the bond alternative was less attractive in that it is higher in coupon compared to the Bond Issue which is zero coupon for 3-years compared to likely 5 to 6% for a USD bond resulting in an annual interest savings of approximately US\$110 million. The prevailing quotes at the time of evaluation for a public convertible bond suggested a compromise in terms of size and coupon compared to the current alternative. At the time of evaluation, a public convertible bond of up to US\$2 billion and a coupon of zero percent interest was not achievable as indicated by potential underwriters. Issuance of straight equity securities was less attractive given the required share price discount in equity placement as well as immediate dilution for existing shareholders of the Company. The Bond Issue is attractive as it provides the Company with a large sized funding of US\$2 billion which was not achievable in other similar alternatives, with potential share conversion occurring only upon the CB Maturity Date. The initial Conversion Price represents approximately a 10% premium over the 30-day average VWAP immediately prior to the date of entering into the Bond Subscription Agreement, which was at a 9-year high.

More importantly, the Bond Issue presents a valuable business expansion opportunity for the Company through strategic partnership with Alat. As detailed in the section headed “Reasons and Benefits for the Strategic Business Transactions”, the Bond Issue is not merely a financial instrument that provides large size interest savings financial instrument for the Company. It is the key to the Strategic Collaboration, which is the most significant difference between the Strategic Business Transaction and public market alternatives.

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Furthermore, the Warrants Issuance would provide approximately US\$210 million of immediate additional funding with the strike price set at an approximately 30% premium over the same 30-day VWAP reference price as the Bond Issue. The overall available low-cost financing can reduce interest expenses and position the Company better in raising funds at a lower cost. The Warrants Issuance does not add leverage on the Company's balance sheet immediately. Unlike an equity placement which results in immediate dilution and typically requires the issuance of Shares at a discount, the Warrants allow for deferred dilution and a potential issuance of Shares at premium.

Despite the Company's intention to provide pre-emptive rights to all existing Shareholders to participate in the Warrants Issuance, after a thorough evaluation of the practical limitations and constraints, the Company is only able to extend the private placement to independent Professional Investors (which may include existing Shareholders who are institutional and corporate investors) in Hong Kong, taking into account: (i) the bespoke nature of the terms of the Warrants and the undertakings to be provided by the Warrants Subscribers; and (ii) practical difficulties and administrative burden of the Shareholders as well as the Company in dealing with the transfer and exercise of the Warrants. Please refer to the section headed "The principal terms of the Warrants" for further details of the Warrants and the undertakings to be provided by the Warrants Subscribers.

EFFECT OF THE SHARE CAPITAL OF THE COMPANY

Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$10.42 per Share, the Convertible Bonds will be convertible (translated into Hong Kong dollars at the fixed rate of HK\$7.8115 = US\$1.00) into 1,499,328,214 Shares, representing (i) approximately 12.09% of the issued Shares as at the Latest Practicable Date and (ii) approximately 10.78% of the issued Shares as enlarged by the issuance of the Conversion Shares (assuming there will be no change to the Conversion Price and the total number of Shares in issue from the date of the Latest Practicable Date up to conversion of the Convertible Bonds).

Assuming full conversion of the Existing Convertible Bonds remaining outstanding in the principal amount of US\$675 million at the adjusted conversion price of HK\$9.06 per Share, such Existing Convertible Bonds will be convertible (translated into Hong Kong dollars at the fixed rate of HK\$7.8385 = US\$1.00) into 583,994,205 Shares (the "**Existing Conversion Shares**"), representing (i) approximately 4.71% of the issued Shares as at the date of the Latest Practicable Date and (ii) approximately 4.50% of the issued Shares as enlarged by the issuance of the Existing Conversion Shares (assuming there will be no change to the conversion price of the Existing Convertible Bonds and the total number of Shares in issue from the date of the Latest Practicable Date up to the conversion of the Existing Convertible Bonds).

Assuming the full exercise of the Warrants at the initial Exercise Price of HK\$12.31 per Share, it will result in the issue of 1,150,000,000 Shares, which represent (i) approximately 9.27% of the total number of Shares in issue of the Company as of the Latest Practicable Date and (ii) approximately 8.48% of the total number of Shares in issue of the Company as

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enlarged by the issuance of the Warrant Shares (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date up to the exercise of the Warrants).

Assuming (i) full conversion of the Convertible Bonds at the initial Conversion Price and (ii) full exercise of the Warrants at the initial Exercise Price, the Conversion Shares and the Warrant Shares will represent 9.96% and 7.64%, respectively, of the number of Shares in issue as enlarged by the issuance of the Conversion Shares and the Warrant Shares (assuming there will be no change to the total number of Shares in issue from the date of the Latest Practicable Date up to the conversion of the Convertible Bonds and the exercise of the Warrants).

Assuming (i) full conversion of the Convertible Bonds at the initial Conversion Price, (ii) full conversion of the Existing Convertible Bonds remaining outstanding at the adjusted conversion price of HK\$9.06 per Share, and (iii) full exercise of the Warrants at the initial Exercise Price, the Conversion Shares, the Existing Conversion Shares and the Warrant Shares will represent 9.59%, 3.73% and 7.35%, respectively, of the number of Shares in issue as enlarged by the issuance of the Conversion Shares, the Existing Conversion Shares and the Warrant Shares (assuming there will be no change to the total number of Shares in issue from the date of the Latest Practicable Date up to the conversion of the Existing Convertible Bonds, the Convertible Bonds and the exercise of the Warrants).

The Existing Convertible Bonds issued by the Company on August 26, 2022 will mature on August 26, 2029 (“**Existing CB Maturity Date**”). Holders of the Existing Convertible Bonds may convert them into Shares at any time on or after 41 days after its issue date up to the close of business on the 10th day prior to the Existing CB Maturity Date. The initial conversion price of the Existing Convertible Bonds was HK\$9.94 per Share, and the current adjusted conversion price is HK\$9.06 per Share. The conversion price of the Existing Convertible Bonds is subject to customary adjustments as stipulated under the terms and conditions of the Existing Convertible Bonds, including upon the issuance of equity or equity-linked securities where the issue price per Share is below the 10-day average closing price at the time of the announcement of such transaction. In respect of the Bond Issue, an adjustment to conversion price of the Existing Convertible Bonds would only be effective upon the completion of the Bond Issue. To the extent such adjustment would result in the conversion price being reduced by less than 1%, the effect of such adjustment would be carried forward and taken into consideration for the next event requiring a conversion price adjustment. For further details of the Existing Convertible Bonds (including their terms and conditions) and the latest adjusted conversion price, please refer to the announcement of the Company dated August 18, 2022, the offering circular of the Company dated August 29, 2022 and the latest conversion price adjustment announcement dated July 18, 2024.

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Notes:

- (1) Assuming that LHL will not take up any of the Warrants (and the corresponding Warrant Shares).
- (2) Assuming that the Initial Warrants Subscriber takes up 220,000,000 Warrants and without taking into account of the share awards held by him.
- (3) Without taking into account of the share awards held by the Directors.
- (4) In the event that there is insufficient participation by the Management Participants, the Initial Warrants Subscriber agrees to subscribe for up to an additional 330,000,000 Warrants (representing approximately 28.70% of the total number of Warrants to be issued). Assuming (i) the Initial Warrants Subscriber subscribes for the additional 330,000,000 Warrants and (ii) full exercise of Warrants at the initial Exercise Price, the Initial Warrants Subscriber and the other holders of the Warrants (except the Initial Warrants Subscriber) will hold 1,282,879,843 Shares and 600,000,000 Shares respectively, representing approximately 9.46% and 4.43% of the number of issued Shares as enlarged by the issuance of the Warrant Shares. The other holders of the Warrants (except the Initial Warrants Subscriber) and other public Shareholders will in aggregate hold approximately 61.68% of the number of issued Shares as enlarged by the issuance of the Warrant Shares and therefore, the Company will continue to maintain sufficient public float following the issuance of the Warrant Shares. For the avoidance of doubt, in the event that the Management Participants subscribe Warrants through the investment holding vehicle, the corresponding Warrant Shares issued upon exercise of the Warrants held by the investment holding vehicle shall not be counted towards public float. For further details, please refer to the section headed “Proposed Issuance of Warrants Under Specific Mandate — Private placement of the remaining Warrants”.

Based on the information available to the Company and to the best knowledge of the Directors, the Company will maintain sufficient public float following the issuance of the Existing Conversion Shares, the Conversion Shares and/or the Warrant Shares.

INFORMATION ABOUT PARTIES TO THE BOND SUBSCRIPTION AGREEMENT AND PARTIES RELATING TO THE WARRANTS SUBSCRIPTION AGREEMENT

The Company

The Company is a limited liability company incorporated in Hong Kong. The Shares have been listed on the Stock Exchange since 1994 and have been included as a constituent stock on the Hang Seng Index since March 2022. The principal businesses of the Company are the research and development, manufacturing and sales of smart devices (personal computers, smartphones, tablets, commercial AR/VR, smart collaboration), smart infrastructure (servers, storage, edge, high performance computing, and software defined infrastructure) and smart software, solutions, and services (support services, managed services, project and vertical solutions).

Alat and Public Investment Fund

Alat, a wholly owned subsidiary of the Public Investment Fund, is headquartered in Riyadh, the Kingdom of Saudi Arabia. Alat has been established to create a global business in electronics and advanced industrials and mandated to create world class manufacturing enabled by global innovation and technology leadership. With an investment budget of

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US\$100 billion, Alat is partnering with technology leaders across the world to transform industries while establishing world class businesses in the Kingdom of Saudi Arabia, powered by clean energy.

The Public Investment Fund is the sovereign wealth fund of the Kingdom of Saudi Arabia and is one of the largest and most impactful sovereign wealth funds in the world, driving the economic transformation of Saudi Arabia for the benefit of its people while helping shape the future global economy. The Public Investment Fund is building a world-class portfolio through investments in attractive, long-term opportunities across diverse industries and asset classes internationally.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as of the Latest Practicable Date, each of Alat and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

Initial Warrants Subscriber

The Initial Warrants Subscriber is the Chairman of the Board, Chief Executive Officer and an executive Director of the Company. He assumed the duties of Chief Executive Officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, he was the chief executive officer and has been an executive director of the Company since December 16, 1997.

The Initial Warrants Subscriber has over 30 years of experience in the field of ICT industry. Under his leadership, the Company has become not only a leading global PC company, but also built diversified growth engines including servers, storage, smartphones, as well as digital and intelligent solutions and services.

LHL

LHL is a leading industrial operations and investments company in the PRC and LHL focuses on technological innovation and the real economy, and has established two business segments of "industrial operations" and "industrial incubations and investments". Through strategic management, operational improvements, resources allocation, financial supports and value-added services, etc., LHL is committed to building industrial pillars, incubating or investing in startup and growing-stage companies with great potential, so as to promote the continuous growth of the overall value of LHL. As at the Latest Practicable Date, LHL (directly and indirectly) holds approximately 31.41% equity interest of the Company.

Financial Adviser and Placing Agent to the Warrants Issuance

Citigroup Global Markets Asia Limited has been appointed as the financial adviser to the Company in relation to the Strategic Business Transactions and the placing agent in connection with the private placement of the Warrants. Citigroup Global Markets Asia Limited is a licensed corporation which is licensed to conduct type 1 (dealing in securities),

LETTER FROM THE BOARD

type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the current Bond Issue and the Warrants Issuance, which are yet to be completed, the Company has not carried out any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the Warrants Subscription Agreement, the Warrants Issuance and the transactions contemplated thereunder. Alliance Capital has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Warrants Subscription Agreement and the Warrants Issuance are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote at the General Meeting.

GENERAL MEETING

The notice of the General Meeting is set out on pages 119 to 124 of this circular.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow resolutions which relate purely to a procedural or administrative matter to be voted on by show of hands. The chairman of the General Meeting will therefore put each of the resolutions to be proposed at the General Meeting to be voted by way of poll pursuant to the Articles of Association. An announcement on the poll results will be published by the Company after the General Meeting in the manner prescribed under the Listing Rules.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, after having made reasonable enquiries, save as disclosed in the sections headed "Listing Rules Implications" in this circular, no other Shareholders will be required to abstain from voting at the General Meeting in respect of the resolutions to approve, among other things, the Warrants Issuance and the Bond Issue.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the terms of the Bond Issue, the terms of the Bond Subscription Agreement and the Terms and Conditions are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting.

The Directors (including members of the Independent Board Committee after considering the advice of the Independent Financial Adviser and excluding the Initial Warrants Subscriber, Mr. Zhu Linan and Mr. Zhao John Huan) consider that the terms of the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Advisers mentioned above before deciding how to vote on the resolutions to be proposed at the General Meeting.

ADDITIONAL GENERAL INFORMATION

Your attention is drawn to (i) this letter from the Board; (ii) the letter from the Independent Board Committee set out on pages 49 to 50 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve, among other things, the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate; and (iii) the letter from the Independent Financial Adviser set out on pages 51 to 88 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Completion of the Warrants Issuance and the Bond Issue are subject to the fulfillment of certain conditions. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position or as to actions they should take.

Yours faithfully,
By Order of the Board
Yang Yuanqing
Chairman and Chief Executive Officer



Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(HKD Counter Stock Code: 992 / RMB Counter Stock Code: 80992)

August 19, 2024

To the Independent Shareholders,

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO PROPOSED
ISSUANCE OF WARRANTS UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF GENERAL MEETING**

We refer to the circular of the Company dated August 19, 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the General Meeting to approve the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate. The appointment of Alliance Capital as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 51 to 88 of the Circular.

Your attention is also drawn to the “Letter from the Board” in the Circular and other information set out in the appendices thereto.

Having considered the terms of the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate and taking into account the independent advice from Alliance Capital, in particular the principal factors, reasons and recommendation as set out in its letter, we are of the opinion that the terms of the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate are fair and reasonable, are on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. William O. Grabe

Independent Non-executive Director

Mr. William Tudor Brown

Independent Non-executive Director

Mr. Gordon Robert Halyburton Orr

Independent Non-executive Director

Mr. John Lawson Thornton

Independent Non-executive Director

Mr. Kasper Bo Roersted

Independent Non-executive Director

Mr. Woo Chin Wan Raymond

Independent Non-executive Director

Ms. Yang Lan

Independent Non-executive Director

Ms. Cher Wang Hsiueh Hong

Independent Non-executive Director

Professor Xue Lan

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Alliance Capital Partners Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this circular.



Alliance Capital Partners Limited
同人融資有限公司

Unit 03, 7/F Worldwide House,
19 Des Voeux Road Central,
Hong Kong

August 19, 2024

To: *The Independent Board Committee and the Independent Shareholders of
Lenovo Group Limited*

CONNECTED TRANSACTION IN RELATION TO PROPOSED ISSUANCE OF WARRANTS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed issuance of warrants under specific mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular dated August 19, 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As mentioned in the announcement (“**Announcement**”) of the Company dated May 29, 2024 in relation to the proposed issuance of Warrants, on May 28, 2024, after trading hours, the Board has approved the Warrants Issuance to issue 1,150,000,000 Warrants at the issue price of HK\$1.43 per Warrant. The initial proceeds of the Warrants Issuance will be approximately US\$210 million, and assuming full exercise of the Warrants at the initial Exercise Price, additional capital of US\$1.8 billion would be realized. On July 15, 2024, the Company approved further details on the proposed issuance of 1,150,000,000 Warrants at the issue price of HK\$1.43 per Warrant as part of the Strategic Business Transactions.

The principal terms of the Warrants have been discussed on normal commercial terms between the Company and market participants, who have indicated that participation by the management members of the Company in the Warrants Issuance would demonstrate their endorsement and support of the transaction. As such, Mr. Yang, the Chairman of the Board, Chief Executive Officer and an executive Director of the Company, entered into the Warrants Subscription Agreement on July 15, 2024 as the Initial Warrants Subscriber. Notwithstanding that (i) the total number of Warrants to be subscribed by the Initial Warrants Subscriber and the Management Participants; and (ii) the participation in the subscription of the Warrants cannot be ascertained before the Latest Practicable Date as management members of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company will not be offered any participation until after the Independent Shareholders' approval at General Meeting, given that Mr. Yang is a key management of the Company, we consider that the subscription of the Warrants by the Initial Warrants Subscriber has already demonstrated his endorsement and support of the transaction.

Pursuant to the Warrants Subscription Agreement, the Initial Warrants Subscriber has agreed to subscribe for 220,000,000 Warrants, representing approximately 19.13% of the total number of Warrants to be issued. The remaining 930,000,000 Warrants are expected to be offered by way of a private placement to independent Professional Investors (which may include existing Shareholders who are institutional and corporate investors) in Hong Kong and certain Management Participants. In the event that there is insufficient participation by Management Participants, the Initial Warrants Subscriber agrees to subscribe for up to an additional 330,000,000 Warrants (representing the maximum amount that the Management Participants can subscribe for and approximately 28.70% of the total number of Warrants to be issued). The Initial Warrants Subscriber will procure suitable independent Professional Investors to fully subscribe for the 600,000,000 remaining Warrants (representing approximately 52.17% of the total number of Warrants to be issued) and the Initial Warrants Subscriber will thereby ensure all the Warrants are fully subscribed.

As the Warrants Issuance is subject to conditions, including Independent Shareholders' approval at the General Meeting, the Company intends to commence the private placement following Independent Shareholders' approval of the Warrants Issuance.

LISTING RULES IMPLICATIONS

The Initial Warrants Subscriber is the Chairman of the Board, Chief Executive Officer and an executive Director, of the Company and therefore, is a connected person of the Company under the Listing Rules and the terms of the Warrants contained certain rights for LHL to purchase the Warrants and the Warrant Shares. In addition, the Warrants may be placed to certain Management Participants through a common investment holding vehicle. As such, the Warrants Subscription and the Warrants Issuance constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, the connected transaction must be conditional on shareholders' approval at a general meeting held by the listed issuer. Any shareholder who has a material interest in the transaction must abstain from voting on the resolution. As the Initial Warrants Subscriber and other Warrants Subscribers are subscribers of the Warrants and they will provide certain undertakings in favour of LHL as disclosed in the section headed "4.2 Principal terms of the Warrants" below, the Initial Warrants Subscriber, LHL and their respective associates (as defined in the Listing Rules) shall abstain from voting on the resolutions for the Warrants at the General Meeting pursuant to the Listing Rules. As at the Latest Practicable Date, the Initial Warrants Subscriber and LHL (together with their respective close associates) respectively holds approximately 5.91% and 31.41% of the total issued shares of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As of the Latest Practicable Date, no Management Participants has entered into any agreement to subscribe for the Warrants. Given that certain Management Participants are connected persons of the Company at subsidiary level, such Management Participants (including their respective close associates (as defined in the Listing Rules)) shall abstain from voting on the resolutions for the Warrants Issuance at the General Meeting pursuant to the Listing Rules. If the Company has initiated discussions or agreed with a Management Participant that he/she will subscribe for the Warrants at or before the General Meeting, such Management Participant shall also abstain from voting on the resolutions for the Warrants Issuance at the General Meeting. As at the Latest Practicable Date, the Management Participants who are connected persons of the Company at subsidiary level (together with their respective close associates), in aggregate hold less than 1% of the total issued shares of the Company.

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants to subscribe for (i) any new Shares of the Company or (ii) any securities convertible into new Shares of the Company, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Therefore, the Warrant Shares to be issued upon exercise of the Warrants will be allotted and issued pursuant to the Warrants Specific Mandate to be sought from the Shareholders at the General Meeting.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercising of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other exercise rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the number of issued shares of the Company at the time the Warrants are issued.

As at the Latest Practicable Date, save for the Existing Convertible Bonds, the Company does not have any securities with subscription rights outstanding and not yet exercised. Assuming the full exercise of the Warrants at the initial Exercise Price, it will result in the issue of 1,150,000,000 Warrant Shares, which represent (i) approximately 9.27% of the total number of Shares in issue of the Company as of the Latest Practicable Date and (ii) approximately 8.48% of the total number of Shares in issue of the Company upon the full exercise of the Warrants (assuming there will be no change to the initial Exercise Price and the total number of Shares in issue from the Latest Practicable Date up to the exercise of the Warrants). Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1).

By virtue of the interests of the Initial Warrants Subscriber in the Warrants Subscription and the interest of LHL in the Warrants, (i) the Initial Warrants Subscriber, (ii) Mr. Zhu Linan (who is also a director of LHL), and (iii) Mr. Zhao John Huan (who is also a director of LHL) have abstained from voting on the relevant Board resolutions for approving the Warrants Subscription Agreement, the Warrants Issuance and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

As at the Latest Practicable Date, the Independent Board Committee, comprising all of the independent non-executive Directors of the Company (namely Mr. William O. Grabe, Mr. William Tudor Brown, Mr. Gordon Robert Halyburton Orr, Mr. John Lawson Thornton, Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted), Mr. Woo Chin Wan Raymond, Ms. Yang Lan, Ms. Cher Wang Hsiueh Hong and Professor Xue Lan) who have no direct or indirect interest in the connected transactions of the Company, has been established for the purpose of providing advice to the Independent Shareholders in respect of the Warrants Subscription, Warrants Issuance and the transactions contemplated thereunder. In this regard, we, Alliance Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

In the past two years, we were appointed in March 2023 and March 2024 as independent financial adviser to the independent non-executive directors of the Company in relation to the fairness and reasonableness of the terms of the renewal of continuing connected transactions with Fujitsu Limited together with the relevant annual caps as set out in the announcements of the Company dated March 31, 2023 and March 28, 2024 respectively. Apart from the normal advisory fee paid to us in connection with these transactions, we do not have any business dealings with the Company.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the independent non-executive directors of the Company, there is no relationship or interests with the Company and its subsidiaries, LHL or any of their respective associates, or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent under Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and senior management (collectively, the “**Management**”) of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management are true and accurate at the time they were made and will continue to be true and accurate as at the date of the despatch of the Circular.

The Management collectively and individually accepts full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement contained in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided to us so as to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group, LHL, or any of their respective associates. We understand that the Management shall ensure the information referred to in the Circular continues to be true, accurate and complete as at the date of the General Meeting. The Company will notify the Shareholders of any material changes as soon as practicable, if any.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources which are the latest information publicly available to the best of our knowledge, the sole responsibility of Alliance Capital is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion to the Independent Board Committee and the Independent Shareholders in relation to the Warrant Issuance, we have taken into consideration the following principal factors:

1. Background of the Group and the subscriber of the Warrants

1.1 Information of the Group

The Company is a limited liability company incorporated in Hong Kong. The Shares have been listed on the Stock Exchange since 1994 and have been included as a constituent stock on the Hang Seng Index since March 2022. The principal businesses of the Company are the research and development, manufacturing and sales of smart devices (personal computers, smartphones, tablets, commercial AR/VR, smart collaboration), smart infrastructure (servers, storage, edge, high performance computing, and software defined infrastructure) and smart software, solutions, and services (support services, managed services, project and vertical solutions). According to the Company's annual results announcement for the year ended March 31, 2024 (the "FY2023/24

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual Results Announcement”), its business is organised into three operating segments, namely (i) Intelligent Devices Group (“**IDG**”); (ii) Infrastructure Solutions Group (“**ISG**”); and (iii) Solutions and Services Group (“**SSG**”).

1.2 Information of the Initial Warrants Subscriber

The Initial Warrants Subscriber is the Chairman of the Board, Chief Executive Officer and an executive Director of the Company. He assumed the duties of Chief Executive Officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, he was the chief executive officer and has been an executive director of the Company since December 16, 1997.

The Initial Warrants Subscriber has over 30 years of experience in the field of ICT industry. Under his leadership, the Company has become not only a leading global PC company, but also built diversified growth engines including servers, storage, smartphones, as well as digital and intelligent solutions and services.

1.3 Financial information of the Group

Set out below is a table summarizing certain key financial information extracted from the FY2023/24 Annual Results Announcement:

Extract of Consolidated Statement of Profit or Loss

	Year ended March 31, 2024 (audited) US\$'000	Year ended March 31, 2023 (audited) US\$'000
Revenue	56,863,784	61,946,854
— IDG	44,599,450	49,371,447
— ISG	8,921,929	9,755,596
— SSG	7,472,310	6,663,397
— Elimination	(4,129,905)	(3,843,586)
Profit/(Loss) before interest and tax	2,128,259	2,793,691
Finance cost	762,805	657,704
Profit/(Loss) before tax	1,365,454	2,135,987
Profit/(Loss) for the year	1,102,312	1,680,831
Interest coverage ratio (<i>Note</i>)	2.79	4.25

Note: Interest coverage ratio is calculated by dividing profit before interest and tax by finance cost

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded revenue of approximately US\$56,864 million for the year ended March 31, 2024 (2023: approximately US\$61,947 million), representing a decrease of 8.2% from the previous year. The decrease in revenue was primarily attributable to the combined effect of the following segments:

IDG

IDG, which consists of the PC, tablet, smartphone, and other smart device businesses, experienced an annual decline of 9.7% in revenue, attributable to excessive channel inventory at the start of the fiscal year. The sector-wide challenges experienced in the early part of the year were short-lived but weighed heavily on the overall performance for the full year.

ISG

ISG's full-year revenue reached US\$9 billion, representing an 8.5% setback compared to its historic high achieved in the previous fiscal year. The underlying reason for the annual decline was the shift in global IT budgets, resulting in a strategic global movement towards embracing AI deployment. As a result, there were disparities in infrastructure investment, leading to a shortage in AI GPU supply, while spending weakened on non-AI equipment, including general compute servers where ISG has its fair share of exposure.

SSG

Fueled by enterprise customers' pursuit for new digital capabilities and higher productivity, SSG posted yearly revenue advancing by 12.1%, to a record US\$7.5 billion during the fiscal year.

Profit before tax and profit for the year for the year ended March 31, 2024 was approximately US\$1,365 million (2023: approximately US\$2,136 million) and US\$1,102 million (2023: approximately US\$1,681 million) respectively. The decrease in net profit and net profit margin were mainly due to (i) unprecedented shifts in demand and technology trends; and (ii) sector wide challenges, including a demand shift towards AI resulting in a short-term supply-side disruption.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of Consolidated Balance Sheet

	As at March 31, 2024 (audited) US\$'000	As at March 31, 2023 (audited) US\$'000
Non-current assets	16,063,771	15,979,204
Current assets		
— Cash and cash equivalent	3,559,831	4,250,085
— Trade and notes receivables	8,147,695	7,940,378
— Other current assets	<u>10,979,657</u>	<u>10,750,390</u>
	22,687,183	22,940,853
Current liabilities		
— Trade and notes payables	10,505,427	9,772,934
— Other payables and accruals	12,751,775	12,932,781
— Borrowings	50,431	271,616
— Other current liabilities	<u>2,751,530</u>	<u>3,116,026</u>
	26,059,163	26,093,357
Non-current liabilities		
— Borrowings	3,569,229	3,683,178
— Other non-current liabilities	<u>3,041,375</u>	<u>3,096,501</u>
	6,610,604	6,779,679
Net current liabilities	3,371,980	3,152,504
Net assets	6,081,187	6,047,021
Current ratio (<i>Note 1</i>)	0.87	0.88
Gearing ratio (<i>Note 2</i>)	0.60	0.65

Notes:

1 Current ratio is calculated by dividing the total current assets by total current liabilities

2 Gearing ratio is calculated by dividing total borrowing by net assets

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at March 31, 2024 and March 31, 2023, the Group was in net current liability positions despite a slight improvement as reflected by a slight decreasing trend in the Group's current and gearing ratio. The high net current liability of the Group was partially contributed by (i) high trade and notes payables, which is in excess of the trade and notes receivables in the same period; and (ii) high amounts of other payables and accruals, majority of which are obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors. Such high current liability of the Group has resulted in a current ratio of less than one for the Group as at March 31, 2024 and March 31, 2023. It is noted that the Group normally operates with a net current liability position due to in part to the relatively longer credit terms provided by its subcontractors and suppliers compared to the credit terms it offers to its customers. Thus, the proceeds from the Warrants Issuance will have positive effect on the working capital position of the Group.

The Group's level of borrowing, primarily consisting of interest-bearing notes and convertible bonds due between April 2025 and July 2032, remained high as of March 31, 2024 and March 31, 2023. This resulted in a gearing ratio of 0.60 and 0.65, respectively, indicating the negative impact of finance costs on the Group's future earnings. The interest coverage ratios of 2.79 for the year ended March 31, 2024, and 4.25 for the year ended March 31, 2023, also highlight the adverse effect of finance costs on the Group's earnings. Therefore, the proceeds from the Warrants Issuance and the potential exercise of the Warrants will provide the Company with funding for future business development and working capital while also strengthening its equity capital base.

2. Reason for and benefits of the Warrants Issuance and consideration of financing alternatives

2.1 Reason for and benefits of the Warrants Issuance

On May 28, 2024, the Company announced that the Company entered into the Strategic Collaboration Framework Agreement with Alat, a wholly owned subsidiary of the Public Investment Fund, the sovereign wealth fund of the Kingdom of Saudi Arabia. As mentioned in the Letter from the Board, the Strategic Business Transactions, as a whole, present a compelling business and financial opportunity whereby the Company can leverage the significant amount of funds raised to facilitate refinancing activities and generate stable interest savings annually, while also greatly enhancing the Company's financial and operational flexibility and speed to market. The Strategic Business Transactions take advantage of financing instruments issued at attractive and historically high share price levels, allowing the Company to expand its manufacturing facilities into important and fast growing markets so as to capture a meaningful opportunity in the MEA Region as well as to potentially serve other international markets such as Europe over the longer term. In addition, the Strategic Business

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Transactions are expected to help the Company to strengthen its market leadership in China, to expand its investments in AI and R&D at a pivotal moment in the industry, and selectively pursue partnership and investment opportunities in various strategic initiatives which support the Company's long-term growth and transformation.

Introduction of a long-term strategic partner internationalizes shareholder base and strategic options

The Strategic Collaboration introduces Alat as a long-term strategic partner to accelerate the Company's growth in the MEA Region and the rest of the world outside the historical core markets. The Company will be able to leverage the strategic strength of Kingdom of Saudi Arabia to expand its business footprint into the MEA Region.

Alat, a wholly owned subsidiary of the Public Investment Fund, is a long-term strategic investor with US\$100 billion of capital focused on transforming global industries (electronics and industrials) and creating a world-class manufacturing hub in the Kingdom of Saudi Arabia powered by clean energy to build a better tomorrow. Alat will deliver sustainable manufacturing to help global companies reduce their emissions and move towards zero-carbon by leveraging the sovereign wealth resources of the Kingdom of Saudi Arabia. The Strategic Collaboration will help enhance the Company's access to the potential business opportunities in the Kingdom of Saudi Arabia and globally through Alat and the Public Investment Fund's investments and affiliations.

Geographical diversification into the MEA Region while strengthening the Group's position in China provides growth opportunities and momentum

The Strategic Business Transactions will enable the Company to achieve business expansion in the MEA Region, while also strengthening its market leadership in China, with the benefits of diversification of manufacturing facilities, enhanced access to local markets and more resilient and agile supply chain to better serve regional and global customer base.

According to International Monetary Fund, Saudi Arabia is a top 20 economy globally by GDP. It is also one of the fastest-growing economies globally with 4.5% GDP growth expected in 2025. Saudi Arabia is undergoing an economic transformation where technology is a significant focus. Fueled by a strong economy and an increasing number of major infrastructure projects, the MEA Region continues to see strong growth momentum. The spending on ICT in the Kingdom of Saudi Arabia in 2023 reached US\$35 billion and is projected to grow 10% annually by 2026, according to the Public Investment Fund's estimates.

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The Strategic Collaboration is a long-term win-win partnership for the Company and Alat. The Company will enter into the Strategic Collaboration Business Agreements with Alat, pursuant to which (i) Alat will undertake to help the Company expand local distribution capabilities in smart devices, servers, storage and smart services solutions; and (ii) the Company and Alat will produce smart devices in the Kingdom of Saudi Arabia complying with local regulations at the highest level for the local market.

Over the longer term, under the strategic investment of Alat, the Company will build a sustainable manufacturing facility in Saudi Arabia leveraging the significant cost efficiencies and environmental advantages of green energy produced within the country. Based on information currently available, the cost of the business expansion in the MEA Region is estimated at US\$250 million over the next three to five years. The Company will set up its regional headquarters in Riyadh. The Company targets a long-term goal of 10% of the revenue of the Group from the MEA Region within the next 5 years from less than 2.7% of the revenue of the Group for the last financial year. The collaboration with Alat not only enhances the Company's competitive advantage but also signifies a shared commitment to driving innovation, market expansion, and sustainable business development in the evolving tech landscape.

The Company is also committed to ensuring strong support for its business growth initiatives in the PRC, which is the largest revenue generating country in the last financial year. As the single largest, and oldest, shareholder of the Company, LHL is foundational to our continued success in the large and dynamic PRC market, and their support of the Company's fundraising and strategic transformation is an important stability factor for the business of the Company in the PRC. The Company is committed to capturing future growth opportunities in China, enhancing its market leadership and better serving its customers there.

With a new manufacturing site in the Kingdom of Saudi Arabia and more geographic diversification of supply chain, the Company can expand its regional footprint, serving a wider customer base spanning across Europe, Middle East and Africa. Additionally with the continued support from the largest shareholder and the consistent commitment to better serve the Chinese market, the Company is well-positioned for robust growth momentum globally.

Financing instrument at favorable terms to support multiple strategic initiatives

The Warrants have an expiry date of 3 years from the date of issuance (subject to extension pursuant to the terms of the Warrants) with an issue price of HK\$1.43 per Warrant. The fund raised through the Warrants Issuance and any additional funds from the exercise of the Warrants are interest free. The Company expects to raise approximately US\$210 million from the Warrants Issuance, which will be used to cover the US\$250 million capital expenditure and expenses related

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to the set-up of manufacturing facilities in the MEA Region. Therefore, the issuance of Warrants supports the strategic initiatives to expand its manufacturing facilities into important and fast growing markets so as to capture a meaningful opportunity in the MEA Region.

The Warrants, if exercised, will provide capital to the Company with an effective issuance price (“**Effective Issuance Price**”) at near 20-year share price high at HK\$13.74, which is the combination of the issue price of HK\$1.43 and the initial Exercise Price of HK\$12.31. Assuming the Warrants are exercised in full based on the initial Exercise Price and cash settlement is not elected by the Company, the exercise of the Warrants would provide the Company with additional capital of up to approximately US\$1.8 billion.

We note that on July 27, 2022, the Company issued a note with a term of 5.5 years and interest rate of 5.831% per annum, and another note with a term of 10 years and interest rate of 6.536%. Assuming that the Group borrows HK\$1,645 million (approximately US\$210 million), which is the amount of gross proceeds from the issue price of the Warrants, at an interest rate of 5.831%, an estimated additional interest expenses of approximately HK\$96 million (approximately US\$12 million) may be incurred annually. As the Warrants are interest-free, an interest saving of approximately HK\$96 million (approximately US\$12 million) may be incurred annually.

Financial flexibility enables strategic transformation and early market penetration

The Strategic Business Transactions will raise approximately US\$2.2 billion in total upon issue of the Convertible Bonds and the Warrants, and an additional US\$1.8 billion if Warrants are fully exercised, which grants the Company financial flexibility and unleashes the potential to capture global opportunities, supporting the Company’s long-term growth and transformation.

While large, arranging for these total combined proceeds now enables the Company to fully embrace geographic expansion opportunities as well as the AI computing revolution expected in coming years. According to International Data Corporation, AI-capable PCs will grow from niche to majority, and become more than half (52%) of the total PC market by 2027. Being ready for this adoption curve requires securing financing now, and this should also result in earlier creation of greater shareholder value.

The Company has maintained an unwavering commitment to innovation by allocating a record-high percentage of its yearly revenue to R&D, as the Group’s R&D expense to revenue ratio has increased for the third year running in the most recent financial year. The Company plans to continuously invest in R&D, which will play a pivotal role in realizing the Group’s medium-term goal of improving profitability, driving innovation and enhancing its operational efficiency. By

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allocating resources towards innovation and product development and leveraging the proceeds from the Warrants Issuance to fund strategic investments in AI technologies and further diversify its product portfolio under ISG and SSG, the Company can fully capture the massive opportunities beyond its historically strong business segment.

Strong support from management team with personal financial commitment demonstrates the confidence in the long-term prospect of the Company

The Company has entered into the Warrants Subscription Agreement with the Initial Warrants Subscriber, who has agreed to subscribe for 220,000,000 Warrants, representing approximately 19.13% of the total number of Warrants to be issued. The Chairman's subscription of the Warrants represents a vote of confidence in the Company's ongoing transformation, global market leadership, and growth momentum.

The Company demonstrates its unwavering dedication to driving sustainable growth and value creation. The Company believes the Strategic Business Transactions will align the interests between the Shareholders and the management, reinforce the confidence of investors, underscore the key management team's commitment to advancing the Company's strategic objectives, and pave the way for continued success in the competitive market.

The Company's view that the Strategic Business Transactions as a whole present the best structure available to the Company

The Company has thoroughly researched financing options and potential parties to the Strategic Business Transactions and thoughtfully determined that the proposals in their entirety, including discussion with market participants on the terms of the Warrants, comprise the best alternative for the Company.

As the Warrant Issuance forms part of the Strategic Business Transactions, and as mentioned in the Letter from the Board, before deciding on the Strategic Business Transactions, the Company's management in conjunction with the Board conducted a comprehensive evaluation of possible financing alternatives. For details of the consideration of financing alternatives of the Company, please refer to the section headed "Consideration of Financing Alternatives" in the Letter from the Board, and the section headed "2.2 Consideration of financing alternatives" below.

2.2 Consideration of financing alternatives

As mentioned in the Letter from the Board, before deciding on the Strategic Business Transactions, the Company's management in conjunction with the Board conducted a comprehensive evaluation of possible financing alternatives including but

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not limited to issuance of public bonds, public convertible bonds, straight equity securities and other equity-linked solutions including options and derivatives. The Company evaluated various alternatives with input from global investment banks as well as regional investment banks and financial advisors taking into various perspectives and market intelligence.

We note that the Warrants are interest-free. With USD interest rates remaining at multi-year highs, the bond alternative was less attractive compared to the interest-free Warrants.

Furthermore, the Warrants Issuance would provide approximately US\$210 million of immediate additional funding with the strike price set at an approximately 30% premium over the same 30-day VWAP reference price as the Bond Issue. The overall available low-cost financing can reduce interest expenses and position the Company better in raising funds at a lower cost. The Warrants Issuance does not add to leverage on the Company's balance sheet immediately. Unlike an equity placement which results in immediate dilution and typically requires the issuance of Shares at a discount, the Warrants allow for deferred dilution and a potential issuance of Shares at a premium.

Despite the Company's intention to provide pre-emptive rights to all existing Shareholders to participate in the Warrants Issuance, after a thorough evaluation of the practical limitations and constraints, the Company is only able to extend the private placement to independent Professional Investors (which may include existing Shareholders who are institutional and corporate investors) in Hong Kong, taking into account: (i) the bespoke nature of the terms of the Warrants and the undertakings to be provided by the Warrants Subscribers; and (ii) practical difficulties and administrative burden of the Shareholders as well as the Company in dealing with the transfer and exercise of the Warrants. Please refer to the section headed "The principal terms of the Warrants" in the Letter from the Board for further details of the Warrants and the undertakings to be provided by the Warrants Subscribers.

As mentioned in section headed "2.1 Reason for and benefits of the Warrants Issuance" above, we note that on July 27, 2022, the Company issued a note with a term of 5.5 years and interest rate of 5.831% per annum, and another note with a term of 10 years and interest rate of 6.536%. Assuming that the Group borrows HK\$1,645 million (approximately US\$210 million), which is the amount of gross proceeds from the issue price of the Warrants, at an interest rate of 5.831%, an estimated additional interest expenses of approximately HK\$96 million (approximately US\$12 million) may be incurred annually.

Notwithstanding that bank borrowings or issue of bonds or notes will not result in any dilution effect to the shareholding of the Company for the existing Shareholders, increased borrowings and issue of bond or notes may result in significant interest expenses, which would have adverse impact to the profitability and gearing ratio of the Group.

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Having considered the above, we are of the view that the Warrant Issuance represents good opportunities to raise additional funds for the Group while broadening the capital base of the Company. In addition, under the high interest rate environment, the Warrants are not interest bearing and the Warrants Issuance will not lead to any immediate dilution effect on the shareholding of the existing Shareholders.

It is noted that upon full exercise of the Warrants (assuming there will be no cash settlement, no change to the initial Exercise Price and the total number of Shares in issue from the Latest Practicable Date up to the exercise of Warrants), the shareholding interest of the Independent Shareholders will be diluted by approximately 8.48% as a result of the Warrants Issuance. However, as (i) the Warrants are interest-free that it will not significantly increase the interest expenses and gearing ratio of the Group which may occur if funds were raised through additional borrowing; and (ii) the Effective Issuance Price of HK\$13.74 represents a near 20-year share price high, and unlike equity fundraising methods, the issuance of new shares typically requires significant discount, we consider that the potential dilution effect is acceptable.

Having considered the comprehensive evaluation of possible financing alternatives by the Company as mentioned in the Letter from the Board and our analysis above, we are of the view that Warrants Issuance is a suitable financial method for the Company.

As mentioned in FY2023/24 Annual Results Announcement, the Group is embracing new growth opportunities, particularly arising from the advent of AI. The Group is also accelerating its service-led transformation and tech-powered innovation strategy to transcend the business cycle.

In this connection, we believe that raising funds through the Warrants Issuance, along with potential additional funds from the exercise of the Warrants, could assist the Group in MEA business expansion investment, investment in AI and R&D, which will play a pivotal role in realizing the Group's medium-term goal of improving profitability, driving innovation and enhancing its operational efficiency, and strengthen its working capital, which enables the Group to accelerate its transformation and share-gain strategy, to expand the business and to strengthen its foothold in the markets in which it operates. This is especially crucial given the growth opportunities and challenges in the industries. Furthermore, the personal financial commitment of the Initial Warrant Subscriber in subscribing to the Warrants demonstrates his confidence in and support for the business and long-term prospects of the Company.

Furthermore, as mentioned in the Letter from the Board, the Strategic Business Transactions are expected to help the Company to strengthen its market leadership in China, to expand its investments in AI and R&D at a pivotal moment in the industry, and selectively pursue partnership & investment opportunities in various strategic initiatives which support the Company's long-term growth and transformation. We note that while the Strategic Business Transactions allow the Company to capture a meaningful opportunity in the MEA Region to expand its regional footprint, it is equally important for the Company to ensure strong support for its business growth initiatives in

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the large and dynamic PRC market, which is the largest market of the Company in terms of revenue. LHL's support of the Company's fundraising and strategic transformation is an important stability factor for the business of the Company in the PRC. China market contributed approximately 22.1% of the Group's revenue for the last financial year. The Strategic Business Transactions will assist the Company to reinforce the Company's partnership with LHL, recognizing the critical role of LHL as the single largest, and oldest, shareholder of the Company and re-balancing the locus of shareholdings back to China, the largest country in terms of revenue, following the Bond Issue to Investor in the MEA Region. Having considered the strategic rationale of the Strategic Business Transactions, as well as reasons and benefits discussed above, we are of the opinion that the Warrants Issuance, as part of the Strategic Business Transactions, is in the interest of the Company and its shareholders as a whole.

3. Use of proceeds

As mentioned in the Letter from the Board, the gross and net aggregate proceeds after deducting all relevant costs and expenses of the Warrants Issuance will be approximately HK\$1,645 million (equivalent to approximately US\$210 million) and approximately HK\$1,601 million (equivalent to approximately US\$205 million), respectively, representing a net issue price of approximately HK\$1.39 per Warrant. Upon completion of the Warrants Issuance, the proceeds from the Warrants Issuance would be immediately used for business expansion in the MEA Region, including establishing sustainable manufacturing facility, regional headquarters and sales and distribution in the MEA Region pursuant to the Strategic Business Collaboration Agreements. Given the premium strike price of the Warrants above 9-year share price high and under the terms of the Warrants Subscription Agreement, there is an annual exercise limit imposed on the Warrants Subscribers, as such proceeds from the exercise of the Warrants are not currently factored into the financial planning. Assuming the full exercise of the Warrants at the initial Exercise Price, it would provide the Company with up to an additional capital of approximately US\$1.8 billion to further strengthen its equity base. The Company aims to use 40% of the proceeds for further expansion of the Company's operation (including future potential acquisition opportunities), 50% of the proceeds for investment in R&D and AI and 10% of the proceeds for general working capital purposes to meet daily operational business needs, such as supply chain investments. The additional proceeds will strengthen the Company's balance sheet and will also enable the Company to pursue potential acquisition opportunities to boost inorganic growth and expand the product offerings under the Company's ISG and SSG.

In addition, the US\$1.8 billion raised upon full exercise of Warrants will unleash the potential for the Company to capture global opportunities, and grant it with financial flexibility to create a competitive hybrid AI portfolio and R&D investments. The Company is committing a further US\$1 billion in investment for R&D and AI that will focus on providing AI devices, AI-ready and AI-optimized computing infrastructure, and embedded AI generated content into the intelligent solutions of vertical industries to help customers improve their productivity.

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4. Proposed issuance of Warrants under Specific Mandate

On July 15, 2024, the Company approved further details on the proposed issuance of 1,150,000,000 Warrants at an issue price of HK\$1.43 per Warrant on the terms and conditions of the Warrants Subscription Agreement and the instrument of the Warrants.

4.1 *Principal terms of the Warrants Subscription Agreement*

Date: July 15, 2024

Parties: (i) the Company, as the issuer; and
(ii) the Initial Warrants Subscriber, as a subscriber

The Warrants Subscription and the Warrants Issuance constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Number of Warrants issuable to the Initial Warrants Subscriber: 220,000,000 Warrants to be subscribed by the Initial Warrants Subscriber and if there is insufficient participation by the Management Participants in the Warrants Issuance, the Initial Warrants Subscriber agrees to subscribe for up to an additional 330,000,000 Warrants.

Issue price of the Warrants: HK\$1.43 per Warrant

The issue price of the Warrants was determined by the Company after assessing, among others, (i) the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance) and (ii) business prospect of the Company.

The combined effective price of the capital raise per share is HK\$13.74, which is the combination of the issue price of HK\$1.43 and the initial Exercise Price of HK\$12.31.

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The issue price of the Warrants was determined using a Black-Scholes call option pricing model from Bloomberg, referencing the specific structural terms of the Warrants and the following key assumptions:

- (i) risk free rate of 4.20%, which was the three-year Hong Kong dollar swap rate on May 28, 2024, reflecting the tenor of the Warrants;
- (ii) stock price of HK\$9.47, which was the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (iii) the initial Exercise Price of HK\$12.31 per Share, which was a 30% premium over the HK\$9.47 reference stock price as described above; and
- (iv) volatility of approximately 30%, which was determined upon considering a number of factors, including the implied volatility of the Existing Convertible Bonds, the large size of the Warrant Issuance, and the transfer restrictions and other undertakings by the Warrants Subscribers.

4.2 Principal Terms of the Warrants

The principal terms of the Warrants under the form of the Warrant instrument (as amended) are summarized as follows:

Issuer:	The Company
Number of Warrants issuable:	1,150,000,000 Warrants
Exercise period:	From the date of issuance of the Warrants until the Warrants Last Exercise Date (both dates inclusive)
Warrants Last Exercise Date:	The date falling on the third anniversary of the date of Warrants Issuance, if the CB Maturity is extended, the Warrants Last Exercise Date will be automatically extended by a fixed period of three months to align with the CB Maturity Date. There are no other conditions to the extension of the Warrants Last Exercise Date.

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We note that the CB Maturity Date will only be extended if not all regulatory approvals for the conversion of the Convertible Bonds are obtained by 30 calendar days prior to the CB Maturity Date.

For details relating to extension of the CB Maturity Date, please refer to the section headed “The Convertible Bonds — CB Maturity Date” in the Letter from the Board.

As mentioned in the Letter from the Board, the Strategic Business Transactions are considered to be equally integral elements of a unified strategic initiative to advance the Company’s commercial growth and delivery of long-term shareholder value, and as a whole, present a significant opportunity for the Company to grow in the PRC and the MEA Region in the long run. Furthermore, the Warrants Last Exercise Date will only be extended when not all regulatory approvals for the conversion of the Convertible Bonds are obtained. Therefore, the extension will allow additional time for obtaining all regulatory approvals, but will not be extended based on other conditions. As the Warrants Issuance is part of Strategic Business Transactions to support the strategic initiatives (as detailed in the section headed “2. Reason for and benefits of the Warrants Issuance and consideration of financing alternatives” above, we consider that it is reasonable that the Warrants Last Exercise Date aligns with the CB Maturity Date.

Exercise rights: Each Warrant is exercisable at the Exercise Price, which initially is HK\$12.31 per Share (subject to adjustment).

Number of Shares underlying the Warrants: Upon the full exercise of the Warrants at the initial Exercise Price, 1,150,000,000 Warrant Shares will be issued and allotted.

The exercise ratio is the number of Warrant Shares to be issued per Warrant, being 1:1. The number of Warrant Shares to be issued on the relevant exercise date will be determined by multiplying the number of Warrants by (i) initial Exercise Price divided by (ii) adjusted Exercise Price as at the relevant exercise date.

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As a result, the number of Warrant Shares to be issued and allotted will be adjusted due to the adjustment to the Exercise Price. Please refer to the section headed “The Warrants — Adjustment of Exercise Price” in the Letter from the Board for details of the adjustment events.

Notwithstanding that the maximum number of Warrant Shares to be issued may be adjusted due to the adjustment to the Exercise Price, we note that the adjustment terms of the Exercise Price are customary terms for issuance of warrants (as mentioned in the section headed “4.2 Principal Terms of the Warrants — Adjustment of Exercise Price” below). Therefore, we are of the view that such adjustment is fair and reasonable.

Exercise price: The initial Exercise Price shall be HK\$12.31 per Share, which represents:

- (i) a premium of approximately 2.2% over the closing price of HK\$12.04 per Share as quoted on the Stock Exchange on May 27, 2024, being the trading day immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (ii) a premium of approximately 14.8% over the average closing price of HK\$10.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (iii) a premium of approximately 30.0% over the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);

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- (iv) a premium of approximately 9.7% over the closing price of HK\$11.22 per Share on July 12, 2024, being the trading day immediately prior to July 15, 2024 (being the date of the Warrants Subscription Agreement);
- (v) a premium of approximately 27.2% over the closing price of HK\$9.68 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 221.5% over the net asset value of HK\$3.83 per Share as at March 31, 2024, being the date of which the Company's latest published audited accounts were made up prior to the date of the Announcement.

The initial Exercise Price of HK\$12.31 per Share was determined by the Company with reference to (i) the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance); and (ii) business prospect of the Company.

Adjustment of
Exercise Price:

The Exercise Price is subject to standard warrant exercise price adjustments events including but not limited to (i) consolidation, subdivision or reclassification of the Shares; (ii) capitalization of profits or reserves; (iii) distributions; (iv) rights issues of Shares or options over Shares; (v) rights issues of other securities; (vi) issues at less than current market price; (vii) other issues at less than current market price; (viii) modification of rights of conversion etc.; (ix) other offers to Shareholders; and (x) other events determined by the Company. For detailed price adjustment mechanism of the Exercise Price, please refer to Appendix I of the Circular.

No adjustment will be made to the Exercise Price in the case of an issue of Shares on the exercise of any rights of conversion into, or exchange or subscription of Shares of the Convertible Bonds and the Existing Convertible Bonds.

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Subsequent to the Company's announcement of July 15, 2024, the term concerning trigger of adjustment events has been amended as follows to reflect the equity nature of the Warrants:

The initial Exercise Price shall be adjusted upon any such adjustment events occurring after the date an independent Professional Investor enters into a Warrant subscription letter as if the Warrants had been in issue when such adjustment events occur.

We have reviewed 23 similar transactions in relation to the issuance of warrants under specific mandate by listed companies published on the website of the Stock Exchange for the past five years (please refer to section headed "4.5.1 Comparison with other issuance of warrant exercises" below for details). We noted that the adjustment terms are customary terms for issuance of warrants. Therefore, we are of the view that such adjustments terms are fair and reasonable.

Transfer and Exercise
Limit:

The Company will not register any transfer of Warrants or issue any Warrant Shares in satisfaction of the exercise rights in respect of the relevant Warrants if by doing so it will result in the aggregate number of Warrants transferred and/or exercised being in excess of the transfer and exercise limit. The transfer and exercise limit refers to 306,666,666 Warrants (which will not be adjusted throughout the term of the Warrants) during each 12-month period from the date of Warrants Issuance, which applies to unexercised Warrants held by the Warrants Subscriber (except for those subject to the Final ROFR Notice (as defined below) or Final Call Notice (as defined below)). The transfer and exercise limit will not be adjusted as a result of any of the adjustment events to the initial Exercise Price.

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Undertakings by
the Warrants
Subscribers:

Subject to the transfer and exercise limit of the relevant Warrants, if any of the Warrants Subscribers wishes to exercise the exercise rights in relation to any or all of their respective Warrants or sell or otherwise dispose of any or all of its Warrants (the “**ROFR Warrants**”), such Warrants Subscribers shall first offer their respective ROFR Warrants to LHL by written notice (the “**ROFR Notice**”). Upon receipt of a ROFR Notice, LHL may within five business days purchase part or all of the ROFR Warrants.

If LHL does not purchase the ROFR Warrants, such Warrants Subscribers may (i) sell or otherwise dispose such ROFR Warrants on the same terms as set forth in the ROFR Notice (other than the transfer price) and such ROFR Warrants so transferred will not be subject to the undertakings given by the Warrants Subscribers, or (ii) exercise the exercise rights in relation to the ROFR Warrants and in respect of the Warrant Shares which are retained by the Warrants Subscribers after the exercise (the “**Retained Shares**”), the holder of the Warrant Shares shall notify LHL five business days prior to disposal of the Warrant Shares and shall act in concert with LHL on matters relating to the Company which require shareholders’ approval until such holder ceases to hold any interest in such Warrant Shares, subject to the provisions and exceptions detailed in the terms and conditions of the Warrants.

Subsequent to the Company’s announcement of July 15, 2024, certain terms concerning the Final ROFR Notice have been amended as follows for logistics reasons:

Without being subject to the transfer and exercise limit, on the seventh business day immediately prior to the Warrants Last Exercise Date, each Warrants Subscriber may serve a ROFR Notice to LHL with respect to its remaining Warrants (the “**Final ROFR Warrants**”) to LHL (the “**Final ROFR Notice**”). If LHL does not exercise the right to acquire the Final ROFR Warrants, such Warrants Subscribers may (i) sell or otherwise dispose such Final ROFR Warrants and such Final ROFR Warrants so transferred will not be subject to the undertakings given by the Warrants Subscribers, or (ii) exercise the exercise rights in relation to the Final ROFR Warrants and in respect of the Retained Shares, the holder of such Warrant Shares shall notify LHL five business days prior to disposal of such Warrant Shares and shall act in concert with LHL on matters relating to the Company which require shareholders’ approval until such holder ceases to hold any interest in such Warrant Shares, subject to the provisions and exceptions detailed in the terms and conditions of the Warrants.

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If and only to the extent that any Warrants Subscriber is unable to serve a Final ROFR Notice on the seventh business day immediately prior to the Warrants Last Exercise Date due to any restrictions imposed upon such Warrants Subscriber by applicable regulations, such Warrants Subscriber shall first serve the Final ROFR Notice to LHL on a date which is earlier than the seventh business day immediately prior to the Warrants Last Exercise Date but not earlier than three months before the Warrants Last Exercise Date.

If any Warrants Subscriber fails to serve a Final ROFR Notice to LHL on the seventh business day immediately prior to the Warrants Last Exercise Date, LHL may purchase the Final ROFR Warrants by serving a written final call notice (the “**Final Call Notice**”) on such Warrants Subscriber without being subject to the transfer and exercise limit.

After expiry of the Final ROFR Notice and at any time from 4:00 p.m. (Hong Kong time) on the business day immediately prior to the Warrants Last Exercise Date and before 4:00 p.m. (Hong Kong time) on the Warrants Last Exercise Date, LHL has the right to purchase, and each Warrants Subscriber shall sell to LHL or any person designated by LHL, any outstanding Warrants at the price of HK\$0.01 per Warrant.

The Strategic Business Transactions take advantage of financing instruments issued at attractive and historically high share price levels, allowing the Company to expand its manufacturing facilities into important and fast growing markets so as to capture a meaningful opportunity in the MEA Region as well as to potentially serve other international markets such as Europe over the longer term. In addition, the Strategic Business Transactions are expected to help the Company to strengthen its market leadership in China, to expand its investments in AI and R&D at a pivotal moment in the industry, and selectively pursue partnership and investment opportunities in various strategic initiatives which support the Company’s long-term growth and transformation. Additionally with the continued support from largest shareholder and the consistent commitment to better serve the Chinese market, the Company is well-positioned for growth opportunities around the globe.

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Furthermore, as mentioned in the section headed “2. Reason for and benefits of the Warrants Issuance and consideration of financing alternatives” above, the Strategic Business Transactions are expected to help the Company to strengthen its market leadership in China, to expand its investments in AI and R&D at a pivotal moment in the industry, and selectively pursue partnership & investment opportunities in various strategic initiatives which support the Company’s long-term growth and transformation. We note that while the Strategic Business Transactions allow the Company to capture a meaningful opportunity in the MEA Region to expand its regional footprint, it is equally important for the Company to ensure strong support for its business growth initiatives in the large and dynamic PRC market, which is the largest market of the Company in terms of revenue. LHL’s support of the Company’s fundraising and strategic transformation is an important stability factor for the business of the Company in the PRC. The Strategic Business Transactions will assist the Company to reinforce the Company’s partnership with LHL, recognizing the critical role of LHL as the single largest, shareholder of the Company and re-balancing the locus of shareholdings back to China, the largest country in terms of revenue, following the Bond Issue to Investor in the MEA Region. Having considered the strategic rationale of the Strategic Business Transactions, as well as reasons and benefits discussed above, we are of the opinion that the Warrant Issuance, as part of the Strategic Business Transactions are beneficial to the Company and its shareholders as a whole.

In addition, we note that the above undertaking will be given by all Warrants Subscribers, regardless of whether the Warrants Subscribers are connected person of the Company or not. The willingness of the Warrants Subscribers to provide such undertaking also demonstrates their recognition of the critical role of LHL as the single largest, and oldest, shareholder. Having considered the above, we consider that such undertaking is fair and reasonable.

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Termination of undertakings and restriction:

The undertakings by the Warrants Subscribers and transfer and exercise limit as described above will automatically cease to have effect under the following circumstances: (i) when LHL ceases to treat the Company as a subsidiary in accordance with the applicable accounting standards, (ii) with respect to any relevant Warrants Subscriber, when such Warrants Subscriber no longer holds any of the Warrants and Retained Shares, (iii) when a Fundamental Change Event has occurred, or (iv) LHL has given written notice to the Company to unilaterally request for the termination of all such undertakings and restriction.

Undertaking of the Company:

For as long as the aforementioned undertakings by the Warrants Subscribers and/or the transfer and exercise limit apply, the Company shall not conduct any new issue of warrants with more favourable terms than the Warrants.

Notwithstanding that the above undertaking of the Company may limit the Company's flexibility in fundraising through issue of warrants on more favourable terms, such term may enhance the attractiveness for investors to participate in the Warrants Issuance, given the significant size of the fund raised under the Warrants Issuance. On the other hand, we believe that the Company may be able to consider other fundraising methods, such as options and convertible bonds, if further capital needs arise and equity-link financial instruments are preferred after holistic assessment. Having considered the above, we are of the view that the undertaking of the Company is acceptable.

Transferability:

Subsequent to the Company's announcement of July 15, 2024, the integral multiple of Warrants that can be transferred has been amended for clarification purpose:

Subject to the undertakings provided by the Warrants Subscribers, the minimum number of Warrants to be transferred is 2,000 Warrants and any transfer in excess of 2,000 Warrants would be in integral multiples of 1 Warrant in excess thereof.

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Form of instrument: The Warrants will be issued in paper form. The Warrants will not be arranged for deposit, clearance or settlement at any clearing platform.

Cash settlement: Notwithstanding the exercise rights of each Warrants Subscriber in respect of each Warrant, at any time when the delivery of Warrant Shares deliverable is required to satisfy the exercise rights, the Company shall have the option to pay to the relevant Warrants Subscriber an amount of cash in Hong Kong dollars equal to the cash settlement amount in order to satisfy such exercise rights in full or in part (in which case the other part shall be satisfied by delivery of Warrant Shares). In order to exercise the cash settlement option, the Company shall provide notice of the exercise of the cash settlement option to the relevant Warrants Subscriber as soon as practicable but no later than three (3) business days immediately following the due exercise of the Warrants by surrendering the Warrants certificate(s) together with payment of the Exercise Price. The cash settlement notice must specify the number of Warrant Shares in respect of which the Company will make a cash payment. The Company shall pay the cash settlement amount no later than 23rd business days following the date of the cash settlement notice. The cash settlement amount shall be the product of (i) the number of Warrant Shares otherwise deliverable upon exercise of the exercise rights in respect of which the Company has exercised the cash settlement option, and (ii) the arithmetic average of the volume weighted average price of the Shares for each day during 20 consecutive trading days immediately after the date of the cash settlement notice, provided that if at any time during the said 20 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 the quotations on the relevant trading day shall be adjusted in accordance with the terms and conditions of the Warrants.

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Subsequent to the Company's announcement of July 15, 2024, the term concerning cash settlement has been amended as follows for clarification purpose:

If and only to the extent that the Company is at any time unable to issue Shares in satisfaction of the exercise rights of any Warrants Subscriber due to any restrictions imposed upon the Company by applicable regulations, the Company undertakes to exercise the cash settlement option to the extent required to satisfy the exercise rights of such Warrants Subscriber.

We note that the cash settlement is only an option for the Company and is a customary mechanism in derivative warrants. Furthermore, there are other financial instruments with option features such as convertible bonds may also have cash settlement option. We have reviewed four convertible bonds announced by listed companies in Hong Kong and noted that they have cash settlement option.^(note)

In addition, cash settlement can provide flexibility for the Company to elect the suitable settlement methods after a holistic assessment on the capital needs and structure. Therefore, we are of the view such term is fair and reasonable.

For details of the Warrants Subscription Agreement and principal terms of the Warrants, please refer to the Letter from the Board.

Notes:

These four convertible bonds include:

- (1) US\$3.5 billion 0.875% convertible bonds due 2029 issued by Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) announced on July 16, 2024;
- (2) US\$600 million 4.50% convertible bonds due 2029 issued by Wynn Macau, Limited (stock code: 1128) announced on March 3, 2023;
- (3) US\$300 million zero coupon convertible bonds due 2026 issued by Pharmaron Beijing Co., Ltd. (stock code: 3759) announced on June 9, 2021; and
- (4) US\$600 million zero coupon convertible bonds due 2026 issued by Hansoh Pharmaceutical Group Company Limited (stock code: 3692) announced on January 8, 2021.

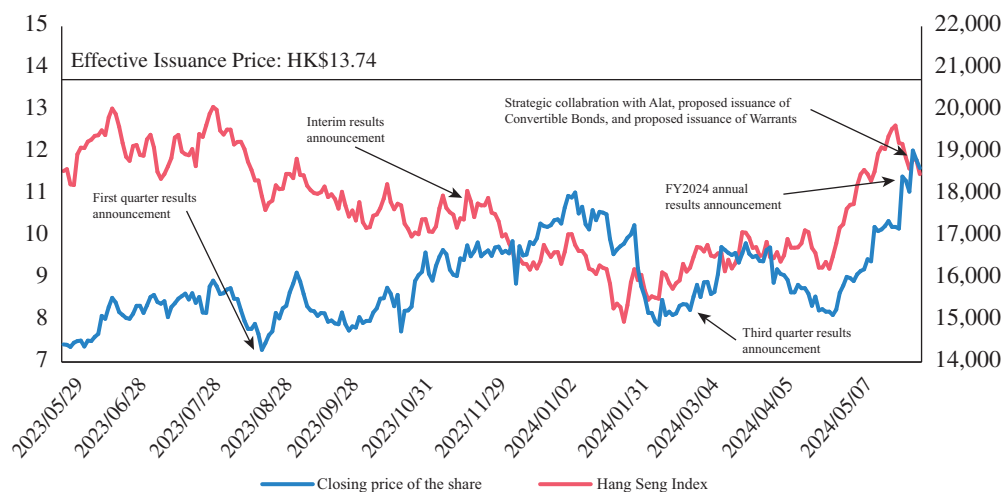
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Assuming the full exercise of the Warrants at the initial Exercise Price, it would provide the Company with up to an additional capital of approximately US\$1.8 billion to further strengthen its equity base. The Company aims to use the proceeds for further expansion of the Company's operation (including opportunities in the MEA Region) and investment in R&D and AI. The additional proceeds will also enable the Company to pursue potential acquisition opportunities to boost inorganic growth and expand the product offerings under the Company's ISG and SSG.

4.3 Review of historical closing prices and trading volume of the Shares

4.3.1 Historical closing prices of the Shares

We have reviewed the historical closing prices of the Shares as quoted on the Stock Exchange during the period from May 29, 2023 up to and including May 28, 2024, being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance and the last trading day ("**Last Trading Day**") prior to the date of the Announcement to assess the fairness and reasonableness of the exercise price of the Warrants (the "**Review Period**").



Source: The website of the Stock Exchange

It is noted that the Company announced the first quarter results announcement for the three months ended June 30, 2023 on August 17, 2023. During the Review Period, the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$7.29 on August 18, 2023, shortly after the publication of FY2023/24 First Quarter Results Announcement on August 17, 2023. As shown in the graph above, the closing price of the Shares during the Review Period have been generally in line with the performance of Hang Seng Index, save for the period from mid October 2023 to early February 2024. We also note that since late April 2024, closing prices of the Shares showed an inclining trend, from HK\$8.12 on April 22, 2024 to the highest closing price of HK\$12.04 on May 27, 2024. The average closing price of the Shares during the Review Period was approximately HK\$8.94.

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Therefore, the exercise price of HK\$12.31 per Warrant Share is higher than the highest closing price of HK\$12.04 and average closing price of approximately HK\$8.94 during the Review Period.

Furthermore, the Effective Issuance Price of HK\$13.74, which is the aggregate of the Issue Price and the initial Exercise Price, represents a near 20-year share price high compared to the Company's share price.

4.3.2 Trading volume of the Shares

Tabulated below are the average daily trading volume of the Shares in each of the month during the Review Period and the respective percentages of the Shares' average trading volume as compared to the total number of issued Shares as at the Last Trading Day:

	Average daily trading volume	% of the average volume to the total number of Shares as at the Last Trading Day	% of the average volume to total number of Shares held by the public as at the Last Trading Day (Note)
2023			
June	49,488,167	0.40%	0.64%
July	39,054,770	0.31%	0.50%
August	48,103,622	0.39%	0.62%
September	38,930,195	0.31%	0.50%
October	44,920,040	0.36%	0.58%
November	49,601,868	0.40%	0.64%
December	53,004,184	0.43%	0.68%
2024			
January	68,379,236	0.55%	0.88%
February	74,950,653	0.60%	0.97%
March	55,319,095	0.45%	0.71%
April	47,528,395	0.38%	0.61%
May (up to the Last Trading Day)	68,828,078	0.55%	0.89%

Source: The website of the Stock Exchange

Note: Based on 7,766,695,378 Shares in issue held by the public Shareholders.

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As shown in the above table, the trading volume as a percentage of total number of issued Shares and as a percentage of total number of Shares held by the public are relatively low. The average daily trading volume of the Shares during the Review Period ranged from 38,930,195 to 74,950,653 Shares, representing 0.31% to 0.60% of the total number of Shares, and 0.50% to 0.97% of the public float as at the Last Trading Day.

4.4 Issue price

The Issue Price of HK\$1.43 per Warrant was determined by the Company after assessing, among others, (i) the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance); and (ii) business prospect of the Company.

Based on our understanding from the Management regarding the preliminary assessment of the Issue Price, the Management has used Black-Scholes model for call option from Bloomberg, which is one of the commonly used pricing models for option, with the following key basis and parameters:

- (i) risk free rate of 4.20%, which was determined with reference to the three-year Hong Kong dollar swap rate of 4.195% on May 28, 2024 according to Bloomberg, reflecting the tenor of the Warrants. Since (i) swap rate reflects the market's expectations of future interest rate movements and the current market conditions; and (ii) the tenor of the swap rate is the same as the tenor of the Warrants, we consider that such risk free rate is reasonable;
- (ii) stock price of HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance). Based on arm's length negotiation between the Company and Alat, HK\$9.47 was used as a reference price when determining the conversion price of the Convertible Bonds. 30-day average VWAP is considered a sufficiently long averaging period that reflects market price, with mitigated risk of impact from market volatility on any given day. Therefore, HK\$9.47 was also used as the underlying stock price in the Black-Scholes model. Having considered that the 30-day average VWAP is a sufficiently long averaging period that reflects market price with mitigated risk of impact from market volatility on any given day, and such price was also used as a reference when determining the conversion price of the Convertible Bonds with Alat, we are of the view that such stock price is reasonably determined;

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- (iii) the initial Exercise Price of HK\$12.31 per Share, which is 30% premium over the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance); and
- (iv) volatility of approximately 30%, which is determined having considered a number of factors, including the volatility of the existing convertible bonds, the size of the Warrant Issuance and the undertakings by the Warrants Subscribers. The implied volatility of the Company's Existing Convertible Bonds, which is publicly distributed and traded, was approximately 33.64% on May 27, 2024, being the last trading date prior to the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance. Assuming the Warrants are fully exercised at HK\$12.31 per Warrant Share (without cash settlement), the size of the gross proceeds of approximately US\$1,812 million is approximately 2.68 times the size of the principal amount of the Existing Convertible Bonds, being US\$675 million.

We note that volatility of approximately 30% used is slightly lower than the implied volatility of the Company's Existing Convertible Bonds of approximately 33.64%. As the size of the Existing Convertible Bonds is significantly lower than the size of the proceeds from full exercise of Warrants assuming no cash settlement, and the bespoke nature of the terms of the Warrants and the undertakings to be provided by the Warrants Subscribers, we considered that the discount may enhance attractiveness to Professional Investors to subscribe the Warrants, and therefore such slight discount is reasonable.

Having considered the above, we are of the opinion that the key basis and parameters used to determine the issue price of the Warrants are fair and reasonable. As the issue price of the Warrants meets the fair price determined through the Black-Scholes Model, we consider that the issue price of the Warrants is fair and reasonable.

4.5 Exercise price

The initial Exercise Price of HK\$12.31 per Share, which represents:

- (i) a premium of approximately 2.2% over the closing price of HK\$12.04 per Share as quoted on the Stock Exchange on May 27, 2024, being the trading day immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (ii) a premium of approximately 14.8% over the average closing price of HK\$10.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);

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- (iii) a premium of approximately 30.0% over the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (iv) a premium of approximately 9.7% over the closing price of HK\$11.22 per Share on July 12, 2024, being the trading day immediately prior to July 15, 2024 (being the date of the Warrants Subscription Agreement);
- (v) a premium of approximately 27.2% over the closing price of HK\$9.68 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 221.5% over the net asset value per Share as at March 31, 2024, being the date of which the Company's latest published audited accounts were made up prior to the date of the Announcement.

The initial Exercise Price of HK\$12.31 per Share was determined by the Company with reference to (i) the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance); and (ii) business prospect of the Company.

The Effective Issuance Price of HK\$13.74 (being the aggregate of the Issue Price of HK\$1.43 per Warrant and the initial Exercise Price of HK\$12.31) per Warrant Share represents:

- (i) a premium of approximately 16.2% over the closing price of HK\$11.82 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. May 28, 2024, being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance);
- (ii) a premium of approximately 19.2% over the average closing price of approximately HK\$11.53 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 26.2% over the average closing price of approximately HK\$10.89 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 45.1% over the VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance), being HK\$9.47; and

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- (v) a premium of approximately 258.8% over the audited net asset value per Share based on the audited net asset value of the Group as at March 31, 2024 of approximately HK\$3.83 per Share (equivalent to approximately US\$0.49 per Share), being the last published audited net asset value per Share prior to the date of Announcement.

4.5.1 Comparison with other issuance of warrant exercises

To assess the fairness and reasonableness of the initial Exercise Price, we have identified transactions regarding placing/subscription/issuance of warrants under specific mandate for a five-year period up to and including the Last Trading Date, i.e. from May 29, 2019 to May 28, 2024, conducted by companies that are listed on the Stock Exchange as at the Latest Practicable Date, but excluding transaction that the exercise price of the warrants is zero, as references to understand the market practice. To the best of our knowledge and as far as we are aware of, there are 23 transactions which we consider exhaustive and have met the above-stated criteria (the “**Reference Warrants Issuance**”).

Set out below are the list of Reference Warrants Issuance:

Date of announcement	Stock code	Company name	Term	Premium/(discount) of the aggregate of issue price and exercise price of warrant (“Aggregate Exercise Price”) over/(to) closing price of shares on the last trading day prior to announcement	Premium/(discount) of the Aggregate Exercise Price over/(to) average closing price of shares for the last five trading days prior to announcement	Premium/(discount) of the Aggregate Exercise Price over/(to) the last published NAV per share as at the date of the announcement	Profit/loss making in the latest published financial results for the last full year or half year prior to announcement
31-Aug-23	8391	Cornerstone Technologies Holdings Limited	5 years	-15.8%	-19.7%	738.0%	Loss making
18-Aug-23	211	Styland Holdings Limited	5 years	-30.3%	-32.7%	-76.2%	Loss making
28-Mar-22	653	Bonjour Holdings Limited	5 years	38.7%	37.7%	650.9%	Loss making
25-Mar-22	8218	Echo International Holdings Group Limited	3 years	0.0%	-1.1%	-22.0%	Profit making
4-Oct-21	2369	Coolpad Group Limited	2 years 3 years 4 years	89.7% 122.7% 155.0%	87.5% 120.1% 152.0%	206.2% 259.4% 311.6%	Loss making
14-Jul-21	6855	Ascentage Pharma Group International	2 years	8.0%	21.1%	842.5%	Loss making
14-Apr-21	1477	Ocumension Therapeutics	4 years	20.0%	12.8%	446.2%	Loss making
3-Mar-21	527	China Ruifeng Renewable Energy Holdings Limited	1.5 years	24.3%	21.6%	-50.6%	Loss making
19-Jan-21	6128	Earthasia International Holdings Limited	2 years	14.0%	14.8%	114.5%	Loss making
18-Nov-20	2138	Union Medical Healthcare Limited	5 years	16.9%	21.2%	448.9%	Profit making
26-Oct-20	136	Hengten Networks Group Limited	1.5-3.5 years	-70.9%	-71.1%	506.6%	Profit making
25-Aug-20	707	Asia Television Holdings Limited	3 years	275.0%	220.5%	-86.4%	Loss making
20-Jul-20	2138	Union Medical Healthcare Limited	5 years	4.2%	1.2%	259.1%	Profit making
9-Jun-20	293	Cathay Pacific Airways Limited	5 years	-46.9%	-45.0%	-70.7%	Profit making
28-Mar-20	2178	Petro-King Oilfield Services Limited	3 years	41.2%	30.2%	-56.5%	Profit making
3-Jan-20	8156	Sinopharm Tech Holdings Limited	1 year	58.5%	54.8%	4,203.2%	Loss making
22-Nov-19	8071	China Netcom Technology Holdings Limited	3 years	61.8%	57.1%	240.5%	Profit making

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Date of announcement	Stock code	Company name	Term	Premium/(discount) of the aggregate of issue price and exercise price of warrant ("Aggregate Exercise Price") over/(to) closing price of shares on the last trading day prior to announcement	Premium/(discount) of the Aggregate Exercise Price over/(to) average closing price of shares for the last five trading days prior to announcement	Premium/(discount) of the Aggregate Exercise Price over/(to) the last published NAV per share as at the date of the announcement	Profit/loss making in the latest published financial results for the last full year or half year prior to announcement
10-Nov-19	777	NetDragon Websoft Holdings Limited	5 years	13.4%	13.5%	100.9%	Profit making
22-Sep-19	1176	Zhuguang Holdings Group Company Limited	3 years	46.8%	45.5%	15.6%	Profit making
31-Jul-19	756	Summi (Group) Holdings Limited	3 years	23.1%	24.7%	-85.7%	Loss making
29-Jul-19	211	Styland Holdings Limited	1 year	-82.0%	-82.0%	-90.3%	Loss making
26-Jul-19	3395	Persta Resources Inc.	2 years	-3.7%	0.0%	-58.3%	Loss making
13-Jun-19	91	International Standard Resources Holdings Limited	1 year	-77.7%	-78.0%	-50.2%	Loss making
			Average	27.4%	24.3%	347.9%	
			Median	16.9%	21.1%	114.5%	
			Max	275.0%	220.5%	4,203.2%	
			Min	-82.0%	-82.0%	-90.3%	
	992	The Company	3 years	16.2%	19.2%	258.8%	(Note)

Source: The website of the Stock Exchange, as well as the relevant announcements and financial statements of the relevant companies

Note: The last published NAV per share of the Company as at the date of the Announcement is calculated based on the audited consolidated net asset value of the Company as at March 31, 2024 as extracted from FY2023/24 Annual Results Announcement.

As shown in the above table, the Aggregate Exercise Price of the Reference Warrants Issuance exhibited (i) a range of discount of approximately 82.0% to a premium of approximately 275.0% over the closing price of shares on the last trading day; (ii) a range of discount of approximately 82.0% to a premium of approximately 220.5% over the average closing price of shares for the last five trading days; and (iii) a discount of approximately 90.3% to a premium of approximately 4,203.2% over the last published NAV per share. The Effective Issuance Price of HK\$13.74, which demonstrates a premium of approximately 16.2%, 19.2% and 258.8% over the closing price of Shares on the Last Trading Day, average closing price of Shares for the last five trading days and the last published net asset value per Share, respectively, and are within the ranges of that of the Reference Warrants Issuance. The premiums of the Effective Issuance Price over the closing price of Shares on the Last Trading Day and average closing price of Shares are slightly lower than, but close to, the median of that of the Reference Warrants Issuance. However, the premium of the Effective Issuance Price over the last published net asset value per Share prior to the date of the Announcement is higher than the median of that of the Reference Warrants Issuance.

The companies relating to the Reference Warrants Issuance may have different business, prospects, market capitalization, profitability and financial position as compared with those of the Company. Circumstances leading those companies to issue warrants may differ from that of the Company. The above

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analysis is meant to be used as a general reference for the market practices concerning similar transactions conducted by other issuers listed on the Stock Exchange. It should be noted that in forming our opinion, we have considered the results of the above analysis together with all other factors stated in this letter as a whole.

4.6 Other matters relating to the Warrants Issuance

As mentioned in the Letter from the Board, Mr. Yang, the Chairman of the Board, Chief Executive Officer and an executive Director of the Company fully supports the Strategic Business Transactions. In demonstrating his endorsement, Mr. Yang has agreed to be the Initial Warrants Subscriber to subscribe for 220,000,000 Warrants, representing approximately 19.13% of the total number of Warrants to be issued. The remaining 930,000,000 Warrants are expected to be offered by way of a private placement to independent Professional Investors (which may include existing Shareholders who are institutional and corporate investors) in Hong Kong and certain Management Participants (which may include connected persons of the Company at subsidiary level only but not any connected person at company level).

Given the Warrants Issuance is subject to various conditions, including Independent Shareholders' approval at the General Meeting, the Company intends to commence the private placement following Independent Shareholders' approval of the Warrants Issuance. The Company expects that the Warrants will be placed through private placement to more than six independent placees (including the Professional Investors and the Management Participants). As at the Latest Practicable Date, the Company has engaged the Financial Adviser as the placing agent with respect to the placing of the remaining Warrants.

In the event that there is insufficient participation by Management Participants, the Initial Warrants Subscriber agrees to subscribe for up to an additional 330,000,000 Warrants (representing the maximum amount that the Management Participants can subscribe for and approximately 28.70% of the total number of Warrants to be issued). The Initial Warrants Subscriber will procure suitable independent investors to fully subscribe for the 600,000,000 remaining Warrants (representing approximately 52.17% of the total number of Warrants to be issued) and the Initial Warrants Subscriber will thereby ensure all the Warrants are fully subscribed.

Notwithstanding that (a) the final number of Warrants to be subscribed by the Initial Warrants Subscriber and other subscribers that are connected persons (if any) have not yet been finalized as at the Latest Practicable Date; and (b) when the Company can determine the number of Warrants subscription by the connected persons of the Company is unknown; as the Warrants Issuance (i.e. the issuance of 1,150,000,000 Warrants) is subject to the Independent Shareholders' Approval at the General Meeting, and the terms of the Warrants for (i) the Initial Warrants Subscriber; (ii) certain Management Participants (which may include connected persons of the Company at subsidiary level only but not any connected person at company level) (if any); (iii)

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independent Professional Investors in Hong Kong, which may include existing Shareholders who are institutional investors; and (iv) other independent Professional Investors that are not connected persons are the same, we consider that even though the subscription amount by the Initial Warrants Subscriber and the final number of Warrants to be subscribed by other connected persons of the Company have not yet been determined, the Warrants Subscribers may include existing Shareholders who are institutional and corporate professional investors and certain Management Participants (which may include connected persons of the Company at subsidiary level), it may not affect our views and analysis as to the fairness and reasonableness of the terms of the Warrants Issuance. It should be noted that in forming our opinion, we will consider the principal factors, reasons and our analysis stated in this letter as a whole.

4.7 Conclusion

Having considered the above, in particular, (i) the initial Exercise Price is higher than the highest closing price during the Review Period; (ii) the Effective Issuance Price represents a near 20-year share price high; (iii) the premiums of the Effective Issuance Price over the closing price of Shares on the Last Trading Day and the average closing price of Shares for the last five trading days are slightly lower than the median but are within the ranges of the Reference Warrants Issuance; and (iv) the premium of the Effective Issuance Price over the last published net asset value per Share prior to the date of the Announcement is higher than the median of that of the Reference Warrants Issuance; we are of the view that the Exercise Price is fair and reasonable. Furthermore, having considered the principal factors and reasons mentioned above, we are of the view that the terms of the Warrants Issuance and the Warrants Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Dilution effect of the Warrants Issuance

We note that the shareholding interest of the Independent Shareholders will be diluted by approximately 8.48% as a result of the Warrants Issuance immediately after completion and full exercise of the Warrants (assuming there will be no cash settlement, no change to the initial Exercise Price and the total number of Shares in issue from the Latest Practicable Date up to the exercise of the Warrants). As mentioned in the section headed “1.3 Financial information of the Group” above, the Group was in net current liability position of approximately US\$3,371.98 million (or approximately HK\$26,340.22 million) as at March 31, 2024. The Warrant Issuance is considered to be in the interest of the Company and the Shareholders as a whole, as it will not significantly increase the interest expenses and gearing ratio of the Group, which would occur if funds were raised through additional borrowings. It also avoids the additional costs associated with other equity fundraising methods or the issuance of new Shares at a significant discount to the current price of the Shares as discussed in the section headed “2.2 Consideration of financing alternatives” above. Having considered the above, we are of the view that the Warrants Issuance is in the interest of the Company and the Shareholders as a whole, and the dilution to the Independent Shareholders is acceptable.

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Furthermore, as mentioned in the section headed “Reasons and benefits for the Strategic Business Transactions — Share Issue Mandate” in the Letter from the Board, the Company is aware that capital raising initiatives such as the Bond Issue and the Warrants Issuance can have dilutive impacts on the shareholdings of existing Shareholders and the Company has obtained a share issue mandate to issue not more than 2,480,931,860 Shares (the “**Share Issue Mandate**”), representing 20% of the number of issued shares of the Company, pursuant to the resolutions passed on July 18, 2024 at the annual general meeting of the Company (“**Annual General Meeting**”). If the Bond Issue and Warrants Issuance are both completed, the Board considers that the short-term fundraising needs of the Company will have been fulfilled. In this regard, if both the Bond Issue and Warrants Issuance proceed to completion, the Board undertakes that the Company will not issue any new Shares under the Share Issue Mandate before the next annual general meeting (i.e. the Share Issue Mandate will not be used by the Board). Therefore, we are of the view that such undertaking will eliminate any further dilution for the next 12-month period.

6. Potential financial effects as a result of the Warrants Issuance

The Warrants Issuance will generate immediate proceeds to the Company but there would be no certainty whether the Warrants will be exercised in full nor the amount of additional proceeds that will be generated by the Company from it. The Warrants Issuance would increase the cash position of the Group by approximately HK\$1,645 million (equivalent to approximately US\$210 million) based on the initial Exercise Price, and will have a positive effect on the working capital position of the Group.

The cost incurred in relation to the Warrants Issuance will be recognized as expense upon completion. In addition, the Group will recognize the fair value of the Warrants as a financial liability and re-measured at each reporting date with changes in fair value recognized in profit or loss.

RECOMMENDATION

Having considered the principal factors and reasons mentioned above, we are of the view that (i) the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate are in the interest of the Company and Shareholders as a whole; and (ii) the terms of the Warrants Issuance and the Warrants Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Warrants Issuance, the Warrants Subscription and the Warrants Specific Mandate at the General Meeting.

Yours faithfully,
For and on behalf of
Alliance Capital Partners Limited
Alyssa Ng
Managing Director

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

ADJUSTMENT MECHANISM OF THE EXERCISE PRICE

Subject to the terms and conditions of the Warrants, upon the occurrence of any of the following events, the Exercise Price will be subject to adjustment as follows:

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

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

where:

A is the nominal value of one Share immediately after such alteration; and

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

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

- (ii) *Capitalisation of Profits or Reserves:*

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

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

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

- (B) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares on the last trading day preceding the date of the announcement of the terms of such issue of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the issue of such Shares by the following fraction:

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

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

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

(iii) *Distributions:*

- (A) Subject to (iii)(B), if and whenever the Company shall pay or make any Distribution to the Shareholders other than in cash only (except to the extent that the Exercise Price falls to be adjusted under (ii) above), the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such Distribution by the following fraction:

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

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

where:

A is the Current Market Price of one Share on the date on which the Distribution is first publicly announced; and

B is the Fair Market Value on the date on which the Distribution is publicly announced of the portion of the Distribution to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or, if later, the first date on which the Fair Market Value of the relevant Distribution is capable of being determined as provided in the terms and conditions of the Warrants.

- (B) If and whenever the Company shall pay or make any Distribution in cash only to the Shareholders, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such Distribution by the following fraction:

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

where:

A is the Current Market Price of one Share on the date on which the Distribution is first publicly announced; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the date on which the Distribution is actually made, or if a record date is fixed therefor, immediately after such record date.

- (iv) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights issue, or issue or grant to all or substantially all Shareholders as a class, by way of rights issue, of options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than the Current Market Price per Share on the trading day of date of the announcement (or if such date is not a trading day, then the last trading day preceding such date of announcement) of the terms of the issue or grant, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue or grant by the following fraction:

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

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

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 issue or for the options or warrants or other rights issued or granted by way of rights issue and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the 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) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (v) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights issue or issue or grant to all or substantially all Shareholders as a class by way of rights issue, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Exercise Price shall be adjusted by multiplying the Exercise 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 trading day of 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 the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

- (vi) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in (iv) above) any Shares (other than Shares issued on the exercise of Subscription Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in (iv) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the Current Market Price per Share on the date of announcement of the terms of such issue, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue by the following fraction:

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

where:

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

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

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

- (vii) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this (vii) if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in (iv), (v) or (vi) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries), any other company, person or entity shall issue any securities (other than the Warrants) which by their terms of issue

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price per Share on the date of announcement of the terms of issue of such securities, the Exercise Price shall be adjusted by multiplying the Exercise Price per Share in force immediately before such issue by the following fraction:

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

where:

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

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

(viii) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (vii) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price per Share on the date of announcement of the proposals for such modification, the Exercise Price shall be adjusted by multiplying the Exercise 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;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

the securities, so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription 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 the rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as two Independent Investment Banks consider appropriate (if at all) for any previous adjustment under this (viii) or (vii).

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

- (ix) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exercise Price falls to be adjusted under (iv), (v), (vi) or (vii), the Exercise Price shall be adjusted by multiplying the Exercise 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 trading day of the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

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

- (x) *Other Events:* If the Company determines that an adjustment should be made to the Exercise Price as a result of one or more events or circumstances (whether or not referred to in the terms and conditions of the Warrants) (even if the relevant event or circumstance is specifically excluded in the terms and conditions of the Warrants or that an adjustment should not be made (even if the relevant event or circumstance is specifically provided for in the terms and conditions of the Warrants), or that the effective date for the relevant adjustment *should* be a date

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

other than that mentioned in the terms and conditions of the Warrants, the Company may, at its own expense, request an Independent Investment Bank, acting as expert, to determine as soon as practicable (i) what adjustment (if any) to the Exercise Price is fair and reasonable to take account thereto and is appropriate to give the result which the Independent Investment Bank considers in good faith to reflect the intentions of the provisions of the terms and conditions of the Warrants; and (ii) 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 events or circumstances giving rise to any adjustment pursuant to the terms and conditions of the Warrants have already resulted or will result in an adjustment to the Exercise Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Exercise Price, such modification (if any) shall be made to the operation of the provisions of the terms and conditions of the Warrants as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result.

In this Appendix I, unless the context otherwise requires, 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;

“**Closing Price**” means, in respect of a Share for any trading day, the closing 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;

“**Current Market Price**” means, in respect of a Share at a particular date, the average of the Closing Price for one Share 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 a full entitlement to dividends) for the 10 consecutive trading days ending on the trading day immediately preceding such date, provided that if at any time during the said 10 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:

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

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the Closing Price thereof increased by such similar amount;

and provided further that if the Shares on each of the said 10 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;

“Distribution” means any dividend or distribution, whether of cash or assets in specie or other property by the Company for any financial period, and whenever paid or made and however described or declared after the Issue Date, (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Exercise Price is made in respect thereof under (ii) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless it comprises a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company), where the weighted average price (before expenses) on any one day in respect of such purchase does not exceed the Current Market Price of the Shares as published in the Daily Quotation Sheet, as the case may be, either (1) on that date, or (2) where an announcement has been made 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 and, if in the case of either (1) or (2), the relevant day is not a trading day, the immediately preceding trading day;

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank; 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 Independent 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 such options, warrants or other rights are publicly traded;

“Independent Investment Bank” means an independent investment bank of international repute, acting as an expert, (i) selected by the Company, or (ii) in the case of a ROFR Notice or a Final ROFR Notice, selected and agreed between the relevant Warrants Subscriber and LHL; and

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

(xi) *Other applicable provisions:*

- A On any adjustment, the relevant Exercise Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Exercise Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Exercise Price then in effect. Any adjustment not required to be made, and any amount by which the Exercise Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given to Warrantheolders in accordance with the requirements of notices under the terms and conditions of the Warrants as soon as practicable after the determination thereof.
- B The Exercise Price may not be reduced so that, on exercise of the Warrants, Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong.
- C Where more than one event which gives or may give rise to an adjustment to the Exercise Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, 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 such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.
- D Notwithstanding any provision in the terms and conditions of the Warrants, no adjustment will be made to the Exercise Price, involving an increase in the Exercise Price, except in the case of a consolidation or re-classification of the Shares as referred to in (i) above or where there has been a proven manifest error in the calculation of the Exercise Price.
- E No adjustment will be made to the Exercise Price in the case of an issue of Shares on the exercise of any rights of conversion into, or exchange or subscription for Shares of the Convertible Bonds and the Existing Convertible Bonds (the “**Existing Convertible Securities**”), provided that any subsequent modification or amendment of the terms of such Existing Convertible Securities which would have triggered an adjustment under terms and conditions of the Warrants shall not be excluded.

APPENDIX I ADJUSTMENT MECHANISM FOR THE EXERCISE PRICE

- F For avoidance of doubt, no adjustment will be made to the Exercise Price with respect to the declaration and/or payment of the final dividend of HK\$30.0 cents per Share for the year ended March 31, 2024 as announced by the Company on May 23, 2024.
- G No adjustment will be made to the Exercise Price when Shares or other securities (including rights or options) are issued, offered or granted to eligible participants such as employees or directors (including senior management) of the Company or any Subsidiary of the Company pursuant to any Employee Share Scheme, provided that (i) the total number of Shares which are issued, offered or granted to employees or directors (including senior management) of the Company or any Subsidiary of the Company by the Company pursuant to the Employee Share Scheme during the 12-month period up to and including the date of such issuance, in aggregate, shall not exceed more than 2.0 per cent. of the average of the issued and outstanding Shares during such 12-month period; and (ii) the exercise price of any options granted under such Employee Share Scheme shall not be lower than the minimum exercise price as permitted under the Listing Rules, or if applicable, the listing rules of an Alternative Stock Exchange from time to time. For the avoidance of doubt, if the total number of Shares which are issued, offered or granted to employees or directors (including senior management) of the Company or any Subsidiary of the Company by the Company pursuant to the Employee Share Scheme during the 12-month period up to and including the date of such issuance, in aggregate, exceeds more than 2.0 per cent. of the average of the issued and outstanding Shares during such 12-month period, adjustments shall be made to the Exercise Price to take into account the number of such Shares or other securities (including rights or options) that are issued, offered or granted to eligible participants such as employees or directors (including senior management) of the Company or any Subsidiary of the Company pursuant to any Employee Share Scheme in excess of the aforementioned 2.0 per cent. threshold.
- H Any references in the terms and conditions of the Warrants to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- I References to any issue or offer or grant to Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

ADJUSTMENT MECHANISM OF THE CONVERSION PRICE

Subject to the Terms and Conditions, upon the occurrence of any of the following events, the Conversion Price will be subject to adjustment as follows:

- (i) *Consolidation, Subdivision or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of a consolidation, subdivision or reclassification of the Shares, 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 value of one Share immediately after such alteration; and

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

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

- (ii) *Capitalisation of Profits or Reserves:*

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

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

where:

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

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

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

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

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

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

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

(iii) *Distributions:*

- (A) Subject to (iii)(B), if and whenever the Company shall pay or make any Distribution to the Shareholders other than in cash only (except to the extent that the Conversion Price falls to be adjusted under (ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

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

where:

A is the Current Market Price of one Share on the date on which the Distribution is first publicly announced; and

B is the Fair Market Value on the date on which the Distribution is publicly announced of the portion of the Distribution to one Share.

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

(B) If and whenever the Company shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

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

where:

A is the Current Market Price of one Share on the date on which the Distribution is first publicly announced; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the date on which the Distribution is actually made, or if a record date is fixed therefor, immediately after such record date.

(iv) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights issue, or issue or grant to all or substantially all Shareholders as a class, by way of rights issue, of options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than the Current Market Price per Share on the trading day of date of the announcement (or if such date is not a trading day, then the last trading day preceding such date of announcement) of the terms of the issue or grant, 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 issue or for the options or warrants or other rights issued or granted by way of rights issue and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the 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) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

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

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

where:

- A is the Current Market Price of one Share on the trading day of 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 the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (vi) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in (iv) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in (iv) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the Current Market Price per Share on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

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

- (vii) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this (vii) if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in (iv), (v) or (vi) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries), any other company, person or entity shall issue any securities (other than the Convertible Bonds) which by their terms

APPENDIX II ADJUSTMENT MECHANISM FOR THE CONVERSION PRICE

of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price per Share on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price per Share in force immediately before such issue by the following fraction:

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

where:

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

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

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

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

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to

the securities, so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription 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 the rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as the Company and the Majority Convertible Bondholder agrees in good faith, or the Independent Investment Bank (where the Company and the Majority Convertible Bondholder is unable to agree on such modification within 10 business days, and the Company shall have, within a further 10 business days, submitted such unresolved matter to the Independent Investment Bank) considers, as appropriate (if at all) for any previous adjustment under this (viii) or (vii).

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

- (ix) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under (iv), (v), (vi) or (vii), 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 trading day of the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

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

- (x) *Other Events*: If the Company 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 the Terms and Conditions, the Company and the Majority Convertible Bondholder shall discuss such matters in good faith, provided that if the Company and the Majority Convertible Bondholders is unable to agree on any such adjustment within 10 business days, the Company shall, at its own expense, within a further 10 business days, submit such unresolved matter to the Independent Investment Bank for determination, as soon as practicable as to 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 by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to the Terms and Conditions have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of the Terms and Conditions as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result.

In this Appendix II, unless the context otherwise requires, 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;

“**Closing Price**” means, in respect of a Share for any trading day, the closing 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;

“**Convertible Bondholder**” or “**holder**” means, in the context of this Appendix II, the person in whose name the Convertible Bonds is for the time being registered in the register;

“**Current Market Price**” means, in respect of a Share at a particular date, the arithmetic average of the Closing Price for one Share (being a Share carrying a full entitlement to dividends) for the 10 consecutive trading days ending on the trading day immediately preceding such date, provided that if at any time during the said 10 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:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price 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 amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price 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 the amount of that dividend per Share;

and provided further that if the Shares on each of the said 10 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 Closing Price 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 amount of that dividend per Share;

“Distribution” means any dividend or distribution, whether of cash or assets in specie or other property by the Company for any financial period, and whenever paid or made and however described or declared after the Issue Date, (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under (ii)(A) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless it comprises a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company), where the weighted average price (before expenses) on any one day in respect of such purchase does not exceed the Current Market Price of the Shares as published in the Daily Quotation Sheet, as the case may be, either (1) on that date, or (2) where an announcement has been made 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 and, if in the case of either (1) or (2), the relevant day is not a trading day, the immediately preceding trading day;

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date:

- (i) the fair market value of that asset, security, option, warrant or other right as agreed in writing between the Company and the Majority Convertible Bondholders; or
- (ii) if the Company and the Majority Convertible Bondholders fail to agree within 10 business days, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank on the basis of commonly

accepted market valuation method(s) and taking into account such factors as it considers appropriate, provided that an Independent Investment Bank will not be required to determine the fair market value where (i) the Distribution is paid in cash, in which case 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 Independent Investment Bank), in which case 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 such options, warrants or other rights are publicly traded;

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) agreed upon by the Company and the Majority Convertible Bondholder and notified in writing to the other Convertible Bondholders;

“Majority Convertible Bondholder” means the Convertible Bondholders holding 66 2/3 percent. of the principal amount of the Convertible Bonds outstanding from time to time; and

- (xi) *Other applicable provisions:* On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest 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 been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given to Convertible Bondholders in accordance with the requirements of notices under Terms and Conditions as soon as practicable after the determination thereof.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under the Terms and Conditions should be made, the Company and the Majority Convertible Bondholder shall discuss such matters in good faith, provided that if the Company and the Majority Convertible Bondholder is unable to agree on any such matter within 10 business days, the Company shall, within a further 10 business days, submit such unresolved matter to the Independent Investment Bank for

determination, and a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Company and the Convertible Bondholders, save in the case of manifest error.

The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong.

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 the Company and the Majority Convertible Bondholder agrees in good faith, or the Independent Investment Bank (where the Company and the Majority Convertible Bondholder is unable to agree on such modification within 10 business days, and the Company shall have, within a further 10 business days, submitted such unresolved matter to the Independent Investment Bank) considers, that 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 agreed by the Company and the Majority Convertible Bondholder or as may be considered appropriate by the Independent Investment Bank (as appropriate) in order to give such intended result.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to eligible participants such as employees or directors (including senior management) of the Company or any Subsidiary of the Company pursuant to any Employee Share Scheme (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange), provided that (i) the total number of Shares which are issued, offered or granted to employees or directors (including senior management) of the Company or any Subsidiary of the Company by the Company pursuant to the Employee Share Scheme during the 12-month period up to and including the date of such issuance, in aggregate, shall not exceed more than 2.0 per cent. of the average of the issued and outstanding Shares during such 12-month period; and (ii) the exercise price of any options granted under such Employee Share Scheme shall not be lower than the minimum exercise price as permitted under the Listing Rules, or if applicable, the listing rules of an Alternative Stock Exchange from time to time. For the avoidance of doubt, if the total number of Shares which are issued, offered or granted to employees or directors (including senior management) of the Company or any Subsidiary of the Company by the Company pursuant to the Employee Share Scheme during the 12-month period up to and including the date of such issuance, in aggregate, exceeds more than 2.0 per cent. of the average of the issued and outstanding Shares during such 12-month period, adjustments shall be made to the Conversion Price to take into account the number of such Shares or other securities (including rights or options) that are issued, offered or granted to eligible

participants such as employees or directors (including senior management) of the Company or any Subsidiary of the Company pursuant to any Employee Share Scheme (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange) in excess of the aforementioned 2.0 per cent. threshold.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in (i) above or where there has been a proven manifest error in the calculation of the Conversion Price.

Any references in the Terms and Conditions to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

All adjustments to the Conversion Price under the Terms and Conditions shall be determined by agreement by the Company and the Majority Convertible Bondholder acting reasonably and in good faith, or by the Independent Investment Bank (where the Company and the Majority Convertible Bondholder is unable to agree on such adjustment within 10 business days, and the Company shall have, within a further 10 business days, submitted such unresolved matter to the Independent Investment Bank).

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests

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

(i) *Interests in the Shares and underlying Shares of the Company*

Name of director	<u>Capacity and number of Shares/underlying Shares held</u>				Approximate percentage of interest (Note 2)
	Interests in Shares/ underlying Shares (Note 1)	Personal interests	Corporate interests	Aggregate long position	
Mr. Yang	Ordinary Shares	175,875,843	557,004,000	732,879,843	
			(Note 3)		
	Share awards	224,586,518	—	224,586,518	
	Unlisted derivatives — Convertible instruments (Note 5)	550,000,000	—	550,000,000	
			1,507,466,361	12.15%	

Name of director	Capacity and number of Shares/underlying Shares held				Approximate percentage of interest (Note 2)
	Interests in Shares/ underlying Shares (Note 1)	Personal interests	Corporate interests	Aggregate long position	
Mr. Zhu Linan	Ordinary Shares	3,385,884	—	3,385,884	0.03%
	Share awards	515,862	—	<u>515,862</u>	
				3,901,746	
Mr. Zhao John Huan	Ordinary Shares	2,570,394	—	2,570,394	0.03%
	Share awards	1,641,094	—	<u>1,641,094</u>	
				4,211,488	
Mr. William O. Grabe	Ordinary Shares	3,554,902	—	3,554,902	0.05%
	Share awards	2,596,410	—	<u>2,596,410</u>	
				6,151,312	
Mr. William Tudor Brown	Ordinary Shares	867,640	—	867,640	0.01%
	Share awards	515,862	—	<u>515,862</u>	
				1,383,502	
Mr. Gordon Robert Halyburton Orr	Ordinary Shares	2,894,620	—	2,894,620	0.03%
	Share awards	515,862	—	<u>515,862</u>	
				3,410,482	
Mr. John Lawson Thornton	Ordinary Shares	—	—	—	0.00%
	Share awards	175,911	—	<u>175,911</u>	
				175,911	
Mr. Kasper Bo Roersted	Ordinary Shares	—	—	—	0.00%
	Share awards	—	—	<u>—</u>	
				—	
Mr. Woo Chin Wan Raymond	Ordinary Shares	975,817	—	975,817	0.01%
	Share awards	515,862	—	<u>515,862</u>	
				1,491,679	
Ms. Yang Lan	Ordinary Shares	606,497	—	606,497	0.01%
	Share awards	653,565	—	<u>653,565</u>	
				1,260,062	
Ms. Cher Wang Hsiueh Hong	Ordinary Shares	99,986	—	99,986	0.00%
	Share awards	433,016	—	<u>433,016</u>	
				533,002	
Professor Xue Lan	Ordinary Shares	100,356	—	100,356	0.00%
	Share awards	435,260	—	<u>435,260</u>	
				535,616	

(ii) *Interests in shares and underlying shares of the associated corporations of the Company*

Name of Director	Name of associated corporations	Long position/ short position	Capacity/Nature of interests	Number and class of shares/ underlying shares/ registered capital held	Approximate percentage of interests (Note 4)
Mr. Yang	SHAREit Technology Holdings Inc.	Long Position	Interest of corporation controlled	4,996,633 Series A preferred shares	16.06%
	北京平安聯想智慧醫療信息技術有限公司 (formerly known as 北京聯想智慧醫療信息技術有限公司)	Long Position	Beneficial owner	Registered capital of RMB2,400,000	1.25%
	北京聯想雲科技有限公司	Long Position	Beneficial owner	Registered capital of RMB1,199,900	5.74%
	北京聯想雲計算有限公司	Long Position	Beneficial owner	Registered capital of RMB2,000,100	5.74%
	國民認證科技(重慶)有限公司 (formerly known as 國民認證科技(北京)有限公司)	Long Position	Beneficial owner	Registered capital of RMB1,097,144	3.29%
	廣東聯想懂的通信有限公司	Long Position	Beneficial owner	Registered capital of RMB2,584,615	2.56%
	新陽光(天津)技術服務有限公司	Long Position	Beneficial owner	Registered capital of RMB157,500	0.32%
	聯想教育科技(北京)有限公司	Long Position	Beneficial owner	Registered capital of RMB1,000,000	2.00%
	陽光雨露信息技術服務(北京)有限公司	Long Position	Interest of corporation controlled	Registered capital of RMB157,500	0.32%
	鼎道智聯(北京)科技有限公司	Long Position	Beneficial owner	Registered capital of RMB2,100,000	1.05%
	聯晟智達(海南)供應鏈管理有限責任公司	Long Position	Beneficial owner	Registered capital of RMB490,918	1.50%

Notes:

1. Share awards represent underlying Shares convertible into Shares.
2. The approximate percentage of interests is based on the Shares/underlying Shares comprising the interests held as a percentage of the total number of Shares of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
3. The Shares are held by Sureinvest Holdings Limited in which Mr. Yang holds more than one-third of the voting power at its general meetings. Therefore, Mr. Yang is taken to have an interest in 557,004,000 Shares under the SFO and such interest is also reported under the below section headed “Substantial Shareholders’ interests and short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO”.
4. The approximate percentage of interests is based on the shares comprising the interests held as a percentage of the total number of shares in issue of the associated corporation of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
5. On July 15, 2024, Mr. Yang has entered into the Warrants Subscription Agreement pursuant to which he has agreed to subscribe for 220,000,000 warrants and agreed to subscribe for up to an additional 330,000,000 warrants in the event that there is insufficient participation by the Management Participants under the private placement. Please refer to this circular for more details.

As at the Latest Practicable Date, save as disclosed above, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests and short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Long position/ short position	Capacity and number of Shares/ underlying Shares held			Aggregate long/short position	Approximate percentage of interests (Note 1)
		Beneficial owner	Corporate interests	Investment manager		
LHL (Notes 2 and 3)	Long position	2,867,636,724	1,028,263,805	—	3,895,900,529	31.41%
RLL (Notes 2 and 3)	Long position	257,400,000	770,863,805	—	1,028,263,805	8.29%
LEL (Note 3)	Long position	770,863,805	—	—	770,863,805	6.21%
Alat (Note 4)	Long position	1,499,328,214	—	—	1,499,328,214	12.09%

Notes:

1. The percentages were compiled based on the 12,404,659,302 Shares in issue as at the Latest Practicable Date.
2. RLL is wholly-owned by LHL. By virtue of the SFO, LHL is deemed to be interested in the 257,400,000 Shares held by RLL.
3. LEL is wholly-owned by RLL, which in turn wholly-owned by LHL. By virtue of the SFO, RLL and LHL are deemed to be interested in the 770,863,805 Shares held by LEL.
4. The interests disclosed represented 1,499,328,214 underlying Shares at the initial Conversion Price of HK\$10.42 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bonds) in respect of the Convertible Bonds to be issued by the Company to Alat pursuant to the terms and conditions of the Bond Subscription Agreement. Completion of the Bond Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. DIRECTORS' INTERESTS

(a) Interests in assets

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

(b) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since March 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Alliance Capital Partners Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which had, since March 31, 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

7. GENERAL

As at the Latest Practicable Date:

- (a) the registered office of the Company is situated at 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong; and
- (b) the share registrar of the Company in Hong Kong is Tricor Abacus Limited, which situates at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS ON DISPLAY

Copies of (i) the Warrants Subscription Agreement and (ii) the Bond Subscription Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://investor.lenovo.com/en/publications/news.php>) for a period of 14 days from the date of this circular.

NOTICE OF GENERAL MEETING

Lenovo

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(HKD Counter Stock Code: 992 / RMB Counter Stock Code: 80992)

NOTICE OF GENERAL MEETING

Reference is made to the circular of Lenovo Group Limited (the “**Company**”) dated August 19, 2024 (the “**Circular**”). Unless the context requires otherwise, terms used herein have the same meanings as defined in the Circular.

On May 28, 2024, the Company entered into the Strategic Collaboration Framework Agreement and the Bond Subscription Agreement with Alat to issue the Convertible Bonds in an aggregate principal amount of US\$2,000,000,000 (equivalent to approximately HK\$15,623 million). Reference is made to the announcement of the Company dated May 29, 2024 with respect to the Strategic Collaboration and the Bond Subscription Agreement. On the same date as the date of the Bond Subscription Agreement, the Company also proposed the issuance of 1,150,000,000 Warrants at the issue price of HK\$1.43 per Warrant. The initial proceeds of the Warrants Issuance will be approximately US\$210 million, and assuming full exercise of the Warrants at the initial Exercise Price, additional capital of US\$1.8 billion would be realized. Reference is also made to the announcements of the Company dated May 29, 2024 and July 15, 2024 with respect to the Strategic Collaboration Framework Agreement, the Bond Issue and the Warrants Issuance.

The Company intends to use the proceeds of the Convertible Bonds primarily for existing debt refinancing, while the proceeds of the Warrants Issuance will be deployed for expansion in the MEA region, and the proceeds from full exercise of the Warrants will insure timely and adequate investment in research and development (“**R&D**”) and hybrid artificial intelligence (“**AI**”).

Whilst requiring separate approvals as two distinct proposals for consideration and shareholder approval at the General Meeting, the Strategic Business Transactions are considered to be equally integral elements of a unified strategic initiative to advance the Company’s commercial growth and delivery of long-term shareholder value. The Company is of the view that the Strategic Business Transactions, as a whole, present a significant opportunity for the Company to grow in the PRC and the MEA Region in the long run, for the following key reasons:

NOTICE OF GENERAL MEETING

(i) Introduction of a long-term strategic partner internationalizes shareholder base and strategic options

The long-term strategic partnership with Alat allows the Company to access the potential business opportunities in the Kingdom of Saudi Arabia, in the MEA Region, and globally through Alat and the Public Investment Fund's investments and affiliations;

(ii) Geographical diversification into the MEA Region while strengthening our position in China provides growth opportunities and momentum

Business development and manufacturing footprint expansion with enhanced market reach to capture the robust growth momentum globally and in particular the MEA Region;

(iii) Financing instruments at favorable terms support multiple strategic initiatives

The Company can leverage the proceeds raised for refinancing existing debt, supplementing general working capital purposes, expanding in the MEA Region and supporting strategic initiatives and at the same time the Bond Issue will not cause any dilution of existing Shareholders' proportionate holdings during the first three years. The Warrants, if exercised, will provide capital to the Company with an effective issuance price at near 20-year share price high at HK\$13.74. The Company expects to have an interest savings of approximate US\$110 million per year from the Strategic Business Transactions which did not take into account the proceeds from the exercise of the Warrants;

(iv) Financial flexibility enables strategic transformation

Additional revenue growth opportunities and interest savings generated provide the Company with greater financial flexibility to pursue incremental strategic investments in areas including AI, R&D and potential inorganic growth opportunities to facilitate its ongoing strategic transformation;

(v) Strong support from management team with large personal financial commitment demonstrates confidence in the long-term prospects of the Company

The Chairman's subscription of the Warrants represents a vote of confidence in the Company's ongoing transformation, global market leadership, and growth momentum, also aligns the interests between the Shareholders and the Company management by enhancing the Company management's motivation; and

NOTICE OF GENERAL MEETING

(vi) The Strategic Business Transactions as a whole present the best structure available to the Company

The Company has considered other financing alternatives and thoughtfully determined that the proposals in their entirety, including discussion with market participants on the terms of the Warrants, comprise the best alternative for the Company. The Company considers that the Strategic Business Transactions as a whole present the best structure available to the Company.

The Board believes that Alat's unique position (being a wholly owned subsidiary of the Public Investment Fund, a sovereign fund) would provide the Group with sovereign wealth resources of Kingdom of Saudi Arabia, which other private funds would not be able to leverage on. The Company and Alat entered into the Strategic Collaboration Framework Agreement on May 28, 2024, which forms the foundation of the Strategic Collaboration between the Company and Alat. Pursuant to the Strategic Collaboration Framework Agreement, the Company will, among other things, launch a new regional headquarters for the MEA Region in Riyadh, the Kingdom of Saudi Arabia, which will include a customer center to generate customer demand from the MEA Region and a research and development center focusing on the MEA Region. Alat will support and provide assistance to the Company to ensure the smooth implementation of the Strategic Collaboration, including assistance to the Company in selecting the premises for the regional headquarters in Riyadh and the obtaining of all permits, licenses and approvals of governmental authorities applicable to the regional headquarters in Riyadh. Alat will also deliver the premises for the manufacturing facility based on the Company's requirements for this manufacturing facility.

Alat is a wholly owned subsidiary of the Public Investment Fund of the Kingdom of Saudi Arabia, with an independent investment mandate, and is a long-term strategic investor with US\$100 billion of capital to assist investee companies to grow globally via leveraging the sovereign wealth resources of the Kingdom of Saudi Arabia.

The Warrants Issuance will generate immediate proceeds to the Company of approximately US\$210 million but there is no certainty that the Warrants will be exercised in full nor the amount of additional proceeds that will be generated by the Company from such exercise. The exercise of the subscription rights attached to the Warrants, if materializes, will also have a positive effect on the working capital position of the Group. Accordingly, the cash position, current assets and current ratio of the Company are expected to be improved.

With the background of the Strategic Business Transactions, the Board put forward the following resolutions as ordinary resolutions for Shareholders to consider at the general meeting.

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the general meeting of Lenovo Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held as a hybrid meeting at 9:30 a.m. on Thursday, September 12, 2024 at Salon Rooms, 5/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong to consider and, if thought fit, to pass with or without modification the following resolution as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the warrants subscription agreement dated July 15, 2024 (including the form of the subscription letter to be signed by any warrants subscriber and as amended and restated, the “**Warrants Subscription Agreement**”) entered into between the Company as issuer and Mr. Yang Yuanqing as an initial warrants subscriber (the “**Initial Warrants Subscriber**”) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose) in relation to the allotment and issue of an aggregate of 1,150,000,000 warrants (the “**Warrants**”), comprising of 220,000,000 warrants to be subscribed by the Initial Warrants Subscriber and 930,000,000 warrants to be offered by way of a private placement, whether through a placing agent or otherwise, to placees and certain senior management members (including executive vice presidents and senior vice presidents) of the Group (which may include connected persons of the Company at subsidiary level) (the “**Management Participants**”, together with the Initial Warrants Subscriber, the “**Warrants Subscribers**”) (and to the extent any such Warrants are not fully subscribed by the Management Participants, the Initial Warrants Subscriber is willing to subscribe for up to an additional 330,000,000 Warrants), and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the issue of the Warrants by the Company to the Warrants Subscribers in accordance with the terms and conditions of the Warrants Subscription Agreement and the instrument of the Warrants be and is hereby approved; and
- (c) conditional upon, among others, the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Warrant Shares (as defined below), the specific mandate to the Directors to exercise the powers of the Company for the allotment and issue of the warrant shares (the “**Warrant Shares**”) at the initial exercise price of HK\$12.31 per Share (subject to adjustment in accordance with the term and conditions of the Warrants) which may fall to be allotted and issued upon the exercise of the exercise rights attaching to the Warrants in accordance with the terms and conditions of the Warrants be and are hereby approved.”

NOTICE OF GENERAL MEETING

(2) “**THAT:**

- (a) The bond subscription agreement (as amended and restated, the “**CB Subscription Agreement**”) dated May 28, 2024 entered into between the Company as issuer and ALAT Technologies Company (formerly known as Industrial Company for Electronics) as subscriber (the “**CB Subscriber**”) (a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for identification purpose) in relation to the subscription by the CB Subscriber of convertible bonds in an aggregate amount of US\$2,000,000,000 to be issued by the Company (the “**Convertible Bonds**”), and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the issue of the Convertible Bonds by the Company in accordance with the terms and conditions of the CB Subscription Agreement be and is hereby approved; and
- (c) conditional upon, among others, the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares (as defined below), the specific mandate to the directors of the Company (the “**Directors**”) to exercise the powers of the Company for the allotment and issue of the conversion shares (the “**Conversion Shares**”) at the initial conversion price of HK\$10.42 (subject to adjustment in accordance with the term and conditions of the Convertible Bonds) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds be and are hereby approved.”

By Order of the Board

Yang Yuanqing

Chairman and Chief Executive Officer

Hong Kong, August 19, 2024

Notes:

1. The General Meeting will be held in the form of a hybrid meeting. Shareholders (or their proxies or corporate representatives) have the option of attending, participating and voting at the General Meeting physically at Salon Rooms, 5/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong or electronically via the e-meeting platform (<https://spot-emeeting.tricor.hk/#/login>). For further details, please refer to the Guidance for attending the General Meeting (on pages 9 to 10 of the Circular of which this notice forms part) and the Online Meeting User Guide on the website of the Company at <https://investor.lenovo.com/en/publications/guide.php>.
2. A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint more than one proxy to represent respectively the number of shares held by such member, to attend, speak and vote instead of him/her. A proxy need not be a Shareholder of the Company. Shareholders may consider exercising their right to vote at the General Meeting by appointing the chairman of the General Meeting as their proxy to vote and returning the form of proxy instead of attending the General Meeting in person.

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3. Where there are joint holders of any share, any one of such persons may vote at the General Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the General Meeting personally or by proxy, that one of the said persons whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of it.
4. To be valid, the completed and signed proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the General Meeting or any adjourned meeting thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is public holiday. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the General Meeting and in such event, the instrument appointing of proxy shall be deemed to be revoked.
5. For the purposes of determining Shareholders' eligibility to attend and vote at the General Meeting, the register of members of the Company will not be closed. Details of the latest registration date and record date are set out below:

Latest time to lodge transfer documents for registration: 4:30 p.m. on September 6, 2024

Record date: September 6, 2024

To be eligible to attend and vote at the General Meeting, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than the aforementioned time.

6. Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow resolutions which relates purely to a procedural or administrative matter to be voted on by show of hands. The chairman of the General Meeting will therefore put each of the resolutions to be proposed at the meeting to be voted by way of poll pursuant to the Company's articles of association.
7. In the event that a gale warning (tropical cyclone no. 8 or above) or black rainstorm warning is in effect at any time between 7:30 a.m. and 9:30 a.m. on the day of the General Meeting, the General Meeting may be postponed to a later date and/or time as determined by the Company. If postponed, the Company will, as soon as practicable, post an announcement on the websites of the HKEXnews of Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and the Company at <https://investor.lenovo.com/en/publications/news.php> to notify Shareholders that the meeting has been postponed (however, a failure to post such a notice shall not affect the postponement of such meeting).

When the date, time and location of the rescheduled meeting has been fixed, the Company will post a further announcement on its website and on the website of the Hong Kong Stock Exchange to notify Shareholders of the date, time and location of the rescheduled meeting.

Shareholders who have any queries concerning the alternative meeting arrangements, please call the Customer Service Hotline of Tricor Abacus Limited at telephone number 2980 1333 from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding public holidays).

8. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.
9. Light refreshments will be served at the General Meeting.