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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CNC Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**SHUNLEETAT (BVI) LIMITED**  
*(Incorporated in the British Virgin Islands with limited liability)*

**CNC HOLDINGS LIMITED**  
**中國新華電視控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8356)

- (1) CONNECTED TRANSACTION INVOLVING  
SUBSCRIPTION OF NEW SHARES UNDER SHARE SPECIFIC  
MANDATE;**
- (2) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO FIFTH AMENDMENT OF THE TERMS AND CONDITIONS OF  
THE EXISTING CONVERTIBLE BONDS;**
- (3) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO THE ISSUE OF CONVERTIBLE BONDS A UNDER CB SPECIFIC  
MANDATE A;**
- (4) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO THE ISSUE OF CONVERTIBLE BONDS B  
UNDER CB SPECIFIC MANDATE B;  
AND**
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 11 to 51 of this circular. A letter from the Listing Rules Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 52 to 54 of this circular. A letter from the Takeovers Code Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 55 to 57 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 58 to 108 of this circular.

A notice convening the EGM to be held on Monday, 8 April 2024 at 10:30 a.m. at 11/F, Golden Star Building, 20-24 Lockhart Road, Wan Chai, Hong Kong is set out on pages EGM-1 to EGM-7 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services 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 the EGM (i.e. no later than Saturday, 6 April 2024 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

*This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the date of its publication and on the website of the Company at <http://www.cncv.hk>.*

15 March 2024

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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

“acting in concert”	has the meaning as ascribed thereto under the Takeovers Code
“Aristo Securities”	Aristo Securities Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Share Offer for and on behalf of the Offeror
“associate(s)”	has the meaning as ascribed thereto under the Takeovers Code
“Acquisition”	the acquisition of 1,188,621,377 Sale Shares by Mr. Kan pursuant to the terms and conditions of the Sale and Purchase Agreement
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Acquisition Completion Date”	the date on which the Acquisition Completion takes place
“Additional Resumption Guidance”	additional guidance for the resumption of trading in the Shares as set out in the letter from the Stock Exchange dated 11 January 2023
“Board”	board of Directors
“CB Extension Letter A”	the letter of extension dated 13 March 2024 and entered into between the Company and the Vendor to extend the latest date for the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the CB Subscription Agreement A to 31 May 2024 (or such other time and date as may be agreed between the parties thereto)
“CB Extension Letter B”	the letter of extension dated 13 March 2024 and entered into between the Company and the Vendor to extend the latest date for the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the CB Subscription Agreement B to 31 May 2024 (or such other time and date as may be agreed between the parties thereto)

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## DEFINITIONS

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“CB Interest Share(s) A”	being new Shares to be allotted and issued to settle interest to be accrued on Convertible Bonds A and has the meaning as ascribed thereto under the paragraph headed “Letter from the Board – CB Subscription Agreement A”
“CB Interest Share(s) B”	being new Shares to be allotted and issued to settle interest to be accrued on Convertible Bonds B and has the meaning as ascribed thereto under the paragraph headed “Letter from the Board – CB Subscription Agreement B”
“CB Specific Mandate A”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of (i) the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A; and (ii) the CB Interest Shares A
“CB Specific Mandate B”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of (i) the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B; and (ii) the CB Interest Shares B
“CB Subscription Agreement A”	the subscription agreement dated 5 February 2024 (as amended and supplemented by the CB Extension Letter A) and entered into between the Company, as issuer, and the Vendor, as subscriber, in relation to the subscription of the Convertible Bonds A
“CB Subscription Agreement B”	the subscription agreement dated 5 February 2024 (as amended and supplemented by the CB Extension Letter B) and entered into between the Company, as issuer, and the Vendor, as subscriber, in relation to the subscription of the Convertible Bonds B
“Company”	CNC Holdings Limited (stock code: 8356), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of (i) the Share Subscription; (ii) the Fifth Amendment of Terms; and (iii) the issue of Convertible Bonds A and Convertible Bonds B, in accordance with the terms and conditions stipulated in the respective agreements

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## DEFINITIONS

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“Composite Document”	the composite document to be issued jointly by the Offeror and the Company in relation to the Share Offer in accordance with the Takeovers Code
“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion
“Conversion Shares”	new Share(s) falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	collectively, the Existing Convertible Bonds, Convertible Bonds A and Convertible Bonds B, collectively or individually as the context requires
“Convertible Bonds A”	the convertible bonds to be issued by the Company to the Vendor in the principal amount of HK\$64,127,855 to set off the Overdue Existing CB Interest
“Convertible Bonds B”	the convertible bonds to be issued by the Company to the Vendor in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group
“Delisting Decision”	the GEM Listing Committee’s decision to cancel the Company’s listing under Rule 9.14A of the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Encumbrance(s)”	any option, right of acquisition, right of priority, mortgage, charge, lien, right of retention of title, right of set-off, counterclaim, trust arrangement, or any other right to collateral of any kind or equity interest or restriction (including the restrictions imposed by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in respect of any asset
“EGM”	the extraordinary general meeting of the Company to be convened and held at 11/F, Golden Star Building, 20-24 Lockhart Road, Wan Chai, Hong Kong on Monday, 8 April 2024 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Relevant Transactions

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## DEFINITIONS

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“Existing CB Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of (i) the Conversion Shares upon the exercise of the conversion rights attaching to the Existing Convertible Bonds; and (ii) the New Existing CB Interest Shares
“Existing Convertible Bonds”	the convertible bonds issued by the Company to the Vendor in the principal amount of HK\$397,030,210 on 9 December 2011
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Fifth Amendment of Terms”	the proposed amendment of certain terms of the Existing Convertible Bonds pursuant to the Fifth Supplemental Deed
“Fifth Extended Maturity Date”	9 December 2025, being the proposed fifth extended maturity date of the Existing Convertible Bonds
“Fifth Supplemental Deed”	the fifth supplemental deed dated 5 February 2024 and entered into between the Company and the Vendor in relation to the Fifth Amendment of Terms
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committees”	collectively, the Listing Rules Independent Board Committee and the Takeovers Code Independent Board Committee

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## DEFINITIONS

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“Independent Financial Adviser”	INCU Corporate Finance Limited appointed with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders with regard to (i) the terms of the Relevant Transactions and as to voting; and (ii) the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer
“Independent Shareholders”	Shareholders other than the Offeror, Mr. Kan, the Vendor and parties acting in concert with any of them
“Irrevocable Undertaking”	the irrevocable undertaking dated 5 September 2023 given by the Vendor to the Offeror
“Joint Announcement”	the announcement dated 15 January 2024 jointly issued by the Offeror and the Company in relation to, among others, the Relevant Transactions and the Share Offer
“Last Trading Day”	12 August 2022, being the last trading day of the Shares prior to the suspension of trading of the Shares from 9:00 a.m. on 15 August 2022
“Latest Practicable Date”	13 March 2024, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules Independent Board Committee”	the independent committee of Board comprising Mr. Wu Guo Ming, Mr. Wan Chi Keung, Aaron, <i>BBS, JP.</i> , Kwok Man To Paul and Mr. Chin Chi Ho Stanley (each being an independent non-executive Director), established to advise the Independent Shareholders in respect of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and CB Subscription Agreement B, and the respective transactions contemplated thereunder (each of which constitutes a connected transaction on the part of the Company)
“Maturity Date (A)”	the maturity date of Convertible Bonds A
“Maturity Date (B)”	the maturity date of Convertible Bonds B

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## DEFINITIONS

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“Mr. Kan”	Mr. Kan Kwok Cheung, an executive Director and a Shareholder, who is also the purchaser to the Sale and Purchase Agreement and the subscriber to the Share Subscription Agreement
“New Existing CB Interest Share(s)”	being new Shares to be allotted and issued to settle interest accrued and to be accrued from 10 December 2021 to 9 December 2025 on Existing Convertible Bonds as amended by the Fifth Supplemental Deed and has the meaning as ascribed thereto under the paragraph headed “Letter from the Board – The Fifth Supplemental Deed”
“Offeror”	Shunleetat (BVI) Limited, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan
“Overdue Existing CB Interest”	being the accrued interest payable to the Vendor as at 9 December 2021 which amounted to HK\$64,127,855 pursuant to the terms and conditions of the Existing Convertible Bonds
“Relevant Period”	the period from 15 July 2023, being the date falling six months prior to 15 January 2024 (being the date of the Joint Announcement and the commencement of the offer period) and ending on and including the Latest Practicable Date
“Relevant Transactions”	collectively, the transactions that are subject to the Independent Shareholders’ approval at the EGM, including:  <ol style="list-style-type: none"><li>(1) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares);</li> <li>(2) the Fifth Supplemental Deed and the transactions contemplated thereunder (including the Existing CB Specific Mandate to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Existing Convertible Bonds and the New Existing CB Interest Shares);</li></ol>

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## DEFINITIONS

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- (3) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A);
- (4) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B); and
- (5) the Special Deals.
- “Resumption” the resumption of trading of the Shares on the Stock Exchange
- “Resumption Guidance” guidance for the resumption of trading in the Shares as set out in the letter from the Stock Exchange dated 10 November 2022
- “Sale and Purchase Agreement” the conditional sale and purchase agreement dated 5 February 2024 and entered into between Mr. Kan, as purchaser, and the Vendor, as vendor, in relation to the Acquisition
- “Sale Shares” 1,188,621,377 Shares sold by the Vendor under the Sale and Purchase Agreement, representing approximately 29.3% of the entire issued share capital of the Company as at the Latest Practicable Date
- “SFC” Securities and Futures Commission of Hong Kong
- “SFO” Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
- “Share Offer” the mandatory conditional general offer in cash made by Aristo Securities for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror, Mr. Kan and any parties acting in concert with any of them) in accordance with the terms and conditions set out in the Composite Document

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## DEFINITIONS

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“Share Specific Mandate”	the specific mandate to be sought from the Independent Shareholders for the allotment and issue of the Subscription Shares
“Share Subscription”	the proposed subscription by Mr. Kan for, and the allotment and issue by the Company of, the Subscription Shares under the terms and conditions of the Share Subscription Agreement
“Share Subscription Agreement”	the conditional share subscription agreement dated 5 February 2024 and entered into between the Company, as issuer, and Mr. Kan, as subscriber, in relation to the Share Subscription
“Share Subscription Completion”	completion of the Share Subscription in accordance with the terms and conditions of the Share Subscription Agreement
“Share Subscription Conditions”	the conditions precedent as set out in the Share Subscription Agreement
“Shareholders”	holder(s) of the issued Share(s)
“Shares”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Special Deal(s)”	means special deal(s) under Rule 25 of the Takeovers Code and refers to (i) the repayment of outstanding amounts due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.012 per Subscription Share

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## DEFINITIONS

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“Subscription Share(s)”	1,666,666,667 new Shares, representing (i) approximately 41.1% of the entire issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 29.1% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, to be allotted and issued by the Company to Mr. Kan pursuant to the terms and conditions of the Share Subscription Agreement
“Supplemental Term Sheet”	the supplemental term sheet dated 22 December 2023 and entered into between Mr. Kan, the Company and the Vendor to amend and supplement certain terms of the Term Sheet
“Takeovers Code”	the Code on Takeovers and Mergers
“Takeovers Code Independent Board Committee”	the independent committee of Board comprising (i) Mr. Law Cheuk Hung (being a non-executive Director); and (ii) Mr. Wu Guo Ming, Mr. Wan Chi Keung, Aaron, <i>BBS, JP.</i> , Mr. Kwok Man To Paul and Mr. Chin Chi Ho Stanley (each being an independent non-executive Director), established to advise the Independent Shareholders in respect of the Special Deals and as to voting pursuant to Rule 2.1 of the Takeovers Code
“Term Sheet”	the term sheet dated 5 September 2023 (as amended and supplemented by the Supplemental Term Sheet) and entered into among Mr. Kan, the Company and the Vendor which set out, among others, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B
“Vendor”	China Xinhua News Network Co., Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Xinhua News Agency (新華社), and was a substantial Shareholder beneficially interested in the 1,188,621,377 Sale Shares immediately prior to the Acquisition Completion and is the holder of the Existing Convertible Bonds

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
%	per cent

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LETTER FROM THE BOARD

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**CNC HOLDINGS LIMITED**  
**中國新華電視控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8356)**

*Executive Directors:*

Dr. Jiang Yan  
Dr. Li Yong Sheng  
Mr. Liu Da Yong  
Mr. Kan Kwok Cheung

*Non-executive Directors:*

Ms. Tang Li  
Mr. Law Cheuk Hung

*Independent non-executive Directors:*

Mr. Wu Guo Ming  
Mr. Wan Chi Keung, Aaron, *BBS, JP*  
Mr. Kwok Man To Paul  
Mr. Chin Chi Ho Stanley

*Registered office:*

Cricket Square  
Hutchins Drive, PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

Flat 314, 3/F.  
Fuk Shing Commercial Building  
28 On Lok Mun Street  
Fanling, New Territories

15 March 2024

*To the Shareholders*

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION INVOLVING  
SUBSCRIPTION OF NEW SHARES UNDER SHARE SPECIFIC  
MANDATE;**
- (2) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO FIFTH AMENDMENT OF THE TERMS AND CONDITIONS OF  
THE EXISTING CONVERTIBLE BONDS;**
- (3) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO THE ISSUE OF CONVERTIBLE BONDS A UNDER CB SPECIFIC  
MANDATE A;**
- (4) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO THE ISSUE OF CONVERTIBLE BONDS B  
UNDER CB SPECIFIC MANDATE B;  
AND**
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### INTRODUCTION

References are made to (i) the announcements of the Company dated 11 November 2022, 10 February 2023, 10 May 2023, 14 August 2023, 14 November 2023 and 8 February 2024 in relation to, among others, the Resumption Guidance and the quarterly update on the resumption progress; (ii) the announcement of the Company dated 5 September 2023 in relation to, among others, the Delisting Decision and the review request made by the Company; (iii) the announcement of the Company dated 18 December 2023 in relation to, among others, the GEM Listing Review Committee's decision to overturn the Delisting Decision and grant an extension of the remedial period to 29 February 2024; (iv) the Joint Announcement in relation to, among others, the Term Sheet, the Supplemental Term Sheet and the Share Offer; (v) the announcement jointly issued by the Company and Offeror dated 5 February 2024 in relation to, among others, the Sale and Purchase Agreement, the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B; and (vi) the announcement of the Company dated 13 March 2024 in relation to, among others, the extension of long stop dates of the CB Subscription Agreement A and CB Subscription Agreement B.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B; (ii) the recommendation from the Listing Rules Independent Board Committee to the Independent Shareholders in relation to the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B and the respective transactions contemplated thereunder (each of which constitutes a connected transaction on the part of the Company); (iii) the recommendation from the Takeovers Code Independent Board Committee to the Independent Shareholders in relation to the Special Deals; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in the same regard; and (v) a notice of the EGM.

### DEBT RESTRUCTURING PROGRESS

As at the Latest Practicable Date, the Group is indebted to (i) Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, in the amount of HK\$2,008,844; (ii) the Vendor in the amount of HK\$24,586,856, being the outstanding broadcasting fee owed to the Vendor as a service provider to the Group; and (iii) other independent third parties in the amount of approximately HK\$30.8 million. The Company plans to settle part of the outstanding indebtedness by (i) utilising the fresh money provided by the Share Subscription; and (ii) issuing Convertible Bonds A and Convertible Bonds B.

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## LETTER FROM THE BOARD

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On 5 September 2023, Mr. Kan, the Vendor and the Company entered into the legally-binding Term Sheet stipulating, among other things, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B. The Directors believe that fresh money provided by the Share Subscription will resolve the liquidity issue of the Company and the transactions contemplated under the Term Sheet are in the interests and long term benefits of all stakeholders.

On 22 December 2023, Mr. Kan, the Vendor and the Company entered into the Supplemental Term Sheet, pursuant to which the parties thereto agreed to amend and supplement certain terms of the Term Sheet in relation to, among others things, the Sale and Purchase Agreement, the Share Subscription Agreement and the terms of the Convertible Bonds.

### **SALE AND PURCHASE AGREEMENT**

On 5 February 2024, the Vendor, as vendor, and Mr. Kan, as purchaser, entered into the Sale and Purchase Agreement, pursuant to which Mr. Kan has conditionally agreed to purchase and the Vendor has conditionally agreed to sell a total of 1,188,621,377 Sale Shares, representing approximately 29.3% of the total issued share capital of the Company as at the Latest Practicable Date, at a total consideration of HK\$16,640,699.

The principal terms of the Sale and Purchase Agreement are summarised as follows:

#### **Date**

5 February 2024

#### **Parties**

- (i) The Vendor (as vendor); and
- (ii) Mr. Kan (as purchaser)

#### **Subject matter of the Sale and Purchase Agreement**

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and Mr. Kan has conditionally agreed to acquire a total of 1,188,621,377 Sale Shares, representing approximately 29.3% of the total issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Consideration

The total consideration of the Sale Shares is HK\$16,640,699, which is equivalent to HK\$0.014 per Sale Share. The consideration has been agreed between Mr. Kan and the Vendor after arm's length negotiations and having taken into account, among others, (i) the Company's historical share prices performance traded on the Stock Exchange before suspension of trading; (ii) the prolonged suspension of trading of the Shares on the Stock Exchange; and (iii) the historical financial performance of the Group.

The consideration shall be payable by Mr. Kan to the Vendor in cash (in HK\$ or the equivalent amount in RMB at the closing exchange rate published on the website of the People's Bank of China and authorised by the China Foreign Exchange Trade System) in the following manner:

- (i) as to HK\$4,992,210, equivalent to approximately 30% of the total consideration, shall be payable within five (5) business days after the signing of the Sale and Purchase Agreement; and
- (ii) the remaining balance of HK\$11,648,489 shall be payable on the Acquisition Completion Date.

### Conditions precedent of the Sale and Purchase Agreement

The Acquisition Completion is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Vendor having obtained all necessary consents and approvals, which represent approvals from 中華人民共和國財政部 (the Ministry of Finance of the People's Republic of China<sup>#</sup>) and 新華通訊社 (Xinhua News Agency<sup>#</sup>), regarding the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the passing of the necessary resolution(s) by the shareholders of the parent company of the Vendor at an extraordinary general meeting to be held and convened by the parent company of the Vendor to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) the Shares remaining listed on the Stock Exchange at Acquisition Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Acquisition Completion;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision; and

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## LETTER FROM THE BOARD

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- (v) the representations and warranties given by the Vendor under the Sale and Purchase Agreement remaining true, accurate and complete and not misleading in all material respects.

For the avoidance of doubt, except for condition (v) above which can be waived by Mr. Kan, all other conditions are incapable of being waived.

As at the Latest Practicable Date, all the above conditions have been fulfilled.

### **Acquisition Completion**

The Acquisition Completion took place on 29 February 2024.

For avoidance of doubt, the Acquisition and the Share Subscription are not inter-conditional, and the Share Offer has been made after the Acquisition Completion took place. The Composite Document has been despatched to the Independent Shareholders and the Share Offer opens for acceptance on 29 February 2024.

### **SHARE SUBSCRIPTION AGREEMENT**

On 5 February 2024, the Company and Mr. Kan entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Kan has conditionally agreed to subscribe for, an aggregate of 1,666,666,667 new Shares at the Subscription Price of HK\$0.012 per Subscription Share for a total consideration of approximately HK\$20,000,000.

The principal terms of the Share Subscription Agreement are summarised as follows:

#### **Date**

5 February 2024

#### **Parties**

- (i) The Company (as issuer); and
- (ii) Mr. Kan (as subscriber)

Mr. Kan is an executive Director, and is therefore a connected person of the Company.

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## LETTER FROM THE BOARD

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### Subscription Shares

As at the Latest Practicable Date, there are 4,055,349,947 Shares in issue. Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Share Subscription Completion, the 1,666,666,667 Subscription Shares represent approximately: (i) 41.1% of the existing issued share capital of the Company of 4,055,349,947 Shares as at the Latest Practicable Date; and (ii) 29.1% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,666,666,667 Subscription Shares.

### Subscription Price

The Subscription Price of HK\$0.012 per Subscription Share represents:

- the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 14.3% to the closing price of HK\$0.014 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 14.3% to the average closing price of approximately HK\$0.014 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 7.7% to the average closing price of approximately HK\$0.013 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Day; and

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## LETTER FROM THE BOARD

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As the Company recorded consolidated net liabilities as at 30 September 2023 as shown in the interim report of the Company for the six months ended 30 September 2023 which is the latest published financial statements of the Company, the comparison of the Subscription Price with the net asset value of the Company is not applicable.

The Subscription Price was determined after arm's length negotiations between the Company and Mr. Kan with reference to (i) the Company's historical share prices performance traded on the Stock Exchange during the period from 14 February 2022 to 12 August 2022, being the six-month period immediately before the suspension of trading in the Shares (the average closing price of which amounted to approximately HK\$0.012); and (ii) the historical financial performance of the Group.

Despite the prolonged suspension of trading in the Shares from 15 August 2022 up to and including 29 February 2024 (the "**Suspension Period**"), there is no material change in the operational and/or financial status of the Company during the Suspension Period, in particular (i) the composition of principal business activities of the Group, being the provision of civil engineering services and media and advertising businesses; and (ii) the capital structure of the Group. Further, as the Group has recorded net liabilities for the last five consecutive financial years since 2018, the Board was unable to determine the Subscription Price with reference to the net asset value per Share. By reasons of the above, the Board is of the view that the historical trading price of the Shares is an appropriate reference and meaningful benchmark in determining the Subscription Price.

Further, since the Resumption on 1 March 2024, the closing prices demonstrate a slight upward trend in general and the Subscription Price represents a discount of approximately 20.0% to the highest closing price per Share of HK\$0.015 as quoted on the Stock Exchange during the period from 1 March 2024 up to and including the Latest Practicable Date. However, having taken into account (i) the funding needs of the Company and the limited alternative fundraising options as detailed in the section headed "Letter from the Board – Reasons for the Share Subscription and use of proceeds" in this circular below; (ii) the balance between the manageable theoretical dilution effect and significant debt reduction to be brought about by the Share Subscription which forms part of the Company's debt restructuring plan in achieving the objective of implementing a holistic financial restructuring; and (iii) the financial effects of the Share Subscription as detailed in the section headed "Letter from the Board – Financial effects of the Share Subscription" in this circular below, the Directors (excluding Mr. Kan, being an executive Director and Ms. Tang Li, being a non-executive Director and a director of the Vendor, each of whom had abstained from voting on the resolutions of the Board; and including the independent non-executive Directors whose views are set out in the Letter from the Listing Rules Independent Board Committee and the Letter from the Takeovers Code Independent Board Committee in this circular) are of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, and the entering into of the Share Subscription Agreement is on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Ranking of the Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

### **Conditions precedent of the Share Subscription Agreement**

The Share Subscription Completion is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the Subscription Shares;
- (ii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the Share Subscription Agreement and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Share Subscription Agreement and the transactions contemplated thereunder;
- (iv) the Shares remaining listed and traded on the Stock Exchange at the Share Subscription Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Share Subscription Completion;
- (v) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (vi) the representations and warranties given by the Company under the Share Subscription Agreement remaining true, accurate and complete and not misleading in all material respects;
- (vii) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (viii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Existing CB Interest Shares;

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## LETTER FROM THE BOARD

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- (ix) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (x) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;
- (xi) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (xii) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (xiii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B; and
- (xiv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B.

For the avoidance of doubt, except for condition (vi) above which can be waived by Mr. Kan, all other conditions are incapable of being waived. As at the Latest Practicable Date, save for condition (v) above, none of the Share Subscription Conditions have been fulfilled.

If any of the Share Subscription Conditions are not fulfilled or waived (as the case may be) within 180 days after the date of the Share Subscription Agreement (i.e. 27 July 2024) (or such other time and date as may be agreed between the parties thereto), all obligations and liabilities of the parties to the Share Subscription Agreement shall cease and terminate and neither of the parties thereto shall have any claim against the other, save for any antecedent breach.

### **Share Subscription Completion**

The Share Subscription Completion shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the Share Subscription Agreement (or such later date as may be agreed between Mr. Kan and the Company) at the principal place of business of the Company or such other place as may be agreed between Mr. Kan and the Company.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

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## LETTER FROM THE BOARD

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For avoidance of doubt, the Acquisition and the Share Subscription are not inter-conditional, and the Share Offer has been made after the Acquisition Completion which took place on 29 February 2024. The Composite Document has been despatched to the Independent Shareholders and the Share Offer opens for acceptance on 29 February 2024.

Subject to completion of the Relevant Transactions, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from the Share Subscription will be approximately HK\$20,000,000 and approximately HK\$19,900,000, respectively. On such basis, the net price raised per Subscription Share upon the Share Subscription Completion will be approximately HK\$0.012.

The net proceeds from the Share Subscription are intended to be used (a) as to HK\$10,355,700 for the repayment of its outstanding indebtedness of the Group which includes (i) an amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, of HK\$2,008,844; and (ii) part of outstanding broadcasting fee owed to the Vendor as a service provider to the Group amounting to HK\$8,346,856; and (b) the remaining amount of approximately HK\$9,500,000 for the general working capital of the Group.

### **Share Specific Mandate A**

The Subscription Shares will be allotted and issued under the Share Specific Mandate to be sought from the Independent Shareholders at the EGM.

### **Application for listing**

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

### **INFORMATION ON MR. KAN**

Mr. Kan, aged 56 and being an executive Director and a Shareholder, formed Tsun Yip Waterworks Construction Company Limited, being an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services, and Tsun Yip Civil Construction Company Limited, being an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services, in 1996 and 2000 respectively and has been the director of both companies since their formation. Mr. Kan has over 28 years of experience in handling civil engineering projects of various types.

It is believed that the Company could leverage Mr. Kan's knowledge in the civil engineering industry and his rich experience and established business network to maintain the Group's competitive edge and solidify its leading position in the industry.

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## LETTER FROM THE BOARD

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### REASONS FOR THE SHARE SUBSCRIPTION AND USE OF PROCEEDS

The Company has been proactively working with its legal adviser and financial adviser to assess the current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Company's business and assets.

As at the Latest Practicable Date, the Group is indebted to (i) Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, in the amount of HK\$2,008,844; (ii) the Vendor in the amount of HK\$24,586,856, being the outstanding broadcasting fee owed to the Vendor as a service provider to the Group; and (iii) other independent third parties in the amount of approximately HK\$30.8 million. The Company plans to settle part of the outstanding indebtedness by (i) utilising the fresh money provided by the Share Subscription; and (ii) issuing the Convertible Bonds A and Convertible Bonds B. The Directors believe that fresh money provided by the Offeror will resolve the liquidity issue of the Company and the Share Subscription is in the interests and long term benefits of all stakeholders.

The Board has considered various fund raising methods including long term bank borrowing, placement of Shares to independent third parties, rights issue, open offer. In respect of long-term bank borrowings of meaningful loan size, the Company was given to understand that commercial banks generally requested for the provision of collateral to fortify the loan, which the Company was unable to give. In addition, the Group would have to bear significant interest expenses if it is to take out a loan of meaningful size, which runs against the whole purpose of reducing financial costs of the Group to alleviate the Company's loss-making and net liabilities situation. As regards equity fundraising exercises (such as placement of the Shares to independent third parties, rights issue and/or open offer), the Company has approached several securities brokerage firms regarding the possibility and feasibility of acting as placing agent or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3% to 8% based on the fund raising size, and a significant discount on the placing/subscription price so as to increase the attractiveness of the equity fundraising exercise. In addition, any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition.

In respect of rights issue or open offer, given the thin trading volume of the Shares prior to the suspension of trading and the prevailing market conditions, the exact amount of proceeds to be raised from rights issue or open offer would be highly uncertain. Further, rights issue or open offer would also involve the engagement of reporting accountants, financial advisers and/or brokerage agent(s), issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs such as placing commission as compared to the Share Subscription.

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## LETTER FROM THE BOARD

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Having considered that (i) the prolonged suspension of trading in the Shares during the Suspension Period and the restrictions of the alternative fund raising methods as discussed above; (ii) only Mr. Kan expressed his willingness to subscribe for the Subscription Shares at the Subscription Price which represents the closing price as quoted on the Stock Exchange as at the Last Trading Day; and (iii) the Share Subscription enables the Company to raise a meaningful size of proceeds which matches its capital needs and helps resolve the Company's liquidity issue, the Board (excluding Mr. Kan, being an executive Director and Ms. Tang Li, being a non-executive Director and a director of the Vendor, each of whom has an interest in and has abstained from voting on the Share Subscription at the relevant board meeting; and including the independent non-executive Directors whose views are set out in the Letter from the Listing Rules Independent Board Committee and the Letter from the Takeovers Code Independent Board Committee in this circular) considers that the Share Subscription is the most expedient and feasible way to raise sufficient fund to satisfy the Group's funding needs.

The gross proceeds from the Share Subscription amount to HK\$20,000,000, while the net proceeds from the Share Subscription, after deducting the related expenses, are estimated to be approximately HK\$19,900,000. The Company intends to apply the net proceeds from the Share Subscription (a) as to HK\$10,355,700 for the repayment of its outstanding indebtedness of the Group which includes (i) an amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, of HK\$2,008,844; and (ii) part of outstanding broadcasting fee owed to the Vendor as a service provider to the Group amounting to HK\$8,346,856; and (b) the remaining amount of approximately HK\$9,500,000 for the general working capital of the Group.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE SHARE SUBSCRIPTION

#### Effect on cash and working capital

As disclosed in the interim report of the Company for the six months ended 30 September 2023, the cash and cash equivalents balance and net current liabilities of the Group as at 30 September 2023 amounted to approximately HK\$52.1 million and approximately HK\$419.4 million, respectively. Immediately following the Share Subscription Completion and the repayment of outstanding indebtedness as discussed in the section headed “Reasons for the Share Subscription and use of proceeds” in this circular above, the cash and cash equivalents of the Group is expected to be increased by approximately HK\$9.5 million (being the remaining balance of net proceeds of the Share Subscription of approximately HK\$19.9 million after repayment of outstanding indebtedness amounting to approximately HK\$10.4 million) and the Group’s net current liabilities position is expected to be improved.

#### Effect on net liabilities position

According to the interim report of the Company for the six months ended 30 September 2023, the unaudited condensed consolidated net liabilities attributable to the Shareholders amounted to approximately HK\$397.4 million as at 30 September 2023. Immediately following the Share Subscription Completion and the repayment of outstanding indebtedness as discussed in the section headed “Reasons for the Share Subscription and use of proceeds” in this circular above, it is expected that the net liabilities attributable to the Shareholders will be decreased by approximately HK\$19.9 million, representing the entire net proceeds of the Share Subscription. Accordingly, the Share Subscription is expected to have a positive impact on the financial position of the Group.

### CONVERTIBLE BONDS

As conditions precedent to the Share Subscription Completion, the Company is required to (i) enter into the Fifth Supplemental Deed with the Vendor to amend certain terms of Existing Convertible Bonds; (ii) issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to set off the outstanding interests payable by the Company to the Vendor as a holder of the Existing Convertible Bonds; and (iii) issue the Convertible Bonds B in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group.

### THE FIFTH SUPPLEMENTAL DEED

On 5 February 2024, the Company and the Vendor entered into the Fifth Supplemental Deed to amend the terms of the Existing Convertible Bonds. Apart from the Fifth Amendment of Terms, all other terms of the Existing Convertible Bonds will remain unchanged.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds. Please refer to “INFORMATION ON THE VENDOR” below in this circular for further information.

### **Conditions precedent of the Fifth Supplemental Deed**

The Fifth Amendment of Terms is subject to the following conditions:

- (i) the Stock Exchange having approved the Fifth Amendment of Terms;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the New Existing CB Interest Shares;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the Fifth Supplemental Deed and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Fifth Supplemental Deed and the transactions contemplated thereunder;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (vii) the representations and warranties given by the Company under the Fifth Supplemental Deed remaining true, accurate and complete and not misleading in all material respects;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (ix) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares;

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## LETTER FROM THE BOARD

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- (x) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (xi) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;
- (xii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (xiii) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (xiv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B; and
- (xv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B.

For avoidance of doubt, none of the above conditions is capable of being waived. As at the Latest Practicable Date, save for condition (vi) above, none of the conditions have been fulfilled.

### **Principal terms of the Existing Convertible Bonds immediately after the Fifth Amendment of Terms**

The principal terms of the Existing Convertible Bonds to be amended pursuant to the Fifth Supplemental Deed are summarised as follows:

Outstanding principal amount	HK\$257,030,210
Maturity	The maturity date of the Existing Convertible Bonds shall be extended to the Fifth Extended Maturity Date, being 9 December 2025.
Interest rate	With effect from 10 December 2021 (being the day after the existing maturity date of the Existing Convertible Bonds), the interest rate of the Existing Convertible Bonds shall be retrospectively reduced from 3% to 0.8% per annum.

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## LETTER FROM THE BOARD

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Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest accrued from 10 December 2021 shall be settled by the Company on the Fifth Extended Maturity Date by way of allotting and issuing to the holder of the Existing Convertible Bonds such number of new Shares (the “**New Existing CB Interest Share(s)**”) of value equivalent to the total amount of interests accrued from 10 December 2021 to 9 December 2025 (both days inclusive) at the issue price of HK\$0.196 per New Existing CB Interest Share, which represents the Conversion Price of HK\$0.196 per Conversion Share to be converted under the Existing Convertible Bonds.

Conversion period

Holder of the Existing Convertible Bonds shall not convert all or part of the Existing Convertible Bonds into Conversion Shares prior to the Fifth Extended Maturity Date.

Redemption

Holder of the Existing Convertible Bonds shall not wind up the Company or request the Existing Convertible Bonds be redeemed by the Company prior to the Fifth Extended Maturity Date.

Transferability

Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Existing Convertible Bonds is entitled to transfer the Existing Convertible Bonds to any other person.

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## LETTER FROM THE BOARD

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### Mandatory conversion

Subject to the conversion restriction as set out in the terms and conditions of the Existing Convertible Bonds, the holder of the Existing Convertible Bonds (or its successor or transferee) shall on the Fifth Extended Maturity Date, mandatorily convert all of the outstanding principal amount of the Existing Convertible Bonds into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Fifth Extended Maturity Date and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Existing Convertible Bonds or its nominee shall become the legal beneficial owner of the Conversion Shares.

Assuming that (i) there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the maturity date of the Existing Convertible Bonds as extended by the Fifth Supplemental Deed; (ii) the Existing Convertible Bonds are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the interest accrued and to be accrued from 10 December 2021 to 9 December 2025 (both days inclusive) of approximately HK\$8,224,967 are settled by the issue of the New Existing CB Interest Shares at the issue price of HK\$0.196 per New Existing CB Interest Share, a total number of 1,353,342,738 new Shares, comprising of 1,311,378,622 Conversion Shares and 41,964,116 New Existing CB Interest Shares, will be allotted and issued, representing approximately 33.4% of the issued share capital of the Company as at the Latest Practicable Date and approximately 25.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,353,342,738 new Shares.

The Fifth Supplemental Deed shall become effective within fifteen (15) business days after the fulfilment of all the conditions precedent as set out therein.

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## LETTER FROM THE BOARD

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The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

### **Existing CB Specific Mandate**

The Conversion Shares to be converted under the Existing Convertible Bonds and the New Existing CB Interest Shares will be allotted and issued under the Existing CB Specific Mandate to be sought from the Independent Shareholders at the EGM.

### **Application for listing**

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the New Existing CB Interest Shares.

No application will be made for listing of, or permission to deal in, the Existing Convertible Bonds on the Stock Exchange or any other stock exchange.

### **CB SUBSCRIPTION AGREEMENT A**

As at 9 December 2021, being the existing maturity date of the Existing Convertible Bonds, the total amount of interest payable by the Company to the Vendor amounted to HK\$64,127,855 (the “**Overdue Existing CB Interest**”) pursuant to the terms and conditions of the Existing Convertible Bonds. As part of the debt restructuring proposal, the Company is required to issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to the Vendor to set off the Overdue Existing CB Interest.

On 5 February 2024, the Company and the Vendor entered into the CB Subscription Agreement A, pursuant to which the Company conditionally agrees to issue and the Vendor conditionally agrees to subscribe for the Convertible Bonds A in the principal amount of HK\$64,127,855 and the Subscriber will pay the subscription price by way of set-off against the Overdue Existing CB Interest.

On 13 March 2024, the Company and the Vendor entered into the CB Extension Letter A to extend the latest date for the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the CB Subscription Agreement A to 31 May 2024 (or such other time and date as may be agreed between the parties thereto).

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## LETTER FROM THE BOARD

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Set out below are the principal terms of the CB Subscription Agreement A:

Date	5 February 2024
Parties	(i) The Company (as issuer); and  (ii) the Vendor (as subscriber).
Subscription of Convertible Bonds A	The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond A in the principal amount of HK\$64,127,855 due on 9 December 2025 at the initial Conversion Price of HK\$0.196 per Conversion Share (subject to adjustments upon the consolidation or sub-division of Shares).
Conditions precedent	Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:  (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;  (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;  (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the CB Subscription Agreement A and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;  (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;

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## LETTER FROM THE BOARD

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- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the representations and warranties given by the Company and the Vendor under the CB Subscription Agreement A remaining true, accurate and complete and not misleading in all material respects;
- (vii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the CB Subscription Agreement A and the transactions contemplated thereunder, including the CB Specific Mandate A for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A and the CB Interest Shares A;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional);
- (ix) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional); and
- (x) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional).

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## LETTER FROM THE BOARD

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For the avoidance of doubt, except for condition (vi) above which can be waived by the Vendor, all other conditions are incapable of being waived. As at the Latest Practicable Date, save for condition (iv) above, none of the conditions have been fulfilled.

If any of the above conditions are not fulfilled or waived (as the case may be) on or before 31 May 2024 (or such other time and date as may be agreed between the parties thereto in writing), the CB Subscription Agreement A shall cease to have any effect and the parties thereto shall bear no obligations and responsibilities, save for any antecedent breach.

### Completion

Completion of the subscription of Convertible Bonds A shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the CB Subscription Agreement A (or such later date as may be agreed between the Company and the Vendor) at the principal place of business of the Company or such other place as may be agreed between the Company and the Vendor.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The principal terms of the Convertible Bonds A are summarised as follows:

Principal amount	HK\$64,127,855
Maturity Date (A)	9 December 2025
Interest rate	0.8% per annum

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## LETTER FROM THE BOARD

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Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest payable under the Convertible Bonds A shall be settled by the Company on the Maturity Date (A) by way of allotting and issuing to the holder of the Convertible Bonds A such number of new Shares (the “**CB Interest Share(s) A**”) of value equivalent to the total outstanding amount of interests at the issue price of HK\$0.196 per CB Interest Share A, which represents the Conversion Price of HK\$0.196 per Conversion Share to be converted under the Convertible Bonds A, or such other methods as may be agreed between the Company and the holder of the Convertible Bonds A.

Conversion Price

HK\$0.196 per Conversion Share

The Conversion Price of HK\$0.196 per Conversion Share represents:

- (i) a premium of approximately 1533.3% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 1533.3% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) trading days immediately prior to and including the Last Trading Day.

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## LETTER FROM THE BOARD

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The Conversion Price which is the same as the existing conversion price of HK\$0.196 per Conversion Share of the Existing Convertible Bonds, was arrived at after arm's length negotiations between the Company and the Vendor, and determined with a view to relieve the financial burden of the Company. The Directors (excluding (i) Mr. Kan, being an executive Director who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; (ii) Ms. Tang Li, being a non-executive Director and a director of the Vendor who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; and including the independent non-executive Directors whose views are set out in the Letter from the Listing Rules Independent Board Committee and the Letter from the Takeovers Code Independent Board Committee in this circular, after being advised by the Independent Financial Adviser) consider that the Conversion Price and the terms and conditions of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Conversion period

Holder of the Convertible Bonds A shall not convert all or part of the Convertible Bonds A into Conversion Shares prior to the Maturity Date (A).

### Redemption

Holder of the Convertible Bonds A shall not wind up the Company or request the Convertible Bonds A be redeemed by the Company prior to the Maturity Date (A).

### Transferability

Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Convertible Bonds A is entitled to transfer the Convertible Bonds A to any other person.

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## LETTER FROM THE BOARD

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### Mandatory conversion

Subject to the conversion restriction as set out in the terms and conditions of the Convertible Bonds A, the Vendor (or its successor or transferee) shall on the Maturity Date (A), mandatorily convert all of the outstanding principal amount of the Convertible Bonds A into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Maturity Date (A) (including updating the register of members of the Company) and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Convertible Bonds A or its nominee shall become the legal beneficial owner of the Conversion Shares.

Assuming that (i) there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the Maturity Date (A); (ii) the Convertible Bonds A are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the Convertible Bonds A has been issued and the interest accrued and to be accrued from 10 December 2023 to 9 December 2025 (both days inclusive) of approximately HK\$1,026,046 are settled by the issue of the CB Interest Shares A at the issue price of HK\$0.196 per CB Interest Share A, a total number of 332,417,860 new Shares, comprising of 327,182,933 Conversion Shares and 5,234,927 CB Interest Shares A, will be allotted and issued, representing approximately 8.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 7.6% of the issued share capital of the Company as enlarged by the allotment and issue of the 332,417,860 new Shares.

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## LETTER FROM THE BOARD

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### CB SPECIFIC MANDATE A

The Conversion Shares to be converted under the Convertible Bonds A and the CB Interest Shares A will be allotted and issued under the CB Specific Mandate A to be sought from the Independent Shareholders at the EGM.

### Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the CB Interest Shares A.

No application will be made for listing of, or permission to deal in, the Convertible Bonds A on the Stock Exchange or any other stock exchange.

### CB SUBSCRIPTION AGREEMENT B

As at the Latest Practicable Date, the outstanding broadcasting fee owed to the Vendor amounting to HK\$24,586,856 of which HK\$8,346,856 will be partly settled by net proceeds from the Share Subscription as discussed in section headed “Letter from the Board – Reasons for the Share Subscription and use of proceeds” in this circular above. The remaining balance will be set off by the issue of the Convertible Bonds B in the principal amount of HK\$16,240,000.

On 5 February 2024, the Company and the Vendor entered into the CB Subscription Agreement B, pursuant to which the Company conditionally agrees to issue and the Vendor conditionally agrees to subscribe for the Convertible Bonds A in the principal amount of HK\$16,240,000 and the Subscriber will pay the subscription price by way of set-off against the remaining outstanding broadcasting fee owed to the Vendor in the amount of HK\$16,240,000.

On 13 March 2024, the Company and the Vendor entered into the CB Extension Letter B to extend the latest date for the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the CB Subscription Agreement B to 31 May 2024 (or such other time and date as may be agreed between the parties thereto).

Set out below are the principal terms of the CB Subscription Agreement B:

Date	5 February 2024
Parties	(i) The Company (as issuer); and (ii) the Vendor (as subscriber).

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## LETTER FROM THE BOARD

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Subscription of  
Convertible Bonds B

The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond B in the principal amount of HK\$16,240,000 due on 9 December 2025 at the initial Conversion Price of HK\$0.196 per Conversion Share (subject to adjustments upon the consolidation or sub-division of Shares).

Conditions precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the CB Subscription Agreement B and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;

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## LETTER FROM THE BOARD

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- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the representations and warranties given by the Company and the Vendor under the CB Subscription Agreement B remaining true, accurate and complete and not misleading in all material respects;
- (vii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the CB Subscription Agreement B and the transactions contemplated thereunder, including the CB Specific Mandate B for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B and the CB Interest Shares B;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional);
- (ix) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional); and
- (x) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional).

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## LETTER FROM THE BOARD

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For the avoidance of doubt, except for condition (vi) above which can be waived by the Vendor, all other conditions are incapable of being waived. As at the Latest Practicable Date, save for condition (iv) above, none of the conditions have been fulfilled.

If any of the above conditions are not fulfilled or waived (as the case may be) on or before 31 May 2024 (or such other time and date as may be agreed between the parties thereto in writing), the CB Subscription Agreement B shall cease to have any effect and the parties thereto shall bear no obligations and responsibilities, save for any antecedent breach.

### Completion

Completion of the subscription of Convertible Bonds B shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the CB Subscription Agreement B (or such later date as may be agreed between the Company and the Vendor) at the principal place of business of the Company or such other place as may be agreed between the Company and the Vendor.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The principal terms of the Convertible Bonds B are summarised as follows:

Principal amount	HK\$16,240,000
Maturity Date (B)	9 December 2025
Interest rate	0.8% per annum

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## LETTER FROM THE BOARD

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Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest payable under the Convertible Bonds B shall be settled by the Company on the Maturity Date (B) by way of allotting and issuing to the holder of the Convertible Bonds B such number of new Shares (the “**CB Interest Share(s) B**”) of value equivalent to the total outstanding amount of interests at the issue price of HK\$0.196 per CB Interest Share B, which represents the Conversion Price of HK\$0.196 per Conversion Share.

Conversion Price

HK\$0.196 per Conversion Share

The Conversion Price of HK\$0.196 per Conversion Share represents:

- (i) a premium of approximately 1533.3% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 1533.3% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) trading days immediately prior to and including the Last Trading Day.

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## LETTER FROM THE BOARD

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The Conversion Price which is the same as the existing conversion price of HK\$0.196 per Conversion Share of the Existing Convertible Bonds, was arrived at after arm's length negotiations between the Company and the Vendor, and determined with a view to relieve the financial burden of the Company. The Directors (excluding (i) Mr. Kan, being an executive Director who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; (ii) Ms. Tang Li, being a non-executive Director and a director of the Vendor who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; and including the independent non-executive Directors whose views are set out in the Letter from the Listing Rules Independent Board Committee and the Letter from the Takeovers Code Independent Board Committee in this circular, after being advised by the Independent Financial Adviser) consider that the Conversion Price and the terms and conditions of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Conversion period

Holder of the Convertible Bonds B shall not convert all or part of the Convertible Bonds B into Conversion Shares prior to the Maturity Date (B).

### Redemption

Holders of the Convertible Bonds B shall not wind up the Company or request the Convertible Bonds B be redeemed by the Company prior to the Maturity Date (B).

### Transferability

Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Convertible Bonds B is entitled to transfer the Convertible Bonds B to any other person.

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## LETTER FROM THE BOARD

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### Mandatory conversion

Subject to the conversion restriction as set out in the terms and conditions of the Convertible Bonds B, the Vendor (or its successor or transferee) shall on the Maturity Date (B), mandatorily convert all of the outstanding principal amount of the Convertible Bonds B into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Maturity Date (B) (including updating the register of members of the Company) and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Convertible Bonds B or its nominee shall become the legal beneficial owner of the Conversion Shares.

Assuming that (i) there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the Maturity Date (B); (ii) the Convertible Bonds B are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the Convertible Bonds B has been issued and the interest accrued and to be accrued from 10 December 2023 to 9 December 2025 (both days inclusive) of approximately HK\$259,840 are settled by the issue of the CB Interest Shares B at the issue price of HK\$0.196 per CB Interest Share B, a total number of 84,182,856 new Shares, comprising of 82,857,142 Conversion Shares and 1,325,714 CB Interest Shares B, will be allotted and issued, representing approximately 2.1% of the issued share capital of the Company as at the Latest Practicable Date and approximately 2.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 84,182,856 new Shares.

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## LETTER FROM THE BOARD

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### **CB SPECIFIC MANDATE B**

The Conversion Shares to be converted under the Convertible Bonds B and the CB Interest Shares B will be allotted and issued under the CB Specific Mandate B to be sought from the Independent Shareholders at the EGM.

### **Application for listing**

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the CB Interest Shares B.

No application will be made for listing of, or permission to deal in, the Convertible Bonds B on the Stock Exchange or any other stock exchange.

### **INFORMATION ON THE VENDOR**

The Vendor, being the holder of the Existing Convertible Bonds and the subscriber of the Convertible Bonds A and Convertible Bonds B, is a company incorporated in Hong Kong with limited liability and wholly-owned by Xinhua News Agency (新華社). As at the Latest Practicable Date, its principal activity is investment holding. The Vendor is a company which has been granted the rights to develop the television broadcasting network by PRC government and Xinhua News Agency.

Xinhua News Agency, headquartered in Beijing, the PRC, is a state-owned news agency of the PRC and a modern and worldwide news agency. It has been the major news and information collection and distribution centre in the PRC since 1931. Xinhua News Agency has branches located in over 30 provinces, autonomous regions and centrally administered municipalities in the PRC as well as Hong Kong and Macau and has branches in more than 100 countries and regions. In addition, Xinhua News Agency has seven regional offices that can release news directly.

As the Vendor was a substantial Shareholder beneficially interested in 1,188,621,377 Shares as at the date of the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, and immediately prior to the Acquisition Completion which took place on 29 February 2024, it is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### REASONS FOR THE FIFTH AMENDMENT OF TERMS AND ISSUE OF CONVERTIBLE BONDS A AND CONVERTIBLE BONDS B

The Existing Convertible Bonds had matured on 9 December 2021 and therefore the outstanding principal amount of which and the accrued Overdue Existing CB Interest shall be repayable by the Group. Given the current difficult financial position of the Group, the Vendor's demands for the redemption of the Existing Convertible Bonds and the repayment of Overdue Existing CB Interest will incur a substantial cash outflow, which is expected to bring negative impact on the financial position of the Group. As such, the Board considers it to be fair and reasonable for the terms of the Existing Convertible Bonds to be re-open for negotiation with the Vendor.

Taking in account that the Fifth Amendment of Terms, including but not limited to (i) extension of the maturity date of the Existing Convertible Bonds; (ii) reduction of the interest rate from 3% per annum to 0.8% per annum; and (iii) mandatory conversion of the Convertible Bonds at maturity, can alleviate the financial burden of the Group and provide flexibility to the Company in its future cash management in business development, the Directors (excluding Mr. Kan, being an executive Director and Ms. Tang Li, being a non-executive Director and a director of the Vendor, each of whom had abstained from voting on the resolutions of the Board; and including the independent non-executive Directors whose views are set out in the Letter from the Listing Rules Independent Board Committee and the Letter from the Takeovers Code Independent Board Committee in this circular) are of the view that the terms and conditions of the Fifth Supplemental Deed are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole. Although the relative shareholding in the Company of the existing Shareholders would be diluted as a result of the conversion of the Convertible Bonds into Conversion Shares, the Board is of the view that it would be in the best interest of the Company and the Shareholders as a whole if the capital deficiency of the Group would be significantly reduced as a result of the Fifth Amendment of Terms and the issue of the Convertible Bonds A and the Convertible Bonds B.

### INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability on 15 March 2010, the Shares of which have been listed on GEM of the Stock Exchange since 30 August 2010. The principal activity of the Company is investment holding. The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong.

Financial and general information in relation to the Group are set out in "Appendix I – Financial Information of the Group" and "Appendix II – General Information" to this Composite Document, respectively.

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## LETTER FROM THE BOARD

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**In deciding whether or not to accept the Share Offer, the Independent Shareholders should consider the terms of the Share Offer as set out in the Composite Document and the material uncertainties relating to going concern as reported by the auditor of the Company on the consolidated financial statements of the Group for the years ended 31 March 2021, 31 March 2022 and 31 March 2023. Please refer to Appendix II to this circular for further details.**

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the material uncertainties in respect of the “going concern” issue. Should the Group fail to achieve successful outcomes from the relevant rescue plans and measures, including but not limited to the Share Subscription, the Fifth Amendment of Terms and the issue of the Convertible Bonds A and Convertible Bonds B, details of which are set out in the section headed “2. Summary of Financial Information of the Group” in Appendix I to this circular, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group’s assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

To resolve the “going concern” issue, the Board has also considered other alternative debt and equity financing and fundraising methods, including long term bank borrowing, placement of Shares to independent third parties, rights issue, open offer. However, taking into account (i) the significant interest expenses expected to be incurred from meaningful size of bank borrowings; (ii) the Company’s loss-making and net liabilities situation which hinders potential placees/subscribers’ willingness to subscribe new Shares; (iii) the significant placing/underwriting commission expected to be incurred from brokerage firms; (iv) the thing trading volume of the Shares prior to the suspension of trading and after the Resumption and the prevailing market conditions which rendered the results of potential rights issue or open offer uncertain; and (v) the relatively longer time and additional administrative costs to be incurred from other equity fundraising activities, such as rights issue and open offer, the Board is of the view that the abovementioned debt and equity financing and fundraising methods may not be effective and efficient to resolve the “going concern” issue.

**Shareholders should note that the Acquisition and the Share Subscription are not inter-conditional. The Share Subscription Completion is subject to the fulfilment or waiver (as the case may be) of all of the Share Subscription Conditions, and may or may not proceed.**

**In the event that (i) the Share Subscription Completion does not take place; and (ii) the total number of the Offer Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. (Hong Kong time) on the first Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve) under the Share Offer, together with the Shares acquired by the Offeror or parties acting in concert with it before or during the Share Offer, does not result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Share Offer will not become unconditional and will lapse.**

## LETTER FROM THE BOARD

For details of the “going concern” issue, please refer to the section headed “2. Summary of Financial Information of the Group” in Appendix I to this circular. The material uncertainties relating to the “going concern” basis of the Company means that the Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Share Offer. If the Independent Shareholders decide not to accept the Share Offer, they should be aware of the potential risks associated with the material uncertainties in respect of the “going concern” issue.

### CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Subscription Completion; and (iii) immediately after (a) the Share Subscription Completion; (b) full conversion of the Convertible Bonds; and (c) allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Subscription Completion		Immediately after (a) the Share Subscription Completion; (b) full conversion of the Convertible Bonds; and (c) allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B	
	Number of		Number of		Number of	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
<b>The Offeror and parties acting in concert with it</b>						
– The Offeror	1,188,621,377	29.3	2,855,288,044	49.9	2,855,288,044	38.2
– Mr. Kan	69,000,000	1.7	69,000,000 <i>(Note 1)</i>	1.2	69,000,000 <i>(Note 1)</i>	0.9
<b>The Vendor</b> <i>(Note 2 &amp; 3)</i>	–	–	–	–	1,769,943,454 <i>(Note 4)</i>	23.6
<b>Public Shareholders</b>	<u>2,797,728,570</u>	<u>69.0</u>	<u>2,797,728,570</u>	<u>48.9</u>	<u>2,797,728,570</u>	<u>37.3</u>
<b>Total</b>	<u>4,055,349,947</u>	<u>100.0</u>	<u>5,722,016,614</u>	<u>100.0</u>	<u>7,491,960,068</u>	<u>100.0</u>

**Notes:**

- (1) Subject to the completion of the subscription of 1,666,666,667 Shares in the Share Subscription, Mr. Kan, together with parties acting in concert with him, will be beneficially interested in 2,924,288,044 Shares, representing approximately 51.1% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.
- (2) As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds in the outstanding principal amount of HK\$257,030,210.
- (3) Upon the issue of the Convertible Bonds A and Convertible Bonds B, the Vendor will be the holder of (i) the Existing Convertible Bonds in the outstanding principal amount of HK\$257,030,210; (ii) the Convertible Bond A in the principal amount of HK\$64,127,855; and (iii) the Convertible Bond B in the principal amount of HK\$16,240,000. Pursuant to the terms and conditions of the Convertible Bonds, the Vendor is not entitled to exercise the relevant conversion right prior to the respective maturity dates.

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## LETTER FROM THE BOARD

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- (4) For illustrative purpose, upon (i) the mandatory conversion of the Convertible Bonds in accordance with the terms and conditions of the respective agreements; and (ii) the allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B, the Vendor will be beneficially interested in 1,769,943,454 Shares, comprising of (i) 1,311,378,622 Conversion Shares to be converted under the Existing Convertible Bonds; (ii) 327,182,933 Conversion Shares to be converted under the Convertible Bonds A; (iii) 82,857,142 Conversion Shares to be converted under the Convertible Bonds B; (iv) 41,964,116 New Existing CB Interest Shares; (v) 5,234,927 CB Interest Shares A; and (vi) 1,325,714 CB Interest Shares B.
- (5) Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

### **EQUITY FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

### **FURTHER FUNDRAISING ACTIVITIES IN THE NEXT TWELVE MONTHS**

As at the Latest Practicable Date, the Company has no plan to conduct any further fundraising activity in the next twelve months. However, the Board cannot rule out the possibility that the Company may conduct debt and/or equity fundraising exercise(s) if and when suitable business development opportunities arise in order to enhance the financial performance of the Group and return to the Shareholders. The Company will make further announcement(s) in this regard in accordance with the GEM Listing Rules as and when appropriate.

### **GEM LISTING RULES IMPLICATIONS**

#### **(i) Share Subscription**

Mr. Kan is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

#### **(ii) Convertible Bonds**

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Fifth Amendment of Terms contemplated under the Fifth Supplemental Deed pursuant to Rule 34.05 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The Vendor was a substantial Shareholder as at the date of the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, and immediately prior to the Acquisition Completion which took place on 29 February 2024, and therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the (i) entering into of Fifth Supplemental Deed with the Vendor; and (ii) the issue of the Convertible Bonds A and Convertible Bonds B to the Vendor, constitute connected transactions on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### TAKEOVERS CODE IMPLICATIONS

#### Share Offer

As at the Latest Practicable Date, Mr. Kan and the parties acting in concert with him are interested in 1,257,621,377 Shares, representing approximately 31.0% of the issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, upon the Acquisition Completion, Mr. Kan is required to make the Share Offer, and the Composite Document was despatched on 29 February 2024.

As a result of the completion of both the Acquisition and the Share Subscription, shareholding of Mr. Kan will increase to 2,924,288,044 Shares, representing approximately 51.1% of the issued share capital as enlarged by the allotment and issue of the 1,666,666,667 Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of the Joint Announcement and the Share Subscription Completion. At such time, the Share Offer shall become unconditional as to acceptances.

**Shareholders and potential investors of the Company should be aware that the Acquisition and the Share Subscription are not inter-conditional. The Share Offer has been made and is conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares acquired before or during the Share Offer by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company.**

**Shareholders and potential investors of the Company should also note that as the Acquisition and the Share Subscription are not inter-conditional, even if the Special Deals are not approved by the Independent Shareholders at the EGM and/or the Share Subscription Completion does not take place, the Share Offer will proceed in accordance with the terms as set out in the Composite Document.**

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## LETTER FROM THE BOARD

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Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Takeovers Code Independent Board Committee and the Independent Shareholders and the recommendation from the Takeovers Code Independent Board Committee to the Independent Shareholders in respect of the Share Offer, before deciding whether or not to accept the Share Offer.

### **Special Deals**

As disclosed in the section headed “Reasons for the Share Subscription and use of proceeds” in this circular above, the Company intends to apply part of the net proceeds from the Share Subscription of approximately HK\$10.4 million to repay (i) the outstanding amount due to Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor; and (ii) part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group. The Company also entered into the Fifth Supplemental Deed with the Vendor to amend certain terms of the Existing Convertible Bonds; (ii) entered into the CB Subscription Agreement A to issue the Convertible Bonds A to the Vendor to set off the Overdue Existing CB Interest; and (iii) entered into the CB Subscription Agreement B to issue the Convertible Bonds B to set off the outstanding broadcasting fee owed to the Vendor as a service provider to the Group which will remain unsettled by the proceeds from the Share Subscription. Immediately prior to the Acquisition Completion, the Vendor was a substantial Shareholder interested in 1,188,621,377 Shares, representing approximately 29.3% of the total issued share capital of the Company, and as at the Latest Practicable Date, is the holder of the Existing Convertible Bonds.

As (i) the repayment of amount due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor, are not extended to all the other Shareholders, these arrangements shall constitute Special Deals under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (ii) approval of the Special Deals by the Independent Shareholders at the EGM.

An application has been made by the Company to the Executive for its consent to the Special Deals pursuant to Note 5 to Rule 25 of the Takeovers Code.

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## LETTER FROM THE BOARD

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### FORMATION OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the GEM Listing Rules, the Listing Rules Independent Board Committee, comprising Mr. Wu Guo Ming, Mr. Wan Chi Keung, Aaron, *BBS, JP.*, Mr. Kwok Man To Paul and Mr. Chin Chi Ho Stanley, each being an independent non-executive Director, was established by the Company to advise the Independent Shareholders in respect of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and CB Subscription Agreement B, and the respective transactions contemplated thereunder (each of which constitutes a connected transaction on the part of the Company), and as to voting.

Pursuant to the Takeovers Code, the Takeovers Code Independent Board Committee, comprising (i) Mr. Law Cheuk Hung, being a non-executive Director; and (ii) Mr. Wu Guo Ming, Mr. Wan Chi Keung, Aaron, *BBS, JP.*, Mr. Kwok Man To Paul and Mr. Chin Chi Ho Stanley, each being an independent non-executive Director, was established by the Company to advise the Independent Shareholders in relation to the terms of the Special Deals and as to voting.

Ms. Tang Li, being a non-executive Director as well as an existing director of the Vendor, is considered to have conflict of interest in advising on the terms of the Relevant Transactions, and therefore has not been appointed as a member of the Takeovers Code Independent Board Committee.

With the approval of the Independent Board Committees, INCU Corporate Finance Limited has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committees and the Independent Shareholders in relation to the terms of the Relevant Transactions and as to voting.

### EGM

A notice convening the EGM to be held on Monday, 8 April 2024 at 10:30 a.m. at 11/F, Golden Star Building, 20-24 Lockhart Road, Wan Chai, Hong Kong is set out on pages EGM-1 to EGM-7 of this circular. The EGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, (i) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares); (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder; (iii) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares to be converted under the Convertible Bonds A and the CB Interest Shares A); (iv) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares to be converted under the Convertible Bonds B and the CB Interest Shares B); and (v) the Special Deals.

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## LETTER FROM THE BOARD

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A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services 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 the EGM (i.e. no later than Saturday, 6 April 2024 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

Save for (i) Mr. Kan who is an executive Director and a Shareholder interested in 69,000,000 Shares; (ii) the Offeror which is wholly-owned by Mr. Kan and a substantial Shareholder interested in 1,188,621,377 Shares; and (iii) parties acting and presumed to be acting in concert with each of Mr. Kan and the Offeror, none of the Shareholders have a material interest in the Relevant Transactions and is required to abstain from voting at the EGM.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 2 April 2024 to Monday, 8 April 2024, both dates inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 28 March 2024.

### **RECOMMENDATIONS**

Your attention is drawn to (i) the letter from the Listing Rules Independent Board Committee set out on pages 52 to 54 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and CB Subscription Agreement B and the respective transactions contemplated thereunder (each of which constitutes a connected transaction on the part of the Company); (ii) the letter from the Takeovers Code Independent Board Committee set out on pages 55 to 57 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Special Deals; and (iii) the letter from the Independent Financial Adviser set out on pages 58 to 108 of this circular, which contains its advice to the Independent Board Committees and the Independent Shareholders in same regard, and the principal factors and reasons considered by it in arriving at its opinions.

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## LETTER FROM THE BOARD

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The Directors (excluding Mr. Kan, being an executive Director and Ms. Tang Li, being a non-executive Director and a director of the Vendor, each of whom had abstained from voting on the resolutions of the Board; and including the independent non-executive Directors whose views are set out in the Letter from Listing Rules the Independent Board Committee and the Letter from the Takeovers Code Independent Board Committee in this circular) are of the view that the Relevant Transactions are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**CNC HOLDINGS LIMITED**  
**Li Yong Sheng**  
*Vice Chairman and Chief Executive Officer*



**CNC HOLDINGS LIMITED**  
**中國新華電視控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8356)**

15 March 2024

*To the Independent Shareholders*

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW  
SHARES UNDER SHARE SPECIFIC MANDATE;**  
**(2) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO FIFTH AMENDMENT OF THE TERMS AND CONDITIONS OF  
THE EXISTING CONVERTIBLE BONDS;**  
**(3) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO THE ISSUE OF CONVERTIBLE BONDS A UNDER CB SPECIFIC  
MANDATE A;**  
**(4) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION  
TO THE ISSUE OF CONVERTIBLE BONDS B  
UNDER CB SPECIFIC MANDATE B;**  
**AND**  
**(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 15 March 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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## LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE

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We have been appointed by the Board as members to form the Listing Rules Independent Board Committee and to advise the Independent Shareholders as to whether, in our opinion, the terms of each of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, and the respective transactions contemplated thereunder (each of which constitutes a connected transaction on the part of the Company) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolutions to approve, among others, (i) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares); (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder; (iii) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares to be converted under the Convertible Bonds A and the CB Interest Shares A); and (iv) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares to be converted under the Convertible Bonds B and the CB Interest Shares B) (each of which constitutes a connected transaction on the part of the Company), to be proposed at the EGM, details of which are set out in the “Letter from the Board” contained in the Circular.

INCU Corporate Finance Limited has been appointed with the approval of the Listing Rules Independent Board Committee as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 58 to 108 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 11 to 51 of the Circular and the additional information set out in the appendices to this Circular.

### RECOMMENDATION

Having considered the terms of the Relevant Transactions and the advice from the Independent Financial Adviser, we consider that although the transactions contemplated under each of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B are not in the ordinary and usual course of the business of the Group, the terms of the (i) the Share Subscription Agreement and the transactions contemplated thereunder (including the grant of the Share Specific Mandate), (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder; (iii) the CB Subscription Agreement A and the transactions contemplated thereunder (including the grant of the CB Specific Mandate A); and (iv) the CB Subscription Agreement B and the transactions contemplated thereunder (including the grant of the CB Specific Mandate B)(each of which constitutes a connected transaction on the part of the Company), are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

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**LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, and the respective transactions contemplated thereunder (each of which constitutes a connected transaction on the part of the Company).

Yours faithfully,  
For and on behalf of  
the Listing Rules Independent Board Committee of  
**CNC HOLDINGS LIMITED**

<b>Mr. Wu Guo Ming</b>	<b>Mr. Wan Chi Keung,</b>	<b>Mr. Kwok Man To</b>	<b>Mr. Chin Chi Ho</b>
	<b>Aaron, BBS, JP.</b>	<b>Paul</b>	<b>Stanley</b>
<i>Independent non- executive Director</i>	<i>Independent non- executive Director</i>	<i>Independent non- executive Director</i>	<i>Independent non- executive Director</i>



**CNC HOLDINGS LIMITED**  
**中國新華電視控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8356)**

15 March 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION  
INVOLVING SUBSCRIPTION OF  
NEW SHARES UNDER SHARE SPECIFIC MANDATE;  
(2) SPECIAL DEAL AND CONNECTED TRANSACTION  
IN RELATION TO  
FIFTH AMENDMENT OF THE TERMS AND CONDITIONS OF  
THE EXISTING CONVERTIBLE BONDS;  
(3) SPECIAL DEAL AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ISSUE OF CONVERTIBLE BONDS A  
UNDER CB SPECIFIC MANDATE A;  
(4) SPECIAL DEAL AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ISSUE OF CONVERTIBLE BONDS B  
UNDER CB SPECIFIC MANDATE B;  
AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 15 March 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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## LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

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We have been appointed by the Board as members to form the Takeovers Code Independent Board Committee and to advise the Independent Shareholders as to whether, in our opinion, the Special Deals are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolutions to approve, among others, (i) the repayment of outstanding amounts due to the Vendor and its fellow subsidiary out of the net proceeds to be raised from the Share Subscription; (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder; (iii) the CB Subscription Agreement A and the transactions contemplated thereunder; and (iv) the CB Subscription Agreement B and the transactions contemplated thereunder, to be proposed at the EGM, details of which are set out in the “Letter from the Board” contained in the Circular.

INCUC Corporate Finance Limited has been appointed with the approval of the Takeovers Code Independent Board Committee as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 58 to 108 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 11 to 51 of the Circular and the additional information set out in the appendices to this Circular.

### **RECOMMENDATION**

Having considered the terms of the Special Deals and the advice from the Independent Financial Adviser, we consider that although the transactions contemplated under each of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B are not in the ordinary and usual course of the business of the Group, the terms of the (i) the Share Subscription Agreement and the transactions contemplated thereunder; (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder; (iii) the CB Subscription Agreement A and the transactions contemplated thereunder; and (iv) the CB Subscription Agreement B and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

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**LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Special Deals.

Yours faithfully,

For and on behalf of

the Takeovers Code Independent Board Committee of  
**CNC HOLDINGS LIMITED**

**Mr. Law Cheuk Hung**

*Non-executive Director*

**Mr. Wu Guo Ming**

*Independent non-executive Director*

**Mr. Wan Chi Keung, Aaron, BBS, JP.**

*Independent non-executive Director*

**Mr. Kwok Man To Paul**

*Independent non-executive Director*

**Mr. Chin Chi Ho Stanley**

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committees and the Independent Shareholders in connection with the Relevant Transactions.*



INCUCO Corporate Finance Limited  
Unit 1402, 14/F, Winsome House,  
73 Wyndham Street,  
Central, Hong Kong

15 March 2024

*To: The Independent Board Committees and  
the Independent Shareholders of  
CNC Holdings Limited*

Dear Sirs or Madams,

**(I) CONNECTED TRANSACTIONS INVOLVING**  
**(1) SUBSCRIPTION OF NEW SHARES UNDER SHARE SPECIFIC**  
**MANDATE;**  
**(2) FIFTH AMENDMENT OF THE TERMS AND CONDITIONS OF**  
**THE EXISTING CONVERTIBLE BONDS;**  
**(3) THE ISSUE OF CONVERTIBLE BONDS A UNDER**  
**CB SPECIFIC MANDATE A; AND**  
**(4) THE ISSUE OF CONVERTIBLE BONDS B UNDER**  
**CB SPECIFIC MANDATE B;**  
**AND**  
**(II) SPECIAL DEALS**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committees and the Independent Shareholders in respect of Relevant Transactions, including (i) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares); (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder (including the Existing CB Specific Mandate to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Existing Convertible Bonds and the New Existing CB Interest Shares); (iii) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A and the CB Interest Shares A); (iv) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Bonds B and the CB Interest Shares B); and (v) the Special Deals, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 March 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the joint announcements issued by the Offeror and the Company dated 15 January 2024 and 5 February 2024. On 5 September 2023, Mr. Kan, the Vendor and the Company entered into the legally-binding Term Sheet stipulating, among other things, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B. On 22 December 2023, Mr. Kan, the Vendor and the Company entered into the Supplemental Term Sheet, pursuant to which the parties thereto agreed to amend and supplement certain terms of the Term Sheet in relation to, among others things, the Sale and Purchase Agreement, the Share Subscription Agreement and the terms of the Convertible Bonds.

On 5 February 2024, the Vendor, as a vendor, and Mr. Kan, as a purchaser, entered into the Sale and Purchase Agreement, pursuant to which Mr. Kan has conditionally agreed to purchase and the Vendor has conditionally agreed to sell a total of 1,188,621,377 Sale Shares, representing approximately 29.3% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement, at a total consideration of HK\$16,640,699. On the same day, the Company and Mr. Kan entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Kan has conditionally agreed to subscribe for, an aggregate of 1,666,666,667 new Shares at the Subscription Price of HK\$0.012 per Subscription Share for a total consideration of approximately HK\$20,000,000. The Acquisition Completion took place on 29 February 2024. The Acquisition and the Share Subscription are not inter-conditional.

Furthermore, on 5 February 2024, the Company and the Vendor entered into the Fifth Supplemental Deed to amend the terms of the Existing Convertible Bonds. Apart from the Fifth Amendment of Terms, all other terms of the Existing Convertible Bonds will remain unchanged. On the same day, the Company and the Vendor entered into the CB Subscription Agreement A, pursuant to which the Company conditionally agrees to issue and the Vendor conditionally agrees to subscribe for the Convertible Bonds A in the principal amount of HK\$64,127,855 and the Subscriber will pay the subscription price by way of set-off against the Overdue Existing CB Interest. The Company and the Vendor also entered into the CB Subscription Agreement B, pursuant to which the Company conditionally agrees to issue and the Vendor conditionally agrees to subscribe for the Convertible Bonds B in the principal amount of HK\$16,240,000 and the Subscriber will pay the subscription price by way of set-off against the remaining outstanding broadcasting fee owed to the Vendor in the amount of HK\$16,240,000. The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Kan is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company intends to apply part of the net proceeds from the Share Subscription of approximately HK\$10.4 million to repay (i) the outstanding amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor; and (ii) part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group. The Company also (i) entered into the Fifth Supplemental Deed with the Vendor to amend certain terms of the Existing Convertible Bonds; (ii) entered into the CB Subscription Agreement A to issue the Convertible Bonds A to the Vendor to set off the Overdue Existing CB Interest; and (iii) entered into the CB Subscription Agreement B to issue the Convertible Bonds B to set off the outstanding broadcasting fee owed to the Vendor as a service provider to the Group which will remain unsettled by the proceeds from the Share Subscription. As at the date of the Sale and Purchase Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, and immediately prior to the Acquisition Completion which took place on 29 February 2024, the Vendor was a substantial Shareholder interested in 1,188,621,377 Shares, representing approximately 29.3% of the total issued share capital of the Company. As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds.

As (i) the repayment of amount due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor, are not extended to all the other Shareholders, these arrangements shall constitute Special Deals under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders at the EGM. An application will be made by the Company to the Executive for its consent to the Special Deals pursuant to Note 5 to Rule 25 of the Takeovers Code.

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Fifth Amendment of Terms contemplated under the Fifth Supplemental Deed pursuant to Rule 34.05 of the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the date of the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B and immediately prior to the Acquisition Completion which took place on 29 February 2024, the Vendor was a substantial Shareholder and therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, (i) the entering into of Fifth Supplemental Deed with the Vendor; and (ii) the issue of the Convertible Bonds A and Convertible Bonds B to the Vendor, constitute connected transactions on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Immediately after the Acquisition Completion and as at the Latest Practicable Date, Mr. Kan and parties acting in concert with him are interested in 1,257,621,377 Shares, representing approximately 31.0% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Mr. Kan is required to make the Share Offer. The Offeror, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan, has made a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror, Mr. Kan and/or parties acting in concert with any of them). The Composite Document was despatched on 29 February 2024.

Subject to the fulfilment or waiver (as the case may be) of all of the Share Subscription Conditions, upon the Share Subscription Completion, the Offeror and parties acting in concert with it will be interested in 2,924,288,044 Shares, representing approximately 51.1% of the issued share capital as enlarged by the allotment and issue of 1,666,666,667 Subscription Shares. At such time, the Share Offer shall become unconditional as to acceptances.

**Shareholders and potential investors of the Company should be aware that the Acquisition and the Share Subscription are not inter-conditional. The Share Offer has been made in accordance with the terms as set out in the Composite Document following the Acquisition Completion which took place on 29 February 2024.**

### INDEPENDENT BOARD COMMITTEES

In accordance with the GEM Listing Rules, the Company has established the Listing Rules Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wu Guo Ming, Mr. Wan Chi Keung, Aaron, *BBS, JP*, Mr. Kwok Man To Paul and Mr. Chin Chi Ho Stanley to advise the Independent Shareholders in respect of the terms of the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B and the transactions contemplated thereunder (together as the "**Connected Transactions**") are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, taking into account our recommendation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In accordance with Rule 2.1 of the Takeovers Code, the Company has established the Takeovers Code Independent Board Committee comprising all non-executive Directors with no direct or indirect interest in the Special Deals, to make recommendation to the Independent Shareholders in respect of the Special Deals. As a result, the Takeovers Code Independent Board Committee comprising the non-executive Directors, namely Mr. Law Cheuk Hung, Mr. Wu Guo Ming, Mr. Wan Chi Keung, Aaron, *BBS, JP*, Mr. Kwok Man To Paul and Mr. Chin Chi Ho Stanley has been established to advise the Independent Shareholders in respect of the terms of the Special Deals and as to whether the Special Deals are fair and reasonable, and so far as the Independent Shareholders are concerned and as to voting, taking into account our recommendation.

Ms. Tang Li, being a non-executive Director as well as an existing director of the Vendor, is considered to have conflict of interest in advising on the terms of the Relevant Transactions, and therefore has not been appointed as a member of the Independent Board Committees.

### **OUR INDEPENDENCE**

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Connected Transactions and as to whether the Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and as to voting after taking into account our recommendation. Our appointment as the Independent Financial Adviser has been approved by the Listing Rules Independent Board Committees in accordance with the GEM Listing Rules.

We have also been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Special Deals and as to whether the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and as to voting after taking into account our recommendation. Our appointment as the Independent Financial Adviser has been approved by the Takeovers Code Independent Board Committees in accordance with Rule 2.1 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the past two years, other than being appointed as the independent financial adviser of the Company in relation to the Share Offer, which the circular has been despatched on 29 February 2024, we did not act as financial adviser or independent financial adviser and has not provided any other services to the Company, Mr. Kan, the Offeror, the Vendor and any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. We are independent from, and are not associated with the Company, Mr. Kan, the Offeror, the Vendor and any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as relevant to our independence. Accordingly, we are considered eligible to give independent advice in respect of the Relevant Transactions to the Independent Board Committees and the Independent Shareholders in accordance with the GEM Listing Rules and Rule 2.1 of the Takeovers Code.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Directors, Mr. Kan and the Offeror (where applicable). We have reviewed the information of the Company, including but not limited to, the announcements of the Company, the annual report for the year ended 31 March 2023 (the “**Annual Report 2022/23**”) and the interim report for the six months ended 30 September 2023 (the “**Interim Report 2023/24**”), the information contained in the Circular and certain published information from the public domain. We have assumed that all statements, information and representations provided by the Directors, Mr. Kan and the Offeror (where applicable) are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such statements, information, representations and/or our opinion contained in this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors, Mr. Kan and the Offeror (where applicable) in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors, Mr. Kan and the Offeror (where applicable), which have been provided to us.

Your attention is drawn to the responsibility statements as set out in the paragraph headed “1. Responsibility statement” in Appendix II to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Shareholders as a result of the Relevant Transactions.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Shareholders will be notified of any material changes to such statements, information, opinions and/or representation as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company or of our opinion in which event this letter shall be amended and updated.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committees and the Independent Shareholders in respect of the Relevant Transactions, we have taken into account the following principal factors and reasons:

#### **1. Background and financial information of the Group**

##### ***General information of the Group***

The Company is a company incorporated in the Cayman Islands with limited liability on 15 March 2010, the Shares of which have been listed on GEM of the Stock Exchange since 30 August 2010. The principal activity of the Company is investment holding. The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong (the “**Civil Engineering Services**”). Also, the Group conducted media and advertising business (the “**Advertising Business**”) comprising television broadcasting business in the Asia-Pacific region (excluding the People’s Republic of China (the “**PRC**”) and digital marketing business on overseas market (i.e. regions outside the PRC) in return for advertising and related revenue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Trading in the Shares on the Stock Exchange has been suspended since 15 August 2022 at the request of the Company due to the delay in publication of despatch of annual report for the year ended 31 March 2022. References are made to the announcements of the Company dated 11 November 2022, 12 January 2023 and 5 September 2023. The Stock Exchange has imposed on the Company the following resumption guidance (the “**Resumption Guidance**”):

- (a) publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications;
- (b) demonstrate its compliance with Rules 17.26 of the GEM Listing Rules;
- (c) re-complying with the Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules;
- (d) informing the market of all material information for the Shareholders and investors of the Company to appraise the Company’s position;
- (e) having the winding-up petition (or order, if made) against the Company withdrawn or dismissed and the appointment of any liquidators (provisional or not) discharged.

As at the Latest Practicable Date, the Company has fulfilled all the Resumption Guidance. The trading of the Shares has been resumed on 1 March 2024.

### ***Financial information of the Group***

Set out below is a summary of the financial performance of the Group for the financial years ended 31 March 2022 (“**FY2022**”) and 31 March 2023 (“**FY2023**”) respectively as extracted from the Annual Report 2022/23 and for the six months ended 30 September 2022 (“**HY2022/23**”) and 30 September 2023 (“**HY2023/24**”) respectively as extracted from the Interim Report 2023/24:

	FY2022 <i>(HK\$'000)</i> <i>audited</i>	FY2023 <i>(HK\$'000)</i> <i>audited</i>	HY2022/23 <i>(HK\$'000)</i> <i>unaudited</i>	HY2023/24 <i>(HK\$'000)</i> <i>unaudited</i>
Revenue				
<i>Civil Engineering Services</i>	408,175	496,457	222,540	225,723
<i>Advertising Business</i>	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	408,175	496,457	222,540	225,723
Operating profit/(loss)	(21,486)	277	5,273	3,558
Loss for the year/period attributable to owners of the Company	(41,729)	(9,440)	(1,082)	(2,722)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2022 vs FY2023*

As shown in the above table, the Group's revenue for FY2023 was approximately HK\$496.46 million, representing an increase of approximately HK\$88.28 million or 21.6%, compared to the revenue of approximately HK\$408.18 million for FY2022. The increase in revenue was due to the increase in works for civil engineering services leading to the increase in revenue of Civil Engineering Services for FY2023. According to the Annual Report 2022/23, following the expiry of the exclusive television broadcasting right granted by the Vendor to the Group on 31 August 2021, the Group has yet to successfully identify suitable broadcasting rights and licenses to resume the television broadcasting business since then. During FY2023, the Group has also attempted to tap into the digital marketing business in overseas market through different online media platforms, such as YouTube. However, due to the outbreak of the COVID-19 pandemic and ever-changing users' habit, the Group has not been able to identify suitable business opportunities and strategic partners. The management of the Group will continue to develop and improve its business strategies for the Advertising Business. As a result, there was no revenue from Advertising Business for FY2022 and FY2023.

The Group recorded operating loss of approximately HK\$21.49 million for FY2022 and operating profit of approximately HK\$0.28 million for FY2023. As discussed with the management of the Company, the turnaround from operating loss to operating profit was mainly due to (i) the increase in revenue as discussed above; (ii) the turnaround from gross loss for FY2022 to gross profit for FY2023 as a result of implementation of operation plans to control construction costs; (iii) the increase in other gain on modification of promissory note resulted from extension of the maturity date and reduction in interest rate leading to the change in discounted present value of the remaining cash flows of the such financial liability in accordance with the accounting policy of the Company; and (iv) the decrease in administrative and operating expenses. Due to the finance costs of approximately HK\$20.57 million and HK\$13.18 million for FY2022 and FY2023 respectively, which mainly consisted of interest expenses for the promissory note and convertible notes, the Group recorded net loss attributable to owners of the Company for FY2022 and FY2023. However, the loss attributable to the owners of the Company decreased from approximately HK\$41.73 million for FY2022 to approximately HK\$9.44 million for FY2023. Such decrease was mainly due to the turnaround of operating loss to operating profit as mentioned above and the reduction of the finance costs.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *HY2022/23 vs HY2023/24*

As shown in the above table, the Group's revenue for HY2023/24 was approximately HK\$225.72 million, representing an increase of approximately HK\$3.18 million or 1.4%, compared to the revenue of approximately HK\$222.54 million for HY2022/23. Due to the expiry of the exclusive television broadcasting right as mentioned above, all of the Group's revenue were derived from Civil Engineering Services. According to the Interim Report 2023/24, the increase in revenue was mainly due to increase in work from newly awarded civil engineering projects for HY2023/24.

The operating profit of the Group decreased from approximately HK\$5.27 million for HY2022/23 to approximately HK\$3.56 million for HY2023/24. As discussed with the management of the Company, the decrease in operating profit of the Group was mainly due to (i) the reduction of the COVID-19 related government subsidies provided by Hong Kong Government leading to the decrease in other income; and (ii) the absence of one-off recognition of gain on modification of promissory note for HY2022/23 resulted from extension of the maturity date and reduction in interest rate leading to the change in discounted present value of the remaining cash flows of the such financial liability in accordance with the accounting policy of the Company. Despite the operating profit of the Group, due to the finance costs of approximately HK\$7.13 million and HK\$6.04 million for HY2022/23 and HY2023/24 respectively, which mainly consisted of interest expenses for the promissory note and convertible notes, the Group recorded net loss attributable to owners of the Company for HY2022/23 and HY2023/24. The loss attributable to owners of the Company increased from approximately HK\$1.08 million for HY2022/23 to approximately HK\$2.72 million for HY2023/24. Such increase was mainly due to decrease in operating profit as mentioned above, partially offset by the slight decrease in finance costs.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Set out below is a summary of the financial position of the Group as at 31 March 2023 and 30 September 2023 respectively as extracted from the Interim Report 2023/24:

	<b>As at 31 March 2023</b>	<b>As at 30 September 2023</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>audited</i>	<i>unaudited</i>
<b>Non-current assets</b>		
Property, plant and equipment	16,635	16,424
Right-of-use assets	<u>11,465</u>	<u>8,729</u>
	<b>28,100</b>	<b>25,153</b>
<b>Current assets</b>		
Trade and other receivables	124,647	115,644
Contract assets	41,177	39,111
Cash and cash equivalents	<u>51,619</u>	<u>52,131</u>
	<b>217,443</b>	<b>206,886</b>
<b>Total assets</b>	<b>245,543</b>	<b>232,039</b>
<b>Current liabilities</b>		
Trade and other payable	229,928	217,247
Contract liabilities	88,790	97,685
Lease liabilities	5,558	5,238
Promissory note	–	42,276
Convertible notes	257,030	257,030
Employee benefits	6,514	6,514
Tax payable	<u>133</u>	<u>247</u>
	<b>587,953</b>	<b>626,237</b>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 31 March 2023</b>	<b>As at 30 September 2023</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>audited</i>	<i>unaudited</i>
<b>Non-current liabilities</b>		
Interest payables	6,777	–
Lease liabilities	2,907	948
Promissory note	40,429	–
Deferred tax liabilities	<u>2,283</u>	<u>2,253</u>
	<b>52,396</b>	<b>3,201</b>
<b>Total liabilities</b>	<b>640,349</b>	<b>629,438</b>
<b>Net current liabilities</b>	<b>(370,510)</b>	<b>(419,351)</b>
<b>Net liabilities</b>	<b>(394,806)</b>	<b>(397,399)</b>
<b>Gearing ratio</b>	<b>160.8%</b>	<b>173.8%</b>

As shown in the above table, the non-current assets and current assets remained stable. The non-current assets of the Group were approximately HK\$28.10 million and HK\$25.15 million as at 31 March 2023 and 30 September 2023 respectively. The current assets of the Group were approximately HK\$217.44 million and HK\$206.89 million as at 31 March 2023 and 30 September 2023 respectively.

The current liabilities of the Group were approximately HK\$587.95 million and HK\$626.24 million as at 31 March 2023 and 30 September 2023 respectively. The increase in current liabilities was mainly due to the reclassification of the promissory note from non-current liabilities to current liabilities as the promissory note will be due on 30 June 2024. The non-current liabilities of the Group were approximately HK\$52.40 million and HK\$3.20 million as at 31 March 2023 and 30 September 2023 respectively. The decrease in non-current liabilities of the Group was mainly due to the reclassification of the promissory note as mentioned above.

The gearing ratio of the Group is calculated on the basis of total amount of promissory note, convertible notes, lease liabilities and contract liabilities divided by total assets. The gearing ratio was approximately 160.8% and 173.8% as at 31 March 2023 and 30 September 2023 respectively. The increase in gearing ratio was mainly due to the decrease in total assets.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Going concern uncertainty*

We note that the auditor of the Company had a issued disclaimer opinion for FY2022 and FY2023 due to material uncertainty relating to the ability of the Group to continue as a going concern in the annual report of the Company for FY2022 and the Annual Report 2022/23. As stated in the Annual Report 2022/23, the Group has incurred a net loss of approximately HK\$9.46 million for FY2023 and the Group had net current liabilities and net liabilities of approximately HK\$370.51 million and approximately HK\$394.81 million respectively as at 31 March 2023. The auditor of the Company considered that the Group's financial conditions indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, the Group is taking the measures to address the going concern issue, including (i) the Company has entered into Share Subscription Agreement with Mr. Kan for the allotment and issuance of a total of 1,666,666,667 Subscription Shares at the Subscription Price of HK\$0.012 per Subscription Share for a total consideration of approximately HK\$20,000,000; (ii) the Company has entered into the Fifth Supplemental Deed for the amendments of certain terms of the Existing Convertible Bonds in relation to, among others, the amendment of interest rate from 3% to 0.8% per annum and the extension of the maturity date of the Existing Convertible Bonds to 9 December 2025; (iii) the Company has entered into the CB Subscription Agreement A to issue Convertible Bonds A in the principal amount of HK\$64,127,855 to set off the Overdue Existing CB Interest; (iv) the Company has entered into CB Subscription Agreement B to issue Convertible Bonds B in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor; (v) the Company is negotiating with its promissory note holder to extend the repayment dates of principal and the interest amounts accrued on the promissory note; and (vi) Mr. Kan has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements and also granted a loan facility of up to HK\$60,000,000 to the Group to maintain the going concern of the Company. Having considered the corporate actions taken by the Group, including the above measures (i) to (iv) that are related to the Relevant Transactions, we are of the view that the financial position of the Group will be improved.

As the Share Subscription Agreement, Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B are inter-conditional and the Share Subscription Completion is conditional upon the fulfilment or waiver (as the case may be) of the Share Subscription Conditions, which have not been satisfied in full as at the Latest Practicable Date, in the event that the Share Subscription Completion does not take place, the corporate actions and measures (i) to (iv) as discussed above will not take place. The ability of the Group to continue as a going concern will remain uncertain.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Prospect and outlook of the Group

As discussed above, all revenue of the Group was generated from Civil Engineering Services in Hong Kong for FY2022, FY2023 and HY2023/24 and no revenue was generated from the Advertising Business due to the expiry of the exclusive television broadcasting right. As stated in the Interim Report 2023/24, during HY2023/24, the Group has been undertaking eight contracts. Among the eight contracts, one of these are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation.

In order to get better grasp of civil engineering industry and advertising industry in Hong Kong, we have conducted the following researches for our analysis.

According to the Civil Engineering and Development Department of the Government of HKSAR, the Civil Engineering Works Tender Price Index, which is compiled from tender pricing data of major types of civil engineering works undertaken by various government works departments in Hong Kong and the value in the first quarter of 2010 is taken to be the base index value of 100, shows an increasing trend since 2018 to 157 in the first quarter of 2023, and slightly decreases to 156 in the second quarter of 2023.

However, according to the statistics of gross value of construction works performed by main contractors at construction sites issued by Census and Statistics Department of the Government of HKSAR on 11 December 2023 (<https://www.censtatd.gov.hk/en/wbr.html?ecode=B10900022023QQ03&scode=330>), it shows that the gross value of civil engineering construction has been decreased from approximately HK\$14.22 billion in the first quarter of 2023 to approximately HK\$10.94 billion in the second quarter of 2023. Based on the provisional figure, the gross value of civil engineering construction would reach HK\$11.86 billion in the third quarter of 2023. Although the gross value of civil engineering construction in the third quarter of 2023 increased as compared with that in the second quarter of 2023, it represented a decrease of approximately 6.2% as compared with the gross value of civil engineering construction in the third quarter of 2022.

According to list of public works contractors maintained by the Development Bureau of the Government of HKSAR, as at the Latest Practicable Date, there are 329 contractors that are approved for carrying out public building and civil engineering works. Tsun Yip Civil and Tsun Yip Waterworks, the indirect non-wholly owned subsidiaries of the Company, are on the list of public works contractors as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Looking forward, civil engineering market in Hong Kong will be driven mainly by the ongoing and planned major infrastructure projects proposed by the Government of HKSAR, such as the development in Kai Tak and northern part of the New Territories and the extension of the Tung Chung New Town. According to the Government Budget 2023-24, approximately HK\$88.7 billion is expected to spend on infrastructure in Hong Kong. Although the expenditure on infrastructure of Government of HKSAR is expected to recover after the COVID-19 pandemic, the pandemic has imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to the work stoppages during the outbreak of the COVID-19 pandemic. The recovery of the industry and the economy will take time and thus the Group may encounter severe competition from other civil engineering works contractors.

Furthermore, in respect of the advertising industry in Hong Kong, according to the research by Euromonitor International Limited (being one of the world's leading independent providers of strategic market research for both consumer and industrial markets with an extensive network of in-country analysts in over 100 countries) as stated in the prospectus of New Media Lab Limited (stock code: 1284) dated 30 June 2023, the outbreak of the COVID-19 pandemic in Hong Kong negatively impacted both Hong Kong's economy and the advertising industry. The demand for advertising spending dropped as companies in Hong Kong reduced unnecessary spending to cope with the adverse impact caused by the worsening economic and business environment. Although there was ongoing recovery from the pandemic, the advertising industry is still far from its pre-pandemic size and recorded a negative compound annual growth rate of 4.2% over the historical period of 2018 to 2022. The research also highlighted that, along with the rapid transformation in the digital landscape, Hong Kong's media and advertising industry have been restructured over the historical period by altering ways to deliver marketing contents and messages to target customers. More industry players have expanded their capability in delivering online advertising services and solutions to advertisers who are seeking more customised and interactive content to better target their customer groups. With less geographic and time restriction, online media platforms became a popular choice for companies to place and plan for their advertising campaign over the pandemic, making online advertising resilient to the adverse impact brought by the pandemic.

After considering that (i) the Group has been loss-making in the last two financial years; (ii) the going concern issue of the Group; (iii) the Share Subscription is subject to the Share Subscription Conditions and may or may not complete; (iv) the severe competition in the industry of the Civil Engineering Services; (v) no concrete business plan of the Company for the Advertising Business being formulated following the expiry of the exclusive television broadcasting rights granted by the Vendor to the Group and (vi) the Group has not been able to identify suitable business opportunities and strategic partners for its digital marketing business in overseas market through different online media platforms as stated in the Annual Report 2022/23 and Interim Report 2023/24, we consider that the Group's business prospects and outlook will remain uncertain.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Information of Mr. Kan and the Vendor

#### *Mr. Kan*

Mr. Kan, aged 56 and being an executive Director and a Shareholder, formed Tsun Yip Waterworks, being an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services, and Tsun Yip Civil, being an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services, in 1996 and 2000 respectively and has been the director of both companies since their incorporation. Mr. Kan has over 28 years of experience in handling civil engineering projects of various types.

We also note that, after the Acquisition Completion, Mr. Kan and parties acting in concert with him, are interested in 1,257,621,377 Shares, representing approximately 31.0% of the issued share capital of the Company and has become the controlling shareholder of the Company. Given that Mr. Kan is the executive Director and has extensive experience in Civil Engineering Services, we consider Mr. Kan to continue to oversee the operation of the Group is beneficial to the Group.

#### *The Vendor*

The Vendor, being the holder of the Existing Convertible Bonds and the subscriber of the Convertible Bonds A and Convertible Bonds B, is a company incorporated in Hong Kong with limited liability and wholly-owned by Xinhua News Agency (新華社). As at the Latest Practicable Date, the principal activity of the Vendor is investment holding. The Vendor is a company which has been granted the rights to develop the television broadcasting network by PRC government and Xinhua News Agency.

Xinhua News Agency, headquartered in Beijing, the PRC, is a state-owned news agency of the PRC and a modern and worldwide news agency. It has been the major news and information collection and distribution centre in the PRC since 1931. Xinhua News Agency has branches located in over 30 provinces, autonomous regions and centrally administered municipalities in the PRC as well as Hong Kong and Macau and has branches in more than 100 countries and regions. In addition, Xinhua News Agency has seven regional offices that can release news directly.

As at the date of the Sale and Purchase Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, and immediately prior to the Acquisition Completion which took place on 29 February 2024, the Vendor was a substantial Shareholder interested in 1,188,621,377 Shares, representing approximately 29.3% of the total issued share capital of the Company. As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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#### **4. Reasons for and benefits of the Share Subscription, the Fifth Amendment of Terms and issue of Convertible Bonds A and Convertible Bonds B and use of proceeds**

According to the Letter from the Board, the Company has been proactively working with its legal adviser and financial adviser to assess the current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Company's business and assets. As at the Latest Practicable Date, the Group is indebted to (i) Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and is a fellow subsidiary of the Vendor, in the amount of HK\$2,008,844; (ii) the Vendor in the amount of HK\$24,586,856, being the outstanding broadcasting fee owed to the Vendor as a service provider to the Group; and (iii) other independent third parties in the amount of approximately HK\$30.8 million. The Company plans to settle part of the outstanding indebtedness by (i) utilising the fresh money provided by the Share Subscription; and (ii) issuing the Convertible Bonds A and Convertible Bonds B. The Directors believe that fresh money provided by the Offeror will resolve the liquidity issue of the Company and the Share Subscription is in the interests and long term benefits of all stakeholders.

Having considered that (i) the prolonged suspension of trading in the Shares during the Suspension Period and the restrictions of the alternative fund raising methods, which will be further discussed below; (ii) only Mr. Kan expressed his willingness to subscribe for the Subscription Shares at the Subscription Price which represents the closing price as quoted on the Stock Exchange as at the Last Trading Day; and (iii) the Share Subscription enables the Company to raise a meaningful size of proceeds which matches its capital needs and helps resolve the Company's liquidity issue, the Board (excluding Mr. Kan who is an executive Director and Ms. Tang Li, being a non-executive Director and a director of the Vendor, each of whom has an interest in and has abstained from voting on the Share Subscription) considers that the Share Subscription is the most expedient and feasible way to raise sufficient fund to satisfy the Group's funding needs.

According to the Letter from the Board, the gross proceeds from the Share Subscription amount to HK\$20,000,000, while the net proceeds from the Share Subscription, after deducting the related expenses, are estimated to be approximately HK\$19,900,000. The Company intends to apply the net proceeds from the Share Subscription (a) as to HK\$10,355,700 for the repayment of the outstanding indebtedness of the Group, which includes (i) an amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, of HK\$2,008,844; and (ii) part of outstanding broadcasting fee owed to the Vendor as a service provider to the Group amounting to HK\$8,346,856; and (b) the remaining amount of approximately HK\$9,500,000 for the general working capital of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, the Existing Convertible Bonds had matured on 9 December 2021 and therefore the outstanding principal and the accrued Overdue Existing CB Interest shall be repayable by the Group. Given the current difficult financial position of the Group, the Board was of the view that it would not be in the interest of the Company and the Shareholders as a whole if the Vendor demands for redemption of the Existing Convertible Bonds and repayment of Overdue Existing CB Interest. As such, the Board considers it to be fair and reasonable for the terms of the Existing Convertible Bonds to be re-open for negotiation with the Vendor. The Board considers that (i) extension of the maturity date of the Existing Convertible Bonds; (ii) reduction of the interest rate from 3% per annum to 0.8% per annum; and (iii) mandatory conversion of the Convertible Bonds at maturity, can alleviate the financial burden of the Group and is in the interest of the Company and the Shareholders as a whole. As at 9 December 2021, being the existing maturity date of the Existing Convertible Bonds, the total amount of interest payable by the Company to the Vendor amounted to HK\$64,127,855 pursuant to the terms and conditions of the Existing Convertible Bonds. As part of the debt restructuring proposal, the Company is required to issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to the Vendor to set off the Overdue Existing CB Interest. As at the Latest Practicable Date, the outstanding broadcasting fee owed to the Vendor amounting to HK\$24,586,856 of which HK\$8,346,856 will be partly settled by net proceeds from the Share Subscription as discussed above. The remaining balance will be set off by the issue of the Convertible Bonds B in the principal amount of HK\$16,240,000.

From our review of the financial statements of the Group as discussed above, the gearing ratio of the Group was approximately 160.8% and 173.8% as at 31 March 2023 and 30 September 2023 respectively. As at 30 September 2023, the Group had cash and cash equivalents of approximately HK\$52.13 million, which was not sufficient to repay the Group's outstanding indebtedness, including the amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), the Existing Convertible Bonds and the outstanding broadcasting fee and the other debts to independent third parties. The auditor of the Company had issued a disclaimer opinion for FY2022 and FY2023 due to material uncertainty relating to the ability of the Group to continue as a going concern. The Existing Convertible Bonds with an outstanding principal amount of HK\$257,030,210 are already overdue given that the existing maturity date of the Existing Convertible Bonds is 9 December 2021. Therefore, we consider the Group has financial difficulties and funding needs to refinance its indebtedness. As discussed in the section headed "1. Background and financial information of the Group" above, we note that the Group is taking the measures to address the going concern issue including entering into the Relevant Transactions. The Share Subscription will provide the necessary funds to settle part of the liabilities owed to the Vendor, including the amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心) and part of the outstanding broadcasting fee. Upon the Share Subscription Completion and the repayment of outstanding indebtedness by the net proceeds of the Share Subscription, it is estimated that the net liabilities of the Group will be reduced by approximately HK\$19.9 million. Also, although the Group had recorded operating profit for FY2023 and HY2023/24, the Group still recorded net loss attributable to owners of the Company due to the finance costs, which mainly consisted of interest expenses for the promissory note and convertible notes. By entering

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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into the Fifth Supplemental Deed, the original interest rate of the Existing Convertible Bonds 3% per annum, which amounted to approximately HK\$7,710,906 per year, will be reduced to 0.8% per annum, retrospectively which will be settled by the issue of the New Existing CB Interest Shares on the Fifth Extended Maturity Date. The issue of the Convertible Bonds A and the Convertible Bonds B will allow the Group to refinance the Overdue Existing CB Interest and the remaining outstanding broadcasting fee respectively. After reviewing the financial position of the Group and the auditor's opinion on the material uncertainty relating to the going concern basis of the Group, which has been discussed in the section headed "1. Background and financial information of the Group" above, and discussing with the management of the Company, we consider the Share Subscription, the entering into the Fifth Supplemental Deed to extend the Existing Convertible Bonds and the issue of the Convertible Bonds A and Convertible Bonds B can improve the financial position of the Group and reduce the finance costs and insolvency risk of the Group and therefore are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **5. Fund raising alternatives available to the Group**

According to the Letter from the Board, the Board has considered various fund raising methods including long term bank borrowings, placement of Shares to independent third parties, rights issue, open offer.

As discussed with the management of the Company, given the financial position of net current liabilities of the Group as at 30 September 2023, there were very limited fund raising alternatives available to the Group. In particular, the Group could not obtain favorable bank facilities or borrowings and could not propose attractive terms and offers to carry out any equity fund-raising activities such as rights issue or open offer under the existing financial position. According to the Letter from the Board, the Company has approached several securities brokerage firms regarding the possibility and feasibility of acting as placing agent or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3% to 8% based on the fund raising size, and a significant discount on the placing/subscription price so as to increase the attractiveness of the equity fund raising exercise.

We are advised by the Company that although both open offer and rights issue would allow the Shareholders to participate in the subscription of new Shares and maintain their respective pro-rata shareholdings in the Company, after considering that (i) it would take a relatively longer timeframe of more than three months from the despatch of the circular to commencement of dealing in the offer shares or rights shares (as the case may be) when compared to the Share Subscription and the issue of the Convertible Bonds A and Convertible Bonds B of normally approximately one month from the despatch of the Circular pertaining to an allotment and issue of the Subscription Shares and the Convertible Bonds A and Convertible Bonds B; and (ii) it will incur additional administrative costs such as placing commission as compared to the Share Subscription, the Company considered that it is not beneficial to the Company and the Shareholders as a whole to conduct the open offer or rights issue.

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Having taken into account that (i) the Group had limited fund raising alternative under the existing financial position of the Group; (ii) the Existing Convertible Bonds with an outstanding principal amount of HK\$257,030,210 and the Overdue Existing CB Interest of HK\$64,127,855 are already overdue; (iii) the trading of the Shares was in prolonged suspension when the Relevant Transactions were entered into; and (iv) the Share Subscription would raise funds, and together with the issue of the Convertible Bonds A and the Convertible Bonds B, would discharge the debts of the Company, we are of the view that the Share Subscription and the issue of the Convertible Bonds A and the Convertible Bonds B are fair and reasonable fund raising methods and are in the interests of the Company and the Independent Shareholders as a whole.

### **6. Principal terms of the Share Subscription**

On 5 February 2024, the Company and Mr. Kan entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Kan has conditionally agreed to subscribe for a total of 1,666,666,667 Subscription Shares at the Share Subscription Price of HK\$0.012 per Subscription Share at a total consideration of approximately HK\$20,000,000.

The principal terms of the Share Subscription Agreement are summarised as follows:

#### ***Date***

5 February 2024

#### ***Parties***

- (i) The Company (as issuer); and
- (ii) Mr. Kan (as subscriber)

Mr. Kan is an executive Director, and is therefore a connected person of the Company.

#### ***Subscription Shares***

As at the Latest Practicable Date, there are 4,055,349,947 Shares in issue. Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Share Subscription Completion, the 1,666,666,667 Subscription Shares represent (i) approximately 41.1% of the entire issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 29.1% of the issued share capital of the Company as enlarged by the allotment and issue of 1,666,666,667 Subscription Shares.

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### *Subscription Price*

The Subscription Price of HK\$0.012 per Subscription Share represents:

- a discount of approximately 14.3% to the closing price of HK\$0.014 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 14.3% to the average closing price of approximately HK\$0.014 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 7.7% to the average closing price of approximately HK\$0.013 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Day; and
- as the Company recorded consolidated net liabilities as at 30 September 2023 as shown in the Interim Report 2023/24, the comparison of the Subscription Price with the net asset value of the Company is not applicable.

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According to the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and Mr. Kan with reference to (i) the Company's historical share price performance traded on the Stock Exchange during the period from 14 February 2022 to 12 August 2022, being the six-month period immediately before the suspension of trading in the Shares (the average closing price of which amounted to approximately HK\$0.012); and (ii) the historical financial performance of the Group. Despite the prolonged suspension of trading in the Shares from 15 August 2022 up to and including 29 February 2024 (the "**Suspension Period**"), there is no material change in the operational and/or financial status of the Company during the Suspension Period, in particular (i) the composition of principal business activities of the Group, being the provision of civil engineering services and media and advertising businesses; and (ii) the capital structure of the Group. Further, as the Group has recorded net liabilities for the last five consecutive financial years since 2018, the Board was unable to determine the Subscription Price with reference to the net asset value per Share. By reasons of the above, the Board is of the view that the historical trading price of the Shares is an appropriate reference and meaningful benchmark in determining the Subscription Price.

### ***Ranking of the Subscription Shares***

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

### ***Conditions precedent of the Share Subscription Agreement***

The Share Subscription Completion is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the Subscription Shares;
- (ii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the Share Subscription Agreement and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Share Subscription Agreement and the transactions contemplated thereunder;

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- (iv) the Shares remaining listed and traded on the Stock Exchange at the Share Subscription Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Share Subscription Completion;
- (v) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (vi) the representations and warranties given by the Company under the Share Subscription Agreement remaining true, accurate and complete and not misleading in all material respects;
- (vii) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (viii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Existing CB Interest Shares;
- (ix) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (x) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;
- (xi) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (xii) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (xiii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B; and
- (xiv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B.

For the avoidance of doubt, except for condition (vi) above which can be waived by Mr. Kan, all other conditions are incapable of being waived. As at Latest Practicable Date, save for condition (v) above, none of the Share Subscription Conditions have been fulfilled.

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If any of the Share Subscription Conditions are not fulfilled or waived (as the case may be) within 180 days after the date of the Share Subscription Agreement (i.e. 27 July 2024) (or such other time and date as may be agreed between the parties thereto), all obligations and liabilities of the parties to the Share Subscription Agreement shall cease and terminate and neither of the parties thereto shall have any claim against the other, save for any antecedent breach.

### ***Share Subscription Completion***

The Share Subscription Completion shall take place within fifteen (15) business days after the fulfillment or waiver (as the case may be) of all the conditions precedent to the Share Subscription Agreement. (or such later date as may be agreed between Mr. Kan and the Company) at the principal place of business of the Company or such other place as may be agreed between Mr. Kan and the Company.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

For the avoidance of doubt, the Acquisition and the Share Subscription are not inter-conditional, and the Share Offer has been made after the Acquisition Completion, which took place on 29 February 2024. The Composite Document has been despatched to the Independent Shareholders and the Share Offer has been opened for acceptance on 29 February 2024.

Subject to completion of the Relevant Transactions, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from the Share Subscription will be approximately HK\$20,000,000 and approximately HK\$19,900,000, respectively. On such basis, the net price raised per Subscription Share upon the Share Subscription Completion will be approximately HK\$0.012.

The net proceeds from the Share Subscription are intended to be used (a) as to HK\$10,355,700 for the repayment of its outstanding indebtedness of the Group which includes (i) an amount due to Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, of HK\$2,008,844; and (ii) part of outstanding broadcasting fee owed to the Vendor as a service provider to the Group amounting to HK\$8,346,856; and (b) the remaining amount of approximately HK\$9,500,000 for the general working capital of the Group.

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### *Share Specific Mandate*

The Subscription Shares will be allotted and issued under the Share Specific Mandate to be sought from the Independent Shareholders at the EGM. An application will be made by the Company to the GEM Listing Committee of the Stock Exchange or the listing of, and permission to deal in, the Subscription Shares.

### **7. Principal terms of the Fifth Supplemental Deed and issue of the Convertible Bonds A and Convertible Bonds B**

As conditions precedent to the Share Subscription Completion, the Company is required to (i) enter into the Fifth Supplemental Deed with the Vendor to amend certain terms of Existing Convertible Bonds; (ii) issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to set off the outstanding interests payable by the Company to the Vendor as a holder of the Existing Convertible Bonds; and (iii) issue the Convertible Bonds B in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group.

### *The Fifth Supplemental Deed*

On 5 February 2024, the Company and the Vendor entered into the Fifth Supplemental Deed to amend the terms of the Existing Convertible Bonds. Apart from the Fifth Amendment of Terms, all other terms of the Existing Convertible Bonds will remain unchanged.

As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds.

The Fifth Amendment of Terms is subject to the following conditions:

- (i) the Stock Exchange having approved the Fifth Amendment of Terms;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the New Existing CB Interest Shares;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the Fifth Supplemental Deed and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;

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- (iv) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Fifth Supplemental Deed and the transactions contemplated thereunder;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (vii) the representations and warranties given by the Company under the Fifth Supplemental Deed remaining true, accurate and complete and not misleading in all material respects;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (ix) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares;
- (x) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (xi) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;
- (xii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (xiii) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);

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(xiv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B; and

(xv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B.

For the avoidance of doubt, none of the above conditions is capable of being waived. As at the Latest Practicable Date, save for condition (vi) above, none of the conditions have been fulfilled.

The principal terms of the Existing Convertible Bonds to be amended pursuant to the Fifth Supplemental Deed are summarised as follows:

Outstanding principal amount	HK\$257,030,210
Maturity	The maturity date of the Existing Convertible Bonds shall be extended to the Fifth Extended Maturity Date, being 9 December 2025.
Interest rate	With effect from 10 December 2021 (being the day after the existing maturity date of the Existing Convertible Bonds), the interest rate of the Existing Convertible Bonds shall be retrospectively reduced from 3% to 0.8% per annum.

Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest accrued from 10 December 2021 shall be settled by the Company on the Fifth Extended Maturity Date by way of allotting and issuing to the holder of the Existing Convertible Bonds such number of new Shares (the “**New Existing CB Interest Share(s)**”) of value equivalent to the total amount of interests accrued from 10 December 2021 to 9 December 2025 (both days inclusive) at the issue price of HK\$0.196 per New Existing CB Interest Share, which represents the Conversion Price of HK\$0.196 per Conversion Share to be converted under the Existing Convertible Bonds.

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Conversion period	Holder of the Existing Convertible Bonds shall not convert all or part of the Existing Convertible Bonds into Conversion Shares prior to the Fifth Extended Maturity Date.
Redemption	Holder of the Existing Convertible Bonds shall not wind up the Company or request the Existing Convertible Bonds be redeemed by the Company prior to the Fifth Extended Maturity Date.
Transferability	Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Existing Convertible Bonds is entitled to transfer the Existing Convertible Bonds to any other person.
Mandatory conversion	Subject to the conversion restriction as set out in the terms and conditions of the Existing Convertible Bonds, the holder of the Existing Convertible Bonds (or its successor or transferee) shall on the Fifth Extended Maturity Date, mandatorily convert all of the outstanding principal amount of the Existing Convertible Bonds into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Fifth Extended Maturity Date and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Existing Convertible Bonds or its nominee shall become the legal beneficial owner of the Conversion Shares.

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Assuming that (i) there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the maturity date of the Existing Convertible Bonds as extended by the Fifth Supplemental Deed; (ii) the Existing Convertible Bonds are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the interest accrued and to be accrued from 10 December 2021 to 9 December 2025 (both days inclusive) of approximately HK\$8,224,967 are settled by the issue of the New Existing CB Interest Shares at the issue price of HK\$0.196 per New Existing CB Interest Share, a total number of 1,353,342,738 new Shares, comprising of 1,311,378,622 Conversion Shares and 41,964,116 New Existing CB Interest Shares, will be allotted and issued, representing approximately 33.4% of the issued share capital of the Company as at the Latest Practicable Date and approximately 25.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,353,342,738 new Shares.

The Fifth Supplemental Deed shall become effective within fifteen (15) business days after the fulfilment of all the conditions precedent as set out therein.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The Conversion Shares to be converted under the Existing Convertible Bonds and the New Existing CB Interest Shares will be allotted and issued under the Existing CB Specific Mandate to be sought from the Independent Shareholders at the EGM.

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the New Existing CB Interest Shares. No application will be made for listing of, or permission to deal in, the Existing Convertible Bonds on the Stock Exchange or any other stock exchange.

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### *Convertible Bonds A*

As at 9 December 2021, being the existing maturity date of the Existing Convertible Bonds, the total amount of interest payable by the Company to the Vendor amounted to HK\$64,127,855 pursuant to the terms and conditions of the Existing Convertible Bonds. As part of the debt restructuring proposal, the Company is required to issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to the Vendor to set off the Overdue Existing CB Interest.

On 5 February 2024, the Company and the Vendor entered into the CB Subscription Agreement A, pursuant to which the Company conditionally agrees to issue and the Vendor conditionally agrees to subscribe for the Convertible Bonds B in the principal amount of HK\$64,127,855 and the Subscriber will pay the subscription price by way of set-off against the Overdue Existing CB Interest.

On 13 March 2024, the Company and the Vendor entered into the CB Extension Letter A to extend the latest date for the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the CB Subscription Agreement A to 31 May 2024 (or such other time and date as may be agreed between the parties thereto).

Set out below are the principal terms of the CB Subscription Agreement A:

Date	5 February 2024
Parties	(i) The Company (as issuer); and (ii) the Vendor (as subscriber).
Subscription of Convertible Bonds A	The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond A in the principal amount of HK\$64,127,855 due on 9 December 2025 at the initial Conversion Price of HK\$0.196 per Conversion Share (subject to adjustments upon the consolidation or sub-division of Shares).
Conditions precedent	Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:  (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;

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- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the CB Subscription Agreement A and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the representations and warranties given by the Company and the Vendor under the CB Subscription Agreement A remaining true, accurate and complete and not misleading in all material respects;
- (vii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the CB Subscription Agreement A and the transactions contemplated thereunder, including the CB Specific Mandate A for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A and the CB Interest Shares A;

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- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional);
- (ix) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional); and
- (x) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional).

For the avoidance of doubt, except for condition (vi) above which can be waived by the Vendor, all other conditions are incapable of being waived. As at the Latest Practicable Date, save for condition (iv) above, none of the conditions have been fulfilled.

If any of the above conditions are not fulfilled or waived (as the case may be) on or before 31 May 2024 (or such other time and date as may be agreed between the parties thereto in writing), the CB Subscription Agreement A shall cease to have any effect and the parties thereto shall bear no obligations and responsibilities, save for any antecedent breach.

### Completion

Completion of the subscription of Convertible Bonds A shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the CB Subscription Agreement A (or such later date as may be agreed between the Company and the Vendor) at the principal place of business of the Company or such other place as may be agreed between the Company and the Vendor.

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The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The principal terms of the Convertible Bonds A are summarised as follows:

Principal amount	HK\$64,127,855
Maturity Date (A)	9 December 2025
Interest rate	0.8% per annum

Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest payable under the Convertible Bonds A shall be settled by the Company on the Maturity Date (A) by way of allotting and issuing to the holder of the Convertible Bonds A such number of new Shares (the “**CB Interest Share(s) A**”) of value equivalent to the total outstanding amount of interests at the issue price of HK\$0.196 per CB Interest Share A, which represents the Conversion Price of HK\$0.196 per Conversion Share to be converted under the Convertible Bonds A, or such other methods as may be agreed between the Company and the holder of the Convertible Bonds A.

Conversion Price	HK\$0.196 per Conversion Share
Conversion period	Holder of the Convertible Bonds A shall not convert all or part of the Convertible Bonds A into Conversion Shares prior to the Maturity Date (A).
Redemption	Holder of the Convertible Bonds A shall not wind up the Company or request the Convertible Bonds A be redeemed by the Company prior to the Maturity Date (A).

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Transferability	<p>Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Convertible Bonds A is entitled to transfer the Convertible Bonds A to any other person.</p>
Mandatory conversion	<p>Subject to the conversion restriction as set out in the terms and conditions of the Convertible Bonds A, the Vendor (or its successor or transferee) shall on the Maturity Date (A), mandatorily convert all of the outstanding principal amount of the Convertible Bonds A into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Maturity Date (A) (including updating the register of members of the Company) and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Convertible Bonds A or its nominee shall become the legal beneficial owner of the Conversion Shares.</p> <p>Assuming that (i) there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the Maturity Date (A); (ii) the Convertible Bonds A are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the Convertible Bonds A has been issued and the interest accrued and to be accrued from 10 December 2023 to 9 December 2025 (both days inclusive) of approximately HK\$1,026,046 are settled by the issue of the CB Interest Shares A at the issue price of HK\$0.196 per CB Interest Share A, a total number of 332,417,860 new Shares, comprising of 327,182,933 Conversion Shares and 5,234,927 CB Interest Shares A, will be allotted and issued, representing approximately 8.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 7.6% of the issued share capital of the Company as enlarged by the allotment and issue of the 332,417,860 new Shares.</p>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Conversion Shares to be converted under the Convertible Bonds A and the CB Interest Shares A will be allotted and issued under the CB Specific Mandate A to be sought from the Independent Shareholders at the EGM. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the CB Interest Shares A. No application will be made for listing of, or permission to deal in, the Convertible Bonds A on the Stock Exchange or any other stock exchange.

### ***Convertible Bonds B***

As at the Latest Practicable Date, the outstanding broadcasting fee owed to the Vendor amounting to HK\$24,586,856 of which HK\$8,346,856 will be partly settled by net proceeds from the Share Subscription as discussed above. The remaining balance will be set off by the issue of the Convertible Bonds B in the principal amount of HK\$16,240,000.

On 5 February 2024, the Company and the Vendor entered into the CB Subscription Agreement B, pursuant to which the Company conditionally agrees to issue and the Vendor conditionally agrees to subscribe for the Convertible Bonds A in the principal amount of HK\$16,240,000 and the Subscriber will pay the subscription price by way of set-off against the remaining outstanding broadcasting fee owed to the Vendor in the amount of HK\$16,240,000.

On 13 March 2024, the Company and the Vendor entered into the CB Extension Letter B to extend the latest date for the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the CB Subscription Agreement B to 31 May 2024 (or such other time and date as may be agreed between the parties thereto).

Set out below are the principal terms of the CB Subscription Agreement B:

Date	5 February 2024
Parties	(i) The Company (as issuer); and (ii) the Vendor (as subscriber).
Subscription of Convertible Bonds B	The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond B in the principal amount of HK\$16,240,000 due on 9 December 2025 at the initial Conversion Price of HK\$0.196 per Conversion Share (subject to adjustments upon the consolidation or sub-division of Shares).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Conditions precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the CB Subscription Agreement B and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the representations and warranties given by the Company and the Vendor under the CB Subscription Agreement B remaining true, accurate and complete and not misleading in all material respects;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the CB Subscription Agreement B and the transactions contemplated thereunder, including the CB Specific Mandate B for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B and the CB Interest Shares B;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional);
- (ix) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional); and
- (x) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional).

For the avoidance of doubt, except for condition (vi) above which can be waived by the Vendor, all other conditions are incapable of being waived. As at the Latest Practicable Date, save for condition (iv) above, none of the conditions have been fulfilled.

If any of the above conditions are not fulfilled or waived (as the case may be) on or before 31 May 2024 (or such other time and date as may be agreed between the parties thereto in writing), the CB Subscription Agreement B shall cease to have any effect and the parties thereto shall bear no obligations and responsibilities, save for any antecedent breach.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Completion Completion of the subscription of Convertible Bonds B shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the CB Subscription Agreement B (or such later date as may be agreed between the Company and the Vendor) at the principal place of business of the Company or such other place as may be agreed between the Company and the Vendor.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The principal terms of the Convertible Bonds B are summarized as follows:

Principal amount	HK\$16,240,000
Maturity Date (B)	9 December 2025
Interest rate	0.8% per annum

Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest payable under the Convertible Bonds B shall be settled by the Company on the Maturity Date (B) by way of allotting and issuing to the holder of the Convertible Bonds B such number of new Shares (the “**CB Interest Share(s) B**”) of value equivalent to the total outstanding amount of interests at the issue price of HK\$0.196 per CB Interest Share B, which represents the Conversion Price of HK\$0.196 per Conversion Share.

Conversion Price	HK\$0.196 per Conversion Share
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Conversion period	Holder of the Convertible Bonds B shall not convert all or part of the Convertible Bonds B into Conversion Shares prior to the Maturity Date (B).
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Redemption	Holder of the Convertible Bonds B shall not wind up the Company or request the Convertible Bonds B be redeemed by the Company prior to the Maturity Date (B).
Transferability	Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Convertible Bonds B is entitled to transfer the Convertible Bonds B to any other person.
Mandatory conversion	Subject to the conversion restriction as set out in the terms and conditions of the Convertible Bonds B, the Vendor (or its successor or transferee) shall on the Maturity Date (B), mandatorily convert all of the outstanding principal amount of the Convertible Bonds B into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Maturity Date (B) (including updating the register of members of the Company) and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Convertible Bonds B or its nominee shall become the legal beneficial owner of the Conversion Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Assuming that (i) there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the Maturity Date (B); (ii) the Convertible Bonds B are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the Convertible Bonds B has been issued and the interest accrued and to be accrued from 10 December 2023 to 9 December 2025 (both days inclusive) of approximately HK\$259,840 are settled by the issue of the CB Interest Shares B at the issue price of HK\$0.196 per CB Interest Share B, a total number of 84,182,856 new Shares, comprising of 82,857,142 Conversion Shares and 1,325,714 CB Interest Shares B, will be allotted and issued, representing approximately 2.1% of the issued share capital of the Company as at the Latest Practicable Date and approximately 2.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 84,182,856 new Shares.

The Conversion Shares to be converted under the Convertible Bonds B and the CB Interest Shares B will be allotted and issued under the CB Specific Mandate B to be sought from the Independent Shareholders at the EGM. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the CB Interest Shares B. No application will be made for listing of, or permission to deal in, the Convertible Bonds B on the Stock Exchange or any other stock exchange.

### ***Conversion Price***

The Conversion Price of HK\$0.196 per Conversion Share represents:

- a premium of approximately 1,300% over the closing price of HK\$0.014 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- a premium of approximately 1,533.3% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- a premium of approximately 1,533.3% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, is the same as the existing conversion price of HK\$0.196 per Conversion Share of the Existing Convertible Bonds and with a view to relieve the financial burden of the Company. The Directors (excluding (i) Mr. Kan, being an executive Director who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; (ii) Ms. Tang Li, being a non-executive Director and a director of the Vendor who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting) consider that the Conversion Price and the terms and conditions of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**8. Evaluation on the basis of the Subscription Price, the Conversion Price and the issue price of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B and the terms of the Fifth Supplemental Deed and the Convertible Bonds**

In assessing the fairness and reasonableness of the basis of the Subscription Price, the Conversion Price and the issue price of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B (the “**Issue Price**”), we have primarily taken into account (i) the financial position of the Group and the material uncertainty relating to the going concern basis of the Group as raised by the auditor of the Company as set out in the section headed “1. Background and financial information of the Group” above; and (ii) the historical Share price performance. We have also attempted to carry out the market comparable analysis in respect of recent issue of new shares under specific mandate and recent issuance of convertible bonds/notes but are unable to identify any market comparable as further elaborated below. Details of our analysis and results are as follows:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Review on the historical price of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, the Conversion Price and the Issue Price, we have reviewed the chart illustrates the historical daily closing price of the Shares as quoted on the Stock Exchange (i) during the period commencing from 13 August 2021 up to and including the Last Trading Day (the “**Pre-suspension Period**”), being approximately one year prior to the Last Trading Day; and (ii) the period commencing on 1 March 2024 (i.e., the date of the Resumption) to the Latest Practicable Date (the “**Post-suspension Period**”) (collectively, the “**Review Period**”). We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the historical price movement of the Shares. Although the trading of the Shares has resumed on 1 March 2024, we consider that the closing price of the Shares during Pre-suspension Period still provide a general overview of the historical price movement of the Shares after considering that (i) the Post-suspension Period, which consists of only 9 trading days, may not provide sufficient closing price references and would be less meaningful for analysis; (ii) the historical price movement of the Shares before the suspension of the trading of the Shares on 15 August 2022 was the latest available market information of the value of the Company for reference prior to the entering into the Relevant Transactions and, as stated in the Letter from the Board, there is no material change in the operational and/or financial status of the Company during the Suspension Period; and (iii) the loss-making and net liabilities position of the Group limited the available references for determining the Subscription Price, the Issue Price and the Conversion Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

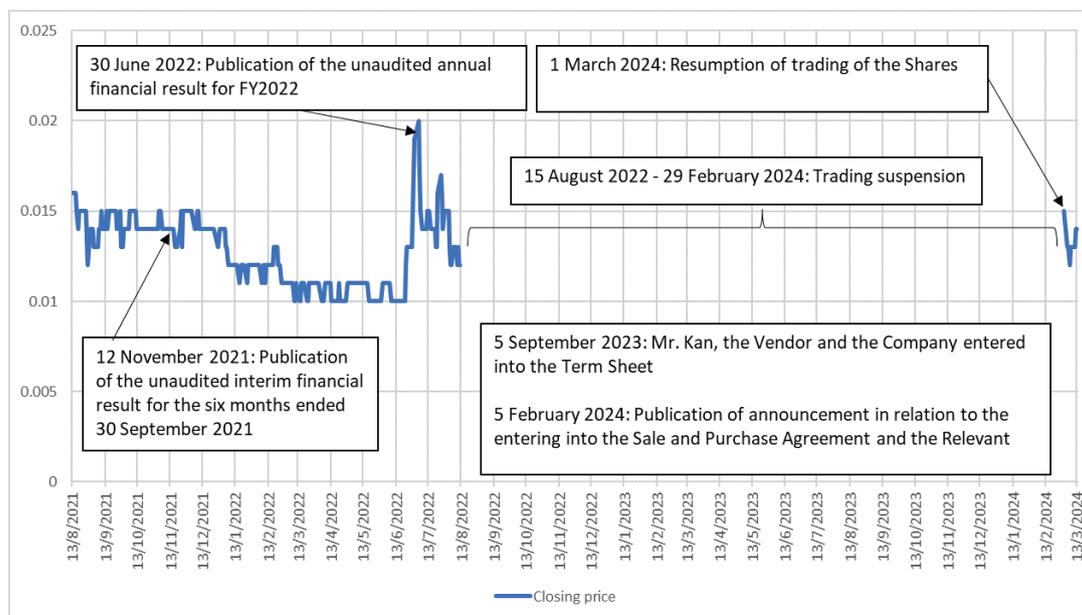


Chart 1: Historical Share price performance of the Company during the Review Period

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the above chart 1, during the Pre-suspension Period, the daily closing prices of the Shares was relatively stable and was ranged from the lowest of HK\$0.010 per Share to the highest of HK\$0.020 per Share, with an average closing price of HK\$0.013 per Share. We note that (i) the Subscription Price of HK\$0.012 per Subscription Share is within the range of the closing price of Share during the Pre-suspension Period; and (ii) the Conversion Price and the Issue Price of HK\$0.196 per Conversion Share represent a premium of approximately 880% over the highest closing price of Share during the Pre-suspension Period.

During the Pre-suspension Period, we note that the Company has published (i) the interim results announcement for the six months ended 30 September 2021 dated 12 November 2021; and (ii) the annual results announcement for FY2022 dated 30 June 2022. As discussed with the management of the Company, the Company is not aware of any reasons for the fluctuation in price of the Shares during the Pre-suspension Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the Post-suspension Period, the daily closing prices of the Shares was ranged from the lowest of HK\$0.012 per Share to the highest of HK\$0.015 per Share, with an average closing price of HK\$0.013 per Share. We note that (i) the Subscription Price represents a slight discount to the average closing price during the Post-suspension Period but is within the range of the closing price of the Shares during the Post-suspension Period; and (ii) the Conversion Price and the Issue Price both represent a premium of approximately 1,206% over the highest closing price of Share during the Post-suspension Period.

After considering that (i) the Subscription Price represents no discount to the closing price of the Shares on the Last Trading Day as stated in the Letter from Board and is within the range of the closing price of the Shares during both Pre-suspension Period and Post-suspension Period; (ii) the conversion price of the Convertible Bonds A and the Convertible Bonds B and the Issue Price are same as the existing conversion price of the Existing Convertible Bonds, which represents a high premium over the highest closing price of the Shares during both Pre-suspension Period and Post-suspension Period; and (iii) the ability of the Group to continue as a going concern will remain uncertain if the Relevant Transactions do not take place, in particular (a) the Company will need to restart the entire process for the negotiation of restructuring of the outstanding indebtedness of the Group with the holder of the Existing Convertible Bonds and other independent third parties for fund raising, which might be time consuming and the outcome is uncertain; (b) the Existing Convertible Bonds are already overdue, which includes the principal amount of approximately HK\$257.03 million and Overdue Existing CB Interest of approximately HK\$64.13 million, and the Vendor has the right to request the Group to repay the Existing Convertible Bonds and the Overdue Existing CB Interest upon the termination of the Relevant Transactions; and (c) even though the trading of the Shares has resumed, obtaining other fund raising alternatives to fulfil the required funds still remain difficult under the current financial position of the Group and may incur additional financial costs to the Group, we consider that the Subscription Price, Conversion Price and the Issue Price are fair and reasonable.

### ***Market comparables in respect of recent issue of new shares under specific mandate***

For the purpose of providing the Independent Shareholders with further reference for companies listed on the Stock Exchange issuing new shares under specific mandate, we have attempted to carry out market comparable analysis to compare the issue of new shares under specific mandate, which (i) the shares of the issuers were in prolonged suspension on the date of the announcement; (ii) the issuers are engaged in similar business as the Group; and (iii) the issue of new shares under specific mandate are for fund raising (excluding the issue of shares as part of consideration in acquisition or under share award plan or restricted share unit scheme, or issue and subscription of A shares and domestic shares that are not trading on the Stock Exchange), during one year prior to 5 September 2023, being the date of the Term Sheet (the “**Comparable Period**”). As the trading of the Shares was under suspension when the Subscription Agreement was negotiated and entered into, we consider that the above criteria are adequate and appropriate for the comparison of the terms of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Subscription with those offered to the subscribers, which the shares were also under prolonged suspension and the issuers conducted similar business to the Group. We also consider that the Comparable Period is adequate and appropriate (i) to reflect the prevailing market conditions and sentiment in the Hong Kong stock market; and (ii) to provide a general reference of the recent share subscription being conducted under similar market conditions. However, based on the public information available on the Stock Exchange's website, we are not able to identify any market comparable that meets all of the above criteria, which we considered adequate and appropriate as discussed above.

### ***Market comparables in respect of recent issues of convertible bonds/notes***

For the purpose of assessing the fairness and reasonableness of the terms of the Fifth Supplemental Deed and the Convertible Bonds and providing the Independent Shareholders with further reference for companies listed on the Stock Exchange issuing convertible bonds/notes, we have attempted to carry out market comparable analysis to compare the terms of the convertible bonds/notes, which (i) the shares of the issuers were in prolonged suspension on the date of the announcement; (ii) the issuers are engaged in similar business as the Group; (iii) the issue of convertible bonds/notes are to raise funds (excluding the issue of convertible bonds/notes as part of consideration in acquisition); and (iv) the duration of the convertible bonds/notes is not perpetual, during the Comparable Period. We consider that the Comparable Period is adequate and appropriate (i) to reflect the prevailing market conditions and sentiment in the Hong Kong stock market; and (ii) to provide a general reference of the recent convertible securities transactions being conducted under similar market conditions. As the trading of the Shares was under suspension when the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B were negotiated and entered into, we consider that the above criteria are adequate and appropriate for the comparison of the terms of the Fifth Supplemental Deed and the Convertible Bonds with those offered to the bondholders, which the shares were also under prolonged suspension and the issuers conducted similar business to the Group. We have excluded perpetual convertible bonds/notes in our analysis as they are considered not comparable to the Convertible Bonds, in terms of the credit risk and interest rate risk incurred from the maturity of the convertible bonds/notes. However, based on the public information available on the Stock Exchange's website, we are not able to identify any market comparable that meets all of the above criteria, which we considered adequate and appropriate as discussed above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Conclusion*

Although we could not identify any direct comparable from the above market comparable analysis of issue of new shares under specific mandate and issue of convertible bonds/notes for the Subscription Price, the Issue Price and the Conversion Price, we have considered other factors including:

- (i) the Subscription Price represents no discount to the closing price of the Shares on the Last Trading Day and is within the range of the closing price of the Shares during the Pre-suspension Period and the Post-suspension Period;
- (ii) the Share Subscription, together with the Fifth Amendment of Terms and the issue of the Convertible Bonds A and the Convertible Bonds B, will settle the indebtedness and improve the financial position of the Group;
- (iii) the Existing Convertible Bonds are already overdue before entering into the Fifth Supplemental Deed and would be extended to Fifth Extended Maturity Date with a reduction in interest rate retrospectively by entering into the Fifth Supplemental Deed;
- (iv) the conversion price of the Convertible Bonds A and the Convertible Bonds B and the Issue Price are the same as the existing conversion price of the Existing Convertible Bonds, which represents a high premium over the highest closing price of the Shares during the Pre-suspension Period and the Post-suspension Period;
- (v) all of the Convertible Bonds are mandatorily converted at the Conversion Price on their maturity date, which will reduce the liabilities of the Group without any cash outflow; and
- (vi) the Relevant Transactions forms part of the debt restructuring proposal and the Group may not able to continue to operate as a going concern if the Relevant Transactions do not take place.

Therefore, we are of the view that the terms of the Share Subscription Agreement (including the Subscription Price), the Fifth Supplemental Deed and the Convertible Bonds (including the Conversion Price and the Issue Price) are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 9. Special Deals

According to the Letter from the Board, the Company intends to apply part of the net proceeds from the Share Subscription of approximately HK\$10.4 million to repay (i) the outstanding amount due to Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor; and (ii) part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group. The Company also (i) entered into the Fifth Supplemental Deed with the Vendor to amend certain terms of the Existing Convertible Bonds; (ii) entered into the CB Subscription Agreement A to issue the Convertible Bonds A to the Vendor to set off the Overdue Existing CB Interest; and (iii) entered into the CB Subscription Agreement B to issue the Convertible Bonds B to set off the outstanding broadcasting fee owed to the Vendor as a service provider to the Group which will remain unsettled by the proceeds from the Share Subscription. Prior to the Acquisition Completion, the Vendor was a substantial Shareholder interested in 1,188,621,377 Shares, representing approximately 29.3% of the total issued share capital of the Company. As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds.

As (i) the repayment of amount due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor, are not extended to all the other Shareholders, these arrangements shall constitute Special Deals under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code.

Taking into account that (i) the Group has financial difficulties to refinance its indebtedness and the auditor of the Company has raised the material uncertainty relating to the going concern basis of the Group set out in the section headed “1. Background and financial information of the Group” above; (ii) the repayment of the outstanding amount due to the Vendor and its fellow subsidiary under the Special Deals could reduce the liabilities of the Group and the Fifth Amendment of Terms will improve the Group’s financial position; (iii) the Group does not have sufficient cash and cash equivalents to repay the Existing Convertible Bonds, which have already been overdue, and by entering into the Fifth Supplemental Deed with the Vendor, the maturity date can be extended to 9 December 2025; (iv) the interest rate of the Existing Convertible Bonds is reduced retrospectively under the Fifth Supplemental Deed; (v) the issue of the Convertible Bonds A and the Convertible Bonds B to the Vendor can settle the overdue Existing CB Interest and the outstanding broadcasting fee and, together with the Existing Convertible Bonds, will be mandatorily converted into Conversion Shares on the maturity date, which will reduce the liabilities of the Group without any cash outflow; (vi) the terms of the Fifth Supplemental Deed and the Convertible Bonds are fair and reasonable as discussed above; and (vii) the Special Deals form part of the debt restructuring proposal as discussed above and the Group may not able to continue to operate as a going concern if the Relevant Transactions do not take place, we are of the view that the terms of the Special Deals are fair and reasonable.

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### 10. Change in shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Subscription Completion; and (iii) immediately after (a) the Share Subscription Completion; (b) full conversion of the Convertible Bonds; and (c) allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B:

Shareholders	(i) As at Latest Practicable Date		(ii) Immediately after the Share Subscription Completion		(iii) Immediately after (a) the Share Subscription Completion; (b) full conversion of the Convertible Bonds; and (c) allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>The Offeror and parties acting in concert with it</b>						
The Offeror	1,188,621,377	29.3	2,855,288,044	49.9	2,855,288,044	38.2
Mr. Kan	69,000,000	1.7	69,000,000 <i>(Note 1)</i>	1.2	69,000,000 <i>(Note 1)</i>	0.9
	<u>1,257,621,377</u>	<u>31.0</u>	<u>2,924,288,044</u>	<u>51.1</u>	<u>2,924,288,044</u>	<u>39.1</u>
The Vendor	-	-	-	-	1,769,943,454 <i>(Note 4)</i>	23.6
Public Shareholders	<u>2,797,728,570</u>	<u>69.0</u>	<u>2,797,728,570</u>	<u>48.9</u>	<u>2,797,728,570</u>	<u>37.3</u>
<b>Total</b>	<b><u>4,055,349,947</u></b>	<b><u>100.0</u></b>	<b><u>5,722,016,614</u></b>	<b><u>100.0</u></b>	<b><u>7,491,960,068</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Subject to the completion of the subscription of 1,666,666,667 Shares in the Share Subscription, Mr. Kan, together with parties acting in concert with him, will be beneficially interested in 2,924,288,044 Shares, representing approximately 51.1% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.
- (2) As at the Latest Practicable Date, the Vendor is the holder of the Existing Convertible Bonds in the outstanding principal amount of HK\$257,030,210.
- (3) Upon the issue of the Convertible Bonds A and Convertible Bonds B, the Vendor will be the holder of (i) the Existing Convertible Bonds in the outstanding principal amount of HK\$257,030,210; (ii) the Convertible Bond A in the principal amount of HK\$64,127,855; and (iii) the Convertible Bond B in the principal amount of HK\$16,240,000. Pursuant to the terms and conditions of the Convertible Bonds, the Vendor is not entitled to exercise the relevant conversion right prior to the respective maturity dates.

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- (4) For illustrative purpose, upon (i) the mandatory conversion of the Convertible Bonds in accordance with the terms and conditions of the respective agreements; and (ii) the allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B, the Vendor will be beneficially interested in 1,769,943,454 Shares, comprising of (i) 1,311,378,622 Conversion Shares to be converted under the Existing Convertible Bonds; (ii) 327,182,933 Conversion Shares to be converted under the Convertible Bonds A; (iii) 82,857,142 Conversion Shares to be converted under the Convertible Bonds B; (iv) 41,964,116 New Existing CB Interest Shares; (v) 5,234,927 CB Interest Shares A; and (vi) 1,325,714 CB Interest Shares B.
- (5) Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

We note that the shareholding of the public Shareholders will be reduced from approximately 69.0% to 48.9% of the issued share capital of the Company immediately after the Share Subscription Completion and will be further reduced to 37.3% after the Share Subscription Completion, the full conversion of the Convertible Bonds and allotment and issue of the New Existing CB Interest Shares, the CB Interest Shares A and the CB Interest Shares B. However, as discussed in the section headed “4. Reasons for and benefits of the Share Subscription, the Fifth Amendment of Terms and issue of Convertible Bonds A and Convertible Bonds B and use of proceeds” in this letter above, the Group has financial difficulties and funding needs to refinance its indebtedness. Despite the possible dilution effect from the Share Subscription and the conversion of the Convertible Bonds after their issuance, after considering (i) the Subscription Price is the same as the closing price of the Shares on the Last Trading Day and is fair and reasonable as discussed above; (ii) the issue of the Convertible Bonds will allow the Group to refinance part of its indebtedness without any cash outflow; and (iii) the terms of the Convertible Bonds are fair and reasonable, in particular, the Conversion Price and the Issue Price of HK\$0.196 per Conversion Share represent a high premium over the highest closing price of the Shares during the Pre-suspension Period and all of the Convertible Bonds are mandatorily converted at the Conversion Price on their maturity date, we consider the dilution to the public Shareholders is acceptable and the Share Subscription and issue of the Convertible Bonds A and Convertible Bonds B are in the interests of the Company and the Independent Shareholders as a whole.

### **11. Financial effects of the Share Subscription**

As disclosed in the Interim Report 2023/24, the cash and cash equivalents balance and net current liabilities of the Group amounted to approximately HK\$52.1 million and approximately HK\$419.4 million, respectively, as at 30 September 2023. Immediately following the Share Subscription Completion and the repayment of outstanding indebtedness by the net proceeds of the Share Subscription, the cash and cash equivalents of the Group will be increased by approximately HK\$9.5 million (being the remaining balance of net proceeds of the Share Subscription of approximately HK\$19.9 million after repayment of outstanding indebtedness amounting to approximately HK\$10.4 million) and it is expected that the Group’s net current liabilities position will be improved.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Interim Report 2023/24, the unaudited condensed consolidated net liabilities attributable to the Shareholders amounted to approximately HK\$397.4 million as at 30 September 2023. Immediately following the Share Subscription Completion and the repayment of outstanding indebtedness by the net proceeds of the Share Subscription, it is expected that the net liabilities attributable to the Shareholders will be decreased by the net proceeds of the Share Subscription of approximately HK\$19.9 million. Accordingly, the Share Subscription is expected to have a positive impact on the financial position of the Group.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, in particular, that:

- (i) the prolonged suspension of the trading in the Shares on the Stock Exchange when the Relevant Transactions were entered;
- (ii) the financial position of the Group and material uncertainty relating to the going concern basis of the Group as raised by the auditor of the Company for FY2022 and FY2023 and in the event that the Relevant Transactions do not take place;
- (iii) the difficulties of obtaining more favourable financing terms from other fund raising alternatives under the current financial position of the Group;
- (iv) the Share Subscription, which forms part of the debt restructuring proposal, will reduce the Group's liabilities and the terms of the Share Subscription are fair and reasonable;
- (v) the overdue Existing Convertible Bonds will be extended and the interest rate of the Existing Convertible Bonds will be reduced retrospectively under the Fifth Supplemental Deed;
- (vi) the issue of the Convertible Bonds A and the Convertible Bonds B will refinance part of the Group's indebtedness and, together with the Existing Convertible Bonds, will be mandatory converted on their maturity dates without any cash outflow and the terms of the Convertible Bonds are fair and reasonable; and
- (vii) the Special Deals are solely for the purpose of repayment of indebtedness due to the Vendor, who was the Shareholder prior to the Acquisition Completion, to improve the financial position of the Group and form part of the debt restructuring proposal,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we are of the view that although the Relevant Transactions are not in the ordinary and usual course of business of the Group, the terms of (i) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares); (ii) the Fifth Supplemental Deed and the transactions contemplated thereunder (including the Existing CB Specific Mandate to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Existing Convertible Bonds and the New Existing CB Interest Shares); (iii) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A and the CB Interest Shares A); (iv) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B and the CB Interest Shares B); and (v) the Special Deals, are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committees to recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the Relevant Transactions at the EGM.

Yours faithfully,  
For and on behalf of  
**INCU CORPORATE FINANCE LIMITED**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

**1. FINANCIAL INFORMATION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the relevant published financial statements which are of major relevance to the appreciation of the financial information, of the Group for each of the three years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023 (collectively, the “**Financial Statements**”) are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cnctv.hk](http://www.cnctv.hk)):

- Annual report for the year ended 31 March 2021 (pages 107 to 254):  
  
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0701/2021070100045.pdf>
- Annual report for the year ended 31 March 2022 (pages 162 to 306):  
  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1121/2023112101037.pdf>
- Annual report for the year ended 31 March 2023 (pages 165 to 298):  
  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1123/2023112301227.pdf>
- Interim report for the six months ended 30 September 2023 (pages 3 to 34)  
  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1122/2023112201057.pdf>

The Financial Statements (but not any other part of the aforementioned documents in which they appear) are incorporated by reference into this circular and form part of this circular.

## 2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated financial results of the Group for each of the three years ended 31 March 2021, 2022 and 2023 (as extracted from the annual report of the Company for the year ended 31 March 2021, 2022 and 2023 respectively) and the six months ended 30 September 2023 (as extracted from the interim report of the Company for the six months ended 30 September 2023):

	For the six months ended	For the year ended 31 March		
	30 September 2023	2023	2022	2021
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Revenue	225,723	496,457	408,175	239,233
Cost of services	(214,774)	(493,037)	(417,531)	(268,053)
Gross profit/(loss)	10,949	3,420	(9,356)	(28,820)
Other income	572	4,603	4,487	12,374
Other (losses)/gains, net	(70)	7,435	(453)	(913)
Administrative and operating expenses	(7,893)	(15,181)	(17,452)	(26,005)
Profit/(loss) from operations	3,558	277	(21,486)	(70,036)
Financial costs	(6,038)	(13,183)	(20,573)	(9,314)
Loss before tax	(2,480)	(12,906)	(42,059)	(79,350)
Income tax	(113)	3,449	(93)	5,598
Loss for the period/year	<u>(2,593)</u>	<u>(9,457)</u>	<u>(42,152)</u>	<u>(73,752)</u>
(Loss)/profit for the period/year attributable to:				
– Owners of the Company	(2,722)	(9,440)	(41,729)	(72,946)
– Non-controlling interests	129	(17)	(423)	(806)
	<u>(2,593)</u>	<u>(9,457)</u>	<u>(42,152)</u>	<u>(73,752)</u>
Total comprehensive (loss)/income attributable to:				
– Owners of the Company	(2,722)	(9,481)	(41,692)	(71,915)
– Non-controlling interests	129	(17)	(423)	(806)
	<u>(2,593)</u>	<u>(9,498)</u>	<u>(42,115)</u>	<u>(72,721)</u>
Loss per share ( <i>HK cents</i> )				
Basic	<u>(0.07)</u>	<u>(0.23)</u>	<u>(1.03)</u>	<u>(1.80)</u>
Diluted	<u>(0.07)</u>	<u>(0.23)</u>	<u>(1.03)</u>	<u>(1.80)</u>

Save as disclosed, there were no material items of income or expense in any of the years ended 31 March 2021, 31 March 2022 and 31 March 2023 and the six months ended 30 September 2023.

The auditor of the Company for the three years ended 31 March 2021, 2022 and 2023 was HLB Hodgson Impey Cheng Limited. Save as disclosed below, the auditors' reports issued by HLB Hodgson Impey Cheng Limited in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 March 2021, 2022 and 2023 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

**Disclaimer of opinion for the year ended 31 March 2022**

***Material uncertainties relating to the going concern basis***

As stated in Note 3(c) to the consolidated financial statements of the Company for the year ended 31 March 2022, the Group incurred a net loss of approximately HK\$42,152,000 during the year ended 31 March 2022 and as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK\$404,003,000 and HK\$385,308,000 respectively. In addition, included in the Group's liabilities as at 31 March 2022 were: (i) convertible notes of principal amount of HK\$257,030,000 (the "**Convertible Notes**") and interests thereon of approximately HK\$64,128,000 (the "**Convertible Notes Interest**") in respect of which the Group was in default in settlement; (ii) amount due to a substantial shareholder of HK\$24,587,000 (the "**On Demand Debt**") which was repayable on demand; and (iii) promissory notes of principal amount of HK\$45,040,000 and interest thereon of approximately HK\$6,271,000 which are due for repayment in the next twelve months after the date of this report (the "**Promissory Notes**"). These events and conditions, along with other matters as set forth in Note 3(c), indicate that material uncertainties existed as at 31 March 2022 that cast significant doubts on the Group's ability to continue as a going concern.

The Directors have assessed the Group's ability to continue as a going concern and are undertaking measures to improve the Group's liquidity and financial position and enable the Group to meet its liabilities as and when they fall due. These plans for future actions in relation to the going concern assessment, which are set out in Note 3(c) to the consolidated financial statements, include: (i) management is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group; (ii) the Company has entered into conditional agreement with Mr. Kan, a shareholder of the Company, for the allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share for a total consideration of approximately HK\$20,000,000; (iii) the Company has entered into conditional agreement with the holder of the Convertible Notes, which is also a substantial shareholder of the Company, for the amendments of certain terms of the Convertible Notes and the issuance of new convertible bonds in the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest; (iv) the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of HK\$16,240,000 to set off part of the outstanding balance of the On Demand Debt; and (v) the Company is negotiating with its promissory notes holder to extend the repayment dates of principal and the interest amounts accrued on the Promissory Notes.

The validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the abovementioned plans and measures, which are inherently uncertain and as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties, including whether the Group being able to successfully negotiate and agree with the holders of Convertible Notes and Promissory Notes to renew or extend the existing debts or complete shares subscription to provide funds for the Group to meet its liabilities as they fall due.

Should the Group fail to achieve successful outcomes from the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements

The auditor has not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net assets of the Group as at 31 March 2022 and the consolidated loss and other comprehensive income or expense and cash flows of the Group for the year ended 31 March 2022, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

**Disclaimer of opinion for the year ended 31 March 2023**

***Material uncertainties relating to the going concern basis***

As stated in Note 3c to the consolidated financial statements of the Company for the year ended 31 March 2023, the Group incurred a net loss of approximately HK\$9,457,000 during the year ended 31 March 2023 and as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK\$370,510,000 and HK\$394,806,000 respectively. In addition, included in the Group's liabilities as at 31 March 2023 were: i) the Convertible Notes of principal amount of HK\$257,030,000 and the Convertible Notes Interest of approximately HK\$74,226,000 in respect of which the Group was in default in settlement; ii) the On Demand Debt of HK\$24,587,000; and iii) Promissory Notes of amount of HK\$40,429,000 and interest thereon of approximately HK\$6,777,000 which are due for repayment in the next twelve months after the date of approval of these consolidated financial statements. These events and conditions, along with other matters as set forth in Note 3c, indicate that material uncertainties existed as at 31 March 2023 that cast significant doubts on the Group's ability to continue as a going concern.

The Directors have assessed the Group's ability to continue as a going concern and are undertaking measures to improve the Group's liquidity and financial position and enable the Group to meet its liabilities as and when they fall due. These plans for future actions in relation to the going concern assessment, which are set out in Note 3c to the consolidated financial statements, include: (i) management is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group; (ii) the Company has entered into conditional agreement with Mr. Kan, a shareholder of the Company, for the allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share for a total consideration of approximately HK\$20,000,000; (iii) the Company has entered into conditional agreement with the holder of the Convertible Notes, which is also a substantial shareholder of the Company, for the amendments of certain terms of the Convertible Notes in relation to, among others, the amendment of interest rate from 3% to 0.8% per annum and the extension of the maturity date of the Convertible Notes to 9 December 2025; (iv) the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest; (v) the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of HK\$16,240,000 to set off part of the outstanding balance of the On Demand Debt; (vi) the Company is negotiating with its promissory notes holder to extend the repayment dates of principal and the interest amounts accrued on the Promissory Notes and (vii) Mr. Kan has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements and also granted a loan facility up to HK\$60,000,000 to the Group to maintain the going concern of the Company.

The validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the abovementioned plans and measures, which are inherently uncertain and as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties.

Should the Group fail to achieve successful outcomes from the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The auditor has not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net liabilities of the Group as at 31 March 2023 and the consolidated loss and other comprehensive loss and cash flows of the Group for the year ended 31 March 2023, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

There was no payment of dividends for each of the year ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023. Hence dividends per Share for each of the year ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023 was inapplicable.

There was no change in the Group's accounting policy during the three years ended 31 March 2023 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

### **3. INDEBTEDNESS**

#### **Statement of Indebtedness**

At the close of business on 31 January 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

#### ***Bank and other borrowings***

As at 31 January 2024, the Group had an aggregate outstanding unsecured borrowings of approximately HK\$389.7 million.

#### ***Mortgages and charges***

As at 31 January 2024, certain machineries under hire purchase with aggregate outstanding principal amount of approximately HK\$1.6 million were secured by personal guarantees from Mr. Kan Kwok Cheung.

As at 31 January 2024, the net carrying value of leased assets in respect of machineries to secured the lease obligation was approximately HK\$3.9 million.

***Lease liabilities***

As at 31 January 2024, the Group had lease liabilities of approximately HK\$2.9 million.

***Contingent liabilities***

As at 31 January 2024, the Group had no material contingent liabilities.

Save as aforesaid, as at the close of business on 31 January 2024, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

**4. NO MATERIAL CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited financial statements of the Group were made up.

**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Offeror (being Mr. Kan) accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subscription Shares, are as follows:

**(i) As at the Latest Practicable Date**

<b><i>Authorised share capital:</i></b>		<b><i>HK\$</i></b>
<u>500,000,000,000</u>	Shares of HK\$0.001 each	<u>500,000,000</u>
<b><i>Issued and fully paid share capital:</i></b>		
<u>4,055,349,947</u>	Shares of HK\$0.001 each	<u>4,055,350</u>

## (ii) Immediately after the allotment and issue of the Subscription Shares

<b>Authorised share capital:</b>		<i>HK\$</i>
500,000,000,000	Shares of HK\$0.001 each	500,000,000
<b>Issued and fully paid share capital:</b>		
4,055,349,947	Shares of HK\$0.001 each	4,055,350
1,666,666,667	Subscription Shares to be allotted and issued under the Share Subscription	1,666,667
<u>5,722,016,614</u>	Shares of HK\$0.001 each	<u>5,722,017</u>

All the Shares in issue and the Subscription Shares (when allotted and fully-paid) rank *pari passu* with each other in all respects including as regards to dividends and voting rights.

The Subscription Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Subscription Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

As at the Latest Practicable Date, save for the Subscription Shares, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

Since 31 March 2023, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

### 3. MARKET PRICES

As trading in the Shares has been suspended from 15 August 2022 up to and including 29 February 2024, information in respect of the closing prices of the Shares on the Stock Exchange on the last day on which trading took place in each of the calendar months during the Relevant Period are not available. The last closing price before suspension of trading was HK\$0.012 and the closing price per Share on the Latest Practicable Date was HK\$0.014.

During the period from 1 March 2024, being the date of Resumption, up to and including the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.015 per Share on 1 March 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.012 per Share on 6 March 2024.

### 4. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors and chief executives of the Company had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

#### *Long position in the Shares and underlying Shares of the Company*

Name of Directors/ chief executive	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued Shares (Note 1)
Mr. Kan Kwok Cheung	Beneficial owner	Long	69,000,000	1.7%
	Interest in controlled corporation (Note 2)	Long	1,188,621,377	29.3%

*Notes:*

- The percentages had been calculated on the basis of 4,055,349,947 issued Shares as at the Latest Practicable Date.

2. The 1,188,621,377 Shares are held by Shunleetat (BVI) Limited, being the Offeror under the Share Offer, and a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Kan. As such, Mr. Kan is deemed, or taken to be, interested in the Shares held by the Offeror by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests or short position in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, so far as known to the Directors, the following parties (not being the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

***Long position in the Shares and underlying Shares of the Company***

Name of Shareholder	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued Shares (Note 1)
Shunleetat (BVI) Limited (Note 2)	Beneficial owner	Long	1,188,621,377	29.3%

Notes:

- The percentages had been calculated on the basis of 4,055,349,947 issued Shares as at the Latest Practicable Date.
- Shunleetat (BVI) Limited, being the Offeror under the Share Offer, is a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan. As such, Mr. Kan is deemed, or taken to be interested in the Shares held by the Offeror by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that there is any other party (other than the Directors or chief executives of the Company) who had, or was deemed to have, an interest or short position in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to section 336 of the SFO, to be entered in the register refer to therein.

#### **5. DIRECTORS' INTERESTS IN CONTRACTS, ARRANGEMENTS OR ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group, since 31 March 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

Save for the Sale and Purchase Agreement and Share Subscription Agreement, particulars of which are disclosed in the Letter from the Board contained in this circular, in which Mr. Kan is considered to be interested, as at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement subsisting at the date of this circular which was significant in relation to the business of the Group.

#### **6. DIRECTORS' SERVICE CONTRACTS**

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

#### **7. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**8. MATERIAL CONTRACTS**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the Term Sheet;
- (b) the Supplemental Term Sheet;
- (c) the Share Subscription Agreement;
- (d) the Fifth Supplemental Deed;
- (e) the CB Subscription Agreement A;
- (f) the CB Subscription Agreement B;
- (g) the CB Extension Letter A; and
- (h) the CB Extension Letter B.

**9. EXPERT'S CONSENT AND QUALIFICATION**

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

<b>Name</b>	<b>Qualification</b>
INCU Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its recommendations, opinions, letter, and/or references to its name in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2023, being the date to which the latest published audited financial statements of the Group were made up.

#### **10. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, controlling shareholders and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

#### **11. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Li Yuet Tai, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is situated at Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories.
- (d) The branch share registrar and transfer office of the Company Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The principal members of the Offeror's concert group are the Offeror and Mr. Kan, being the sole shareholder and sole director of the Offeror. The correspondence address of Mr. Kan is Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories.
- (f) The registered office of the Offeror is situated at Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands.
- (g) The correspondence address of the Offeror is Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories.
- (h) The registered office of INCU Corporate Finance Limited is at Unit 1402, 14/F, Winsome House, 73 Wyndham Street, Central, Hong Kong.
- (i) The English texts of this circular shall prevail over the Chinese texts in case of any inconsistency.

**12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be available on the websites of the Company ([www.cntv.hk](http://www.cntv.hk)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the SFC ([www.sfc.hk](http://www.sfc.hk)) between the period from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the memorandum and articles of association of the Offeror;
- (iii) the annual reports of the Company for each of the three financial years ended 31 March 2021, 2022 and 2023;
- (iv) the interim report of the Company for the six months ended 30 September 2023;
- (v) the “Letter from the Board”, the text of which is set out from pages 11 to 51 of this circular;
- (vi) the “Letter from the Listing Rules Independent Board Committee”, the text of which is set out from pages 52 to 54 of this circular;
- (vii) the “Letter from the Takeovers Code Independent Board Committee”, the text of which is set out from pages 55 to 57 of this circular;
- (viii) the “Letter from the Independent Financial Adviser”, the text of which is set out from pages 58 to 108 of this circular;
- (ix) the material contracts referred to in the paragraph headed “8. Material Contracts” in this appendix;
- (x) the letter of consent referred to in the section headed “9. Expert’s Consent and Qualification” in this appendix; and
- (xi) this circular.

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## NOTICE OF EGM

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### CNC HOLDINGS LIMITED 中國新華電視控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8356)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of CNC Holdings Limited (the “**Company**”) will be held at 11/F, Golden Star Building, 20-24 Lockhart Road, Wan Chai, Hong Kong at 10:30 a.m. on Monday, 8 April 2024 for the purpose of considering, if thought fit, passing with or without amendments, the following resolutions of the Company. Unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular (the “**Circular**”) of the Company dated 15 March 2024.

#### ORDINARY RESOLUTIONS

1. “**THAT**
  - (a) the conditional subscription agreement (the “**Share Subscription Agreement**”) entered into between the Company as issuer and Mr. Kan Kwok Cheung (“**Mr. Kan**”) as subscriber dated 5 February 2024 in relation to the subscription (the “**Share Subscription**”) of 1,666,666,667 shares (the “**Subscription Shares**”) of the Company at a price of HK\$0.012 each (a copy of which is produced to the EGM marked “**A**” and signed by the chairman of the EGM for the purpose of identification) and all the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares pursuant thereto) be and are hereby approved, confirmed and ratified;

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- (b) the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company be and is hereby granted a specific mandate (the “**Share Specific Mandate**”) to allot and issue the Subscription Shares pursuant to the terms and conditions of the Share Subscription Agreement (subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Share Subscription Agreement); and THAT the Subscription Shares, when issued and fully paid, shall rank *pari passu* among themselves in all respects and with all fully paid ordinary shares (the “**Shares**”) of the Company in issue as at the date of allotment and issue; and THAT the Share Specific Mandate is in addition to, and shall not prejudice nor revoke any general or other special mandate(s) which has/ have been granted or may from time to time be granted to the Board prior to the passing of this resolution; and
- (c) any one Director be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, desirable or expedient to give effect to or in connection with the Share Subscription Agreement and the transactions contemplated thereunder.”
2. “**THAT** conditional upon the Executive Director (the “**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission granting consent to the proposed settlement of indebtedness (the “**Proposed Settlement**”) due to (i) China Xinhua News Network Co., Limited (the “**Vendor**”), being the vendor under the conditional sale and purchase agreement dated 5 February 2024 and entered into between the Vendor as vendor and Mr. Kan as purchaser in relation to the sale and purchase of 1,188,621,377 shares of the Company; and (ii) Xinhua News Agency Audio News Desk<sup>#</sup> (新華音像中心), being a fellow subsidiary of the Vendor, the utilisation of approximately HK\$10.4 million out of the proceeds from the Share Subscription for the Proposed Settlement, which constitutes a special deal under Rule 25 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), be and is hereby confirmed, ratified and approved.”
3. “**THAT**
- (a) conditional upon the Executive granting consent to the Company as issuer entering into of the supplemental deed dated 5 February 2024 (the “**Fifth Supplemental Deed**”) with the Vendor as holder of the redeemable convertible bonds issued by the Company on 9 December 2011 in an outstanding principal amount of HK\$257,030,210 (the “**Existing Convertible Bonds**”) (a copy of which is produced to the EGM marked “**B**” and signed by the chairman of the EGM for the purpose of identification) in relation to the proposed amendment of terms and conditions of the Existing Convertible Bonds, which constitutes a special deal under Rule 25 of the Takeovers Code, the Fifth Supplemental Deed and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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## NOTICE OF EGM

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- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) consenting to the alternation to the terms and conditions of the Existing Convertible Bonds, and the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Existing CB Conversion Shares (as defined below) and the New Existing CB Interest Shares (as defined below) on the Stock Exchange, the Board be and is hereby granted a specific mandate (the “**Existing CB Specific Mandate**”) for the allotment and issue of new Shares (i) upon the exercise of the conversion rights attached to the Existing Convertible Bonds in accordance with the terms and conditions of the Existing Convertible Bonds (as amended and supplemented by the Fifth Supplemental Deed) (the “**Existing CB Conversion Shares**”); and (ii) at maturity for the settlement of the total amount of interests accrued from 10 December 2021 to 9 December 2025 (both days inclusive) under the Existing Convertible Bonds in accordance with the terms and conditions of the Existing Convertible Bonds (as amended and supplemented by the Fifth Supplemental Deed) (the “**New Existing CB Interest Shares**”);
- (c) any one Director be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, desirable or expedient to give effect to or in connection with the Fifth Supplemental Deed and the transactions contemplated thereunder.”

4. “**THAT**

- (a) the conditional subscription agreement dated 5 February 2024 (as amended and supplemented by the extension letter dated 13 March 2024) (the “**CB Subscription Agreement A**”) entered into between the Company as issuer and the Vendor as subscriber (a copy of which is produced to the EGM marked “**C**” and signed by the chairman of the EGM for the purpose of identification) in respect of the issue of convertible bonds in the principal amount of HK\$64,127,855 (the “**Convertible Bonds A**”) upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Executive granting consent to the issue of the Convertible Bonds A to set off the overdue accrued interest payable to the Vendor as at 9 December 2021 in the amount of HK\$64,127,855 pursuant to the terms and conditions of the Existing Convertible Bonds, which constitutes a special deal under Rule 25 of the Takeovers Code, and subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the CB Subscription Agreement A, the issue of Convertible Bonds A in accordance with the terms and conditions of the CB Subscription Agreement A be and is hereby approved;

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## NOTICE OF EGM

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- (c) the allotment and issue of new Shares which may fall to be allotted and issued (i) upon the exercise of the conversion rights attached to the Convertible Bonds A in accordance with the terms and conditions of the Convertible Bonds A (the “**CB Conversion Shares A**”); and (ii) at maturity for the settlement of the total amount of interests to be accrued under the Convertible Bonds A in accordance with the terms and conditions of the Convertible Bonds A (the “**CB Interest Shares A**”), be and are hereby approved;
  - (d) subject to the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the CB Conversion Shares A and CB Interest Shares A, the Board be and is hereby granted a specific mandate (the “**CB Specific Mandate A**”) for the allotment and issue of the CB Conversion Shares A and CB Interest Shares A in accordance with the terms and conditions of the Convertible Bonds A; and
  - (e) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion considers necessary, desirable or expedient, for the purposes of or in connection with the implementation of the CB Subscription Agreement A and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Convertible Bonds A and the allotment and issue of the CB Conversion Shares A and CB Interest Shares A in accordance with the terms and conditions of the Convertible Bonds A.”
5. “**THAT**
- (a) the conditional subscription agreement dated 5 February 2024 (as amended and supplemented by the extension letter dated 13 March 2024) (the “**CB Subscription Agreement B**”) entered into between the Company as issuer and the Vendor as subscriber (a copy of which is produced to the EGM marked “**D**” and signed by the chairman of the EGM for the purpose of identification) in respect of the issue of convertible bonds in the principal amount of HK\$16,240,000 (the “**Convertible Bonds B**”) upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (b) conditional upon the Executive granting consent to the issue of the Convertible Bonds B to set off part of the indebtedness due to the Vendor in the amount of HK\$16,240,000, which constitutes a special deal under Rule 25 of the Takeovers Code, and subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the CB Subscription Agreement B, the issue of Convertible Bonds B in accordance with the terms and conditions of the CB Subscription Agreement B be and is hereby approved;

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## NOTICE OF EGM

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- (c) the allotment and issue of new Shares which may fall to be allotted and issued (i) upon the exercise of the conversion rights attached to the Convertible Bonds B in accordance with the terms and conditions of the Convertible Bonds B (the “**CB Conversion Shares B**”); and (ii) at maturity for the settlement of the total amount of interests to be accrued under the Convertible Bonds B in accordance with the terms and conditions of the Convertible Bonds B (the “**CB Interest Shares B**”), be and are hereby approved;
- (d) subject to the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the CB Conversion Shares B and CB Interest Shares B, the Board be and is hereby granted a specific mandate (the “**CB Specific Mandate B**”) for the allotment and issue of the CB Conversion Shares B and CB Interest Shares B in accordance with the terms and conditions of the Convertible Bonds B; and
- (e) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion considers necessary, desirable or expedient, for the purposes of or in connection with the implementation of the CB Subscription Agreement B and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Convertible Bonds B and the allotment and issue of the CB Conversion Shares B and CB Interest Shares B in accordance with the terms and conditions of the Convertible Bonds B.”

By order of the Board  
**CNC HOLDINGS LIMITED**  
**Li Yong Sheng**  
*Vice Chairman and Chief Executive Officer*

Hong Kong, 15 March 2024

*Registered office:*

Cricket Square  
Hutchins Drive, PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Head Office and Principal Place of*

*Business in Hong Kong:*  
Flat 314, 3/F.  
Fuk Shing Commercial Building  
28 On Lok Mun Street  
Fanling, New Territories

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## NOTICE OF EGM

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*Notes:*

1. A shareholder (the “**Shareholder(s)**”) of the Company entitled to attend and vote at the EGM convened is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
2. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the EGM, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:30 a.m. on Saturday, 6 April 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude the Shareholder from attending and voting in person.
4. The voting at the EGM shall be taken by poll.
5. The register of members of the Company will be closed from Tuesday, 2 April 2024 to Monday, 8 April 2024 (both days inclusive) for determining Shareholders’ entitlement to attend and vote at the EGM, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 March 2024.
6. If typhoon signal no. 8 or above, or a “black” rainstorm warning is in effect any time after 7:30 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at [www.cctv.hk](http://www.cctv.hk) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify the Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the Directors are:

*Executive Directors:*

Dr. Jiang Yan (*Chairman*)

Dr. Li Yong Sheng (*Vice Chairman and Chief Executive Officer*)

Mr. Liu Da Yong

Mr. Kan Kwok Cheung

*Non-executive Directors:*

Ms. Tang Li

Mr. Law Cheuk Hung

*Independent non-executive Directors:*

Mr. Wu Guo Ming

Mr. Wan Chi Keung, Aaron, *BBS, JP*

Mr. Kwok Man To Paul

Mr. Chin Chi Ho Stanley

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## NOTICE OF EGM

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*This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this notice 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 notice misleading.*

*This notice will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the website of the Company at [www.cntv.hk](http://www.cntv.hk).*