
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Share Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in CNC Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Share Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, 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 Composite Document and the accompanying Form of Acceptance.



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)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY CONDITIONAL CASH OFFER BY
ARISTO SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
CNC HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY THE OFFEROR, MR. KAN AND PARTIES ACTING IN
CONCERT WITH ANY OF THEM)**

Financial Adviser to the Offeror

MESSIS 大有融資

Offer Agent to the Offeror



雅利多證券
ARISTO SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee



INCUCO Corporate Finance Limited

Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Aristo Securities containing, among other things, details of the terms of the Share Offer is set out on pages 12 to 28 of this Composite Document.

A letter from the Board is set out on pages 29 to 36 of this Composite Document. A letter from the Independent Board Committee is set out on pages 37 to 38 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 39 to 61 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Form of Acceptance of the Share Offer should be received by the Registrar as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on Tuesday, 2 April 2024 or such later time and/or the date as the Offeror may determine and the Offeror and the Company may jointly announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the section headed "Important Notice" contained in this Composite Document before taking any action. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due from such shareholder in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Share Offer.

The Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.cncvtv.hk>.

29 February 2024

CHARACTERISTICS OF GEM

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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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all references to time and date contained in this Composite Document and the Form of Acceptance refer to Hong Kong time and dates.

Event	Time and Date
	2024
Despatch date of this Composite Document and the Form of Acceptance (<i>Note 1</i>)	Thursday, 29 February
Share Offer opens for acceptance (<i>Note 1</i>)	Thursday, 29 February
Latest time and date for acceptance of the Share Offer on the first Closing Date (<i>Notes 2, 3 and 6</i>)	by 4:00 p.m. on Tuesday, 2 April
First Closing Date (<i>Note 2</i>)	Tuesday, 2 April
Announcement of the results of the Share Offer as at the first Closing Date to be posted on the websites of the Stock Exchange and the Company (<i>Note 2</i>)	by 7:00 p.m. on Tuesday, 2 April
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Share Offer at or before 4:00 p.m. on the first Closing Date (assuming the Share Offer become or are declared unconditional on the first Closing Date) (<i>Notes 4 and 6</i>)	Friday, 12 April
Latest time and date for the Share Offer remaining open for acceptance on the final Closing Date (assuming the Share Offer become or are declared unconditional on the first Closing Date) (<i>Notes 3, 5 and 6</i>)	by 4:00 p.m. on Tuesday, 16 April
Final Closing Date of the Share Offer (assuming the Share Offer become or are declared Unconditional on the first Closing Date)	Tuesday, 16 April

EXPECTED TIMETABLE

Announcement of the results of the Share Offer
as at the final Closing Date to be posted on
the websites of the Stock Exchange and
the Company (*Note 5*) by 7:00 p.m. on
Tuesday, 16 April

Latest date for posting of remittances for
the amount due in respect of valid acceptances
received under the Share Offer at or
before 4:00 p.m. on the final Closing Date
(assuming the Share Offer becomes or
is declared unconditional in all respects
on the first Closing Date) (*Notes 4 and 6*) Thursday, 25 April

Latest time and date by which the Share Offer
can become or be declared unconditional
as to acceptances (*Note 7*) by 7:00 p.m. on
Monday, 6 May

Notes:

1. The Share Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the first Closing Date, unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code.
2. In accordance with the Takeovers Code, the Share Offer must initially be opened for acceptance for at least twenty-one (21) days following the date on which this Composite Document was posted. The Share Offer will be closed on the first Closing Date unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. on the first Closing Date stating the results of the Share Offer and whether the Share Offer has been extended, revised or expired or have become or are declared unconditional.
3. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in the paragraph headed “1. General Procedures for Acceptance of The Share Offer” in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Acceptances of the Share Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “V. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

EXPECTED TIMETABLE

4. Subject to the Share Offer becoming unconditional, payment of the consideration (after deducting the seller's ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Share Offer will be made in cheque to the Independent Shareholders (to the address specified on the relevant Form of Acceptance) accepting the Share Offer by ordinary post at his/her/its own risk. Payment to Independent Shareholders by the Offeror will be made as soon as possible, but in any event no later than seven (7) business days after the later of (i) the date on which the Share Offer becomes, or is declared, unconditional and (ii) the date of receipt by the Registrar of the duly completed Form of Acceptance together with all relevant documents required to render such acceptance under the Share Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
5. In any event, in accordance with the Takeovers Code, where the Share Offer becomes or is declared unconditional, the Share Offer should remain open for acceptance for not less than fourteen (14) days thereafter. When the Share Offer becomes or is declared unconditional in all respects, at least fourteen (14) days' notice in writing must be given before the Share Offer closed to those Independent Shareholders who have not accepted the Share Offer. The Offeror has the right, subject to the Takeover Code, to extend the Share Offer until such date as it may determine or as permitted by the Executive. The Offeror and the Company will jointly issue an announcement in relation to any extension of the Share Offer, which will state the next Closing Date or, if the Share Offer has become or is at that time unconditional, that the Share Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice will be given before the Share Offer is closed, to those Independent Shareholders who have not accepted the Share Offer and an announcement will be published.
6. If there is a tropical cyclone warning signal number 8 or above or "extreme conditions" caused by super typhoon or a black rainstorm warning:
 - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer will remain at 4:00 p.m. on the same business day and the latest date for posting of remittances will also remain on the same business day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer or the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the latest date for posting of remittances will also be next following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
7. In accordance with the Takeovers Code, except with the consent of the Executive, the Share Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the sixtieth (60th) day after the day this Composite Document is posted. Accordingly, unless the Share Offer has previously become unconditional as to acceptances, the Share Offer will lapse on Monday, 6 May 2024 unless extended with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Share Offer can become or declared unconditional as to acceptance is Monday, 6 May 2024.

Save as mentioned above, if the latest time for acceptance of the Share Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Share Offer to Independent Shareholders, who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Overseas Shareholders may be prohibited or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such Overseas Shareholder who wishes to accept the Share Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Overseas Shareholder in such relevant jurisdictions.

Any acceptance by such Overseas Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror, and their respective advisers, including the financial adviser, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

For further discussion, please refer to the sections headed “Overseas Shareholders” in the Letter from Aristo Securities as set out on pages 12 to 28 of and Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations, including the GEM Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the same meaning as ascribed to it 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
“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
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“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
“Board”	the board of Directors
“CB Subscription Agreement A”	the subscription agreement dated 5 February 2024 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 and entered into between the Company, as issuer, and the Vendor, as subscriber, in relation to the subscription of the Convertible Bonds B
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Closing Date”	means Tuesday, 2 April 2024, being the first closing date of the Share Offer as stated in the section headed “Expected Timetable” in this Composite Document, or if the Share Offer is extended, any subsequent closing date of the Share Offer as extended and jointly announced by the Offeror and the Company in accordance with the Takeovers Code
“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
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all the Independent Shareholders in accordance with the Takeovers Code, setting out, among others, details of the Share Offer
“Convertible Bonds A”	the convertible bonds to be issued by the Company to the Vendor in the principal amount of HK\$64,127,855 in accordance with the terms and conditions of the CB Subscription Agreement A
“Convertible Bonds B”	the convertible bonds to be issued by the Company to the Vendor in the principal amount of HK\$16,240,000 in accordance with the terms and conditions of the CB Subscription Agreement B
“Delisting Decision”	the decision of the GEM Listing Committee to cancel the Company’s listing under Rule 9.14A of the GEM Listing Rules, details of which were disclosed in the announcement of the Company dated 5 September 2023
“Director(s)”	the director(s) of the Company from time to time
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

DEFINITIONS

“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 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
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares
“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”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising of Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, <i>BBS, JP.</i> (each of whom being a non-executive Director), which has been established to advise the Independent Shareholders in respect of the Share Offer, in particular as to whether the terms of the Share Offer are fair and reasonable and as to acceptance of the Share Offer pursuant to Rule 2.1 of the Takeovers Code

DEFINITIONS

“Independent Financial Adviser”	INCUCorporate Finance Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Company appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders with regard to 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 Shareholder(s)”	Shareholder(s), other than the Offeror, Mr. Kan 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 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”	29 February 2024, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Messis Capital”	Messis Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Share Offer
“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
“Offer Period”	the period commencing on 15 January 2024, being the date of the Joint Announcement, and ending on the Closing Date

DEFINITIONS

“Offer Price”	the price at which the Share Offer will be made, being HK\$0.014 per Offer Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned and/or agreed to be acquired by the Offeror, Mr. Kan and parties acting in concert with any of them, that are subject to the Share Offer
“Offeror”	Shunleetat (BVI) Limited, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period from 15 July 2023, being the date falling six months prior to 15 January 2024 (being the date of the commencement of the Offer Period) and ending on and including the Latest Practicable Date
“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 Share(s)”	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”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the mandatory conditional cash offer being made by Aristo Securities for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions to be set out in the Composite Document in accordance with the Takeovers Code
“Share Subscription”	the 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	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

DEFINITIONS

“Supplemental Term Sheet”	the supplemental term sheet dated 22 December 2023 entered into among Mr. Kan, the Vendor and the Company, 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, details of which are set out in the announcement dated 15 January 2024 jointly issued by the Offeror and the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Term Sheet”	the legally-binding term sheet dated 5 September 2023 entered into among Mr. Kan, the Vendor and the Company 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, details of which are set out in the announcement dated 15 January 2024 jointly issued by the Offeror and the Company
“Tsun Yip Civil”	Tsun Yip Civil Construction Company Limited, being a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services
“Tsun Yip Waterworks”	Tsun Yip Waterworks Construction Company Limited, being a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services
“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 is a substantial Shareholder and the vendor under the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM ARISTO SECURITIES



雅利多證券
ARISTO SECURITIES LIMITED

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai, Hong Kong

29 February 2024

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
ARISTO SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
CNC HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY THE OFFEROR, MR. KAN AND PARTIES ACTING IN
CONCERT WITH ANY OF THEM)**

INTRODUCTION

References are made to (i) the Joint Announcement in relation to, among others, the Term Sheet, the Supplemental Term Sheet and the Share Offer; (ii) the announcement jointly issued by the Offeror and the Company dated 5 February 2024 in relation to, among others, the entering into of 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 (iii) announcement jointly issued by the Offeror and the Company dated 29 February 2024 in relation to, among others, the Acquisition Completion and the Share Offer.

On 5 February 2024, Mr. Kan (as purchaser) and the Vendor (as vendor) entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and Mr. Kan 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 date of the Joint Announcement, at a total consideration of HK\$16,640,699, which is equivalent to HK\$0.014 per Sale Share. The Acquisition Completion took place on 29 February 2024.

On 5 February 2024, the Company, as issuer, and the Mr. Kan, as subscriber, entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Mr. Kan has conditionally agreed to subscribe for, an aggregate of 1,666,666,667 Subscription Shares at the subscription price of HK\$0.012 per Subscription Share

LETTER FROM ARISTO SECURITIES

at a total consideration of HK\$20,000,000. 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.

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.

Immediately prior to the Acquisition Completion, the Offeror and the parties acting in concert with it were interested in 69,000,000 Shares, representing approximately 1.7% of the total issued share capital of the Company. Immediately after the Acquisition Completion, the Offeror and parties acting in concert with it are interested in 1,257,621,377 Shares, representing approximately 31.0% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, upon the Acquisition Completion, the Offeror is required to make 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). Subject to the fulfilment or waiver (as the case may be) of all of the Share Subscription Conditions, it is expected that the Share Subscription Completion will take place on or before the first Closing Date, upon which the Offeror and parties acting in concert with it will be interested in not less than 2,924,288,044 Shares, representing approximately 51.1% of the issued share capital of the Company 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 Latest Practicable Date and the Share Subscription Completion. Upon the Share Subscription Completion, the Share Offer shall become unconditional as to acceptances. The Company will make announcement when the Share Offer becomes unconditional and keep the Share Offer open for acceptance for not less than fourteen (14) days thereafter in accordance with the Takeovers Code.

This letter forms part of this Composite Document and sets out, among other things, principal terms of the Share Offer, together with the information on the Offeror and the Offerors' intention on the Group. Further details on the terms and procedures for acceptances of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Independent Shareholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as well as the appendices as contained in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Share Offer.

LETTER FROM ARISTO SECURITIES

INFORMATION OF THE SHARE OFFER

Aristo Securities is making the Share Offer, for and on behalf of the Offeror and in compliance with the Takeovers Code, to acquire all the Offer Shares on the terms set out in this Composite Document and the accompanying Form of Acceptance, on the following basis:

The Share Offer

For each Offer Share HK\$0.014 in cash

The Offer Price of HK\$0.014 is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which is outstanding and not yet paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Share Offer.

If, after the date of despatch of this Composite Document, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror reserves the right to reduce the Offer Price by an amount equal to the net amount of such dividend or other distribution, in which case any reference in the Joint Announcement, this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

Comparison of value of the Offer Price

The Offer Price of HK\$0.014 per Offer Share represents:

- (i) a premium of approximately 16.67% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 16.67% 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;
- (iii) 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;

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- (iv) a premium of approximately 7.69% over 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;
- (v) a premium of approximately 16.67% 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 90 trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 16.67% 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 120 trading days immediately prior to and including the Last Trading Day; and
- (vii) a premium of approximately 16.67% 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 180 trading days immediately prior to and including the Last Trading Day.

As the Company recorded consolidated net liabilities of approximately HK\$397.4 million as at 30 September 2023 as shown in the interim report of the Company for the six months ended 30 September 2023, the comparison of the Offer Price with the net asset value of the Company in terms of percentage difference is not applicable.

For illustration purpose only, the Offer Price of HK\$0.014 per Offer Share represents dollar terms difference of approximately HK\$0.084 to the unaudited consolidated net liabilities per Share of approximately HK\$0.098 as at 30 September 2023 as extracted from the interim report of the Company for the six months ended 30 September 2023, which was calculated based on 4,055,349,947 Shares in issue as at the Latest Practicable Date.

Condition to the Share Offer

The Share Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company.

Further announcement(s) in relation to the revision, extension or lapse of the Share Offer or the fulfillment of the condition of the Share Offer shall be made in accordance with the Takeovers Code and the GEM Listing Rules in due course.

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Highest and lowest Share prices

During the six-month period immediately preceding and up to and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.02 per Share on 4 July 2022, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.01 per Share on trading days during the periods from 9 March 2022 to 10 March 2022, from 14 March 2022 to 15 March 2022, from 21 March 2022 to 22 March 2022, from 4 April 2022 to 6 April 2022, from 13 April 2022 to 19 April 2022, from 21 April 2022 to 27 April 2022, from 18 May 2022 to 30 May 2022, and from 8 June 2022 to 21 June 2022.

Value of the Share Offer

As at the Latest Practicable Date, the Company had 4,055,349,947 Shares in issue. On the basis of the Offer Price of HK\$0.014 per Offer Share, the entire issued share capital of the Company would be valued at approximately HK\$56,774,899.

Upon the Acquisition Completion, excluding the 1,257,621,377 Shares beneficially owned by Mr. Kan (being the ultimate beneficial owner of the Offeror), and assuming (i) no change in the issued share capital of the Company from the Latest Practicable Date and up to the close of the Share Offer; and (ii) full acceptance of the Offer Shares, a total of 2,797,728,570 Shares (representing approximately 69.0% of the total issued share capital of the Company as at the Latest Practicable Date) will be subject to the Share Offer and the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$39,168,200, based on the Offer Price of HK\$0.014 per Offer Share.

Assuming both the Acquisition Completion and the Share Subscription Completion take place and no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) from the Latest Practicable Date up to the close of the Share Offer, 2,797,728,570 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$39,168,200, based on the Offer Price of HK\$0.014 per Offer Share.

Confirmation of financial resources sufficiency

The Offeror intends to finance the cash amounts required for the Share Offer by its own resources. Messis Capital Limited, being the financial adviser to the Offeror in relation to the Share Offer, is satisfied that sufficient financial resources are and will remain available to the Offeror for discharging its payment obligations upon full acceptance of the Share Offer.

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Effects of accepting the Share Offer

Acceptance of the Share Offer by any Independent Shareholders will constitute a warranty by such person that all Offer Shares to be sold by such person under the Share Offer are fully paid and free and clear of all Encumbrances whatsoever together with all rights and interests attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of this Composite Document.

Acceptance of the Share Offer would be irrevocable and would not be capable of being withdrawn, subject to the provision of the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Independent Shareholders who accept the Share Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Independent Shareholders who accepted the Share Offer. The Offeror will bear the Offeror's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

Payment

Subject to the Share Offer having become, or have been declared, unconditional in all respects, payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event no later than seven (7) business days (as defined in the Takeovers Code) after the later of the date of receipt of completed and valid acceptance of the Share Offer, or the date on which the Share Offer becomes or is declared unconditional in all aspects.

Relevant documents evidencing title must be received by the Registrar to render such acceptance of the Share Offer complete and valid. The latest time on which the Offeror can declare the Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the despatch of this Composite Document (i.e. Monday, 6 May 2024) (or such later date to which the Executive may consent). If the Share Offer is withdrawn or lapse, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event no later than seven (7) business days (as defined in the Takeovers Code) after the Share Offer is withdrawn or lapse, post the Share certificates lodged with the Form of Acceptance to, or make such Share certificates available for collection by, those Independent Shareholders who have accepted the Share Offer.

No fractions of a Hong Kong cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest Hong Kong cent.

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Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, the Company, Messis Capital Limited, the Independent Financial Adviser, and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

Availability of the Share Offer to Overseas Shareholders

To the extent practicable and permissible under applicable laws and regulations, the Offeror intends to make the Share Offer available to all the Independent Shareholders, including those with registered addresses in a jurisdiction outside Hong Kong. The availability of the Share Offer to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Share Offer to the Overseas Shareholders may be affected by the applicable laws or regulations of the relevant jurisdictions. Such Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Overseas Shareholders who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Share Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other taxes due from such Overseas Shareholders in respect of such jurisdiction.

Any acceptance by the Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with and such acceptance shall be lawful, valid and binding in accordance with all applicable laws. Such Overseas Shareholders should consult their respective professional advisers if in doubt.

THE IRREVOCABLE UNDERTAKING

Rule 13 of the Takeovers Code requires that the Offeror must make an appropriate offer or proposal to the holders of the convertible securities to ensure that their interests are safeguarded.

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On 5 September 2023, the Vendor, being holder of the Existing Convertible Bonds as at the Latest Practicable Date, has given the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror, amongst others, that (i) it will not exercise any of the conversion rights attaching to the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B) before the close of the Share Offer; (ii) it will not accept any offer (if any) to be made by the Offeror in respect of the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B); and (iii) it will not deal with, pledge, transfer or take any other action to make the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B) held by it available for acceptance under any offer (if any) to be made by the Offeror in respect of the Existing Convertible Bonds (or any other convertible securities that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B).

In the light of the Irrevocable Undertaking, no offer will be made by the Offeror in respect of the Convertible Bonds as all the Convertible Bonds are held by the Vendor upon the Acquisition Completion and/or the Share Subscription Completion.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the entering into of the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Share Subscription Agreement, none of Mr. Kan, the Offeror and/or parties acting in concert with any of them has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares during the Relevant Period;
- (ii) save for 1,257,621,377 Shares held directly by Mr. Kan, none of Mr. Kan, the Offeror and/or parties acting in concert with any of them holds, owns or has control or direction over any voting rights or rights over Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) save for the Irrevocable Undertaking, none of Mr. Kan, the Offeror and parties acting in concert with any of them has received any irrevocable commitment(s) to accept or reject the Share Offer;
- (iv) there is no outstanding derivative in respect of the securities of the Company entered into by Mr. Kan, the Offeror and/or parties acting in concert with any of them;

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- (v) save for the Acquisition and Share Subscription, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which might be material to the Share Offer;
- (vi) save for the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Share Subscription Agreement, there is no agreement or arrangement to which Mr. Kan, the Offeror and/or parties acting in concert with any of them is a party which relates to circumstances in which he/it may or may not invoke or seek to invoke a pre-condition or condition to the Share Offer;
- (vii) none of Mr. Kan, the Offeror and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (viii) save for the consideration payable by Mr. Kan to the Company under the Share Subscription Agreement upon Share Subscription Completion and the consideration payable by Mr. Kan to the Vendor under the Sale and Purchase Agreement upon Acquisition Completion, there is no other consideration, compensation or benefits in whatever form paid or to be paid by Mr. Kan, the Offeror and/or parties acting in concert with any of them to the Company and/or the Vendor;
- (ix) save for the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Irrevocable Undertaking, there are no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Mr. Kan, the Offeror and/or any parties acting in concert with any of them on the one hand, and the Vendor and any parties acting in concert with it on the other hand; and
- (x) save for the Term Sheet, the Supplemental Term Sheet, the Irrevocable Undertaking, the Sale and Purchase Agreement, the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, there are no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) Mr. Kan, the Offeror and any party acting in concert with any of them, or (b) the Company, its subsidiaries or associated companies.

Your attention is drawn to the shareholding structure of the Company as at the Latest Practicable Date as set out under the paragraph headed “Shareholding Structure of the Company” in the “Letter from the Board” in this Composite Document.

LETTER FROM ARISTO SECURITIES

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.

Further information on the Group is set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Kan. It is principally engaged in investment holding.

As at the Latest Practicable Date, Mr. Kan is the sole shareholder and the sole director of the Offeror. He is also an executive Director, founder of the Group and a Shareholder, who is interested in 1,257,621,377 Shares, representing approximately 31.0% of the entire issued share capital of the Company. Mr. Kan, aged 56, 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 formation. Mr. Kan has over 28 years of experience in handling civil engineering projects of various types.

THE OFFEROR’S INTENTION ON THE GROUP

Following the close of the Share Offer, it is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Share Offer and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation, arrangement, and agreements (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group.

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Nevertheless, following the close of the Share Offer, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the GEM Listing Rules and the Takeovers Code.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group.

Save for the proposed change(s) to the composition of the Board as mentioned below, as at the Latest Practicable Date, the Offeror had no plan to change the composition of the Board or to terminate the employment of any other employees or other personnel of the Group following the close of the Share Offer. However, the Offeror reserve the right to make any changes that they deem necessary or appropriate to the benefit of the Group.

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprised Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong and Mr. Kan as the executive Directors; Ms. Tang Li and Mr. Law Cheuk Hung as the non-executive Directors; and Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP*, as the independent non-executive Directors.

As disclosed in the announcement of the Company dated 18 December 2023, after carefully considered all the facts and evidence and submissions presented at the review hearing held on 24 November 2023, the GEM Listing Review Committee decided to overturn the Delisting Decision and instead grant an extension of the remedial period to 29 February 2024 for the Company to demonstrate compliance with the remaining resumption condition to be fulfilled, i.e. the Company's compliance with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules.

To ensure the Company's compliance with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules so as to fulfill the remaining resumption condition, the Company had executed a legally binding agreement for the appointment of Mr. Chin Chi Ho Stanley ("**Mr. Chin**") as an independent non-executive Director with effect from immediately after the posting of this Composite Document, whereupon all the Resumption Guidance will be fully satisfied.

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Further, the Company has also executed a legally binding for the appointment of Mr. Kwok Man To Paul (“**Mr. Kwok**”) as an independent non-executive Director with effect from immediately after the posting of this Composite Document. Hence, immediately after the posting of this Composite Document, the Board will comprise Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong and Mr. Kan as the executive Directors; Ms. Tang Li and Mr. Law Cheuk Hung as the non-executive Directors; and Mr. Chin, Mr. Kwok, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.* as the independent non-executive Directors, and all the Resumption Guidance will be fully satisfied by that time.

The biographical details of Mr. Chin and Mr. Kwok are set out as follows:

Mr. Chin

Mr. Chin, aged 41, has over 15 years of experience in the areas of audit, financial management, corporate governance and operations in capital markets. Mr. Chin has obtained a Master of Business Administration from the University of Hong Kong in 2019. He was admitted as a Certified Public Accountant (CPA) in 2009 and served as an audit specialist in PricewaterhouseCoopers and KPMG for 7 years. He has also been awarded the qualification of Financial Risk Manager in 2009 and Chartered Financial Analyst in 2010.

Mr. Chin has extensive experience serving as senior management for multiple listed companies in Hong Kong. Mr. Chin is currently an independent non-executive director of each of Champion Alliance International Holdings Limited and Peking University Resources (Holdings) Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock codes: 1629 and 618 respectively).

Mr. Kwok Man To Paul

Mr. Kwok, aged 56, obtained a Bachelor of Science (Economics) from the University of London in the United Kingdom in 1994, and a Master of Applied Finance from the Macquarie University of Australia in 2000. Mr. Kwok is also a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants and a fellow member of the Association of Chartered Certified Accountants.

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Mr. Kwok possesses extensive knowledge and experience in accounting, financing, capital investment and management, operational risks and banking industries. From 1990 to 1995, Mr. Kwok started his career at PricewaterhouseCoopers to provide audit and assurance services with his last position as deputy manager. From 1995 to 2004, Mr. Kwok joined the Fortis Bank Group as a manager, with his last position as a financial controller responsible for corporate control and accounting services. From 2004 to 2005, Mr. Kwok acted as a consultant to a company established in the People's Republic of China in respect of a listing project. From 2005 to 2007, Mr. Kwok was the head of Asia Finance Controls of The Royal Bank of Scotland. From 2008 to 2009, Mr. Kwok served as a vice president and financial controller of AIG Finance Limited, being a restricted licensed bank providing a full suite of retail banking products. After the service at AIG Finance Limited, Mr. Kwok joined ING Real Estate Investment Management as a senior vice president and regional controller for two years. From 2011 to 2012, Mr. Kwok served as director of the Macquarie Bank, and was mainly responsible for, among others, financial accounting, management reporting and corporate governance. From 2012 to 2017, Mr. Paul Kwok acted as the chief financial officer at the Hong Kong office of the Commonwealth Bank of Australia, being one of the largest banking group in Australia. From 2017 to 2018, Mr. Kwok joined IP Global Group as a chief financial controller. From 2018 to 2019, Mr. Kwok was the head of the Assets, Liabilities and Capital Management Department of Chong Hing Bank, being locally incorporated bank previously listed on the Main Board of the Stock Exchange and subsequently acquired by the Yuexiu Group. After leaving Chong Hing Bank, Mr. Kwok was involved in establishing the Hong Kong office of the Qatar National Bank, and has thereafter acted as its chief financial officer and alternate chief executive.

Mr. Chin will be appointed as the chairman of the audit committee and risk management committee, and a member of each of the nomination committee and remuneration committee of the Company, and Mr. Kwok will be appointed as a member of each of the nomination committee, remuneration committee and risk management committee of the Company. Upon such appointment, the Company will comply with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules.

In compliance with Rule 7 of the Takeovers Code, it is also intended that all of the existing Directors as at the Latest Practicable Date, save for Mr. Kan and Mr. Law Cheuk Hung, will resign from the Board with effect from the earliest time permitted under the Takeovers Code (i.e. after the publication of the closing announcement on the first Closing Date, or the publication of the announcement that the Share Offer has become or been declared unconditional, whichever is later).

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On the date of resignation of Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong, Ms. Tang Li, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.*, which shall take effect from the earliest time permitted under the Takeovers Code, with a view to facilitate the business operation, management and strategy of the Group, it is intended that the following individuals will be appointed as new Directors: (i) Mr. Hui Ka Tsun (“**Mr. Hui**”) and Mr. Kan Chun Ting (“**Mr. Max Kan**”) as executive Directors; and (ii) Mr. Wong Chung Yip Kenneth (“**Mr. Kenneth Wong**”) and Mr. Lai Ah Ming Leon (“**Mr. Leon Lai**”) as independent non-executive Directors (collectively known as, the “**New Directors**”), in compliance with the Takeovers Code and the GEM Listing Rules.

The biographical details of each of the New Directors are set out as follows:

Mr. Hui Ka Tsun

Mr. Hui Ka Tsun, aged 49, has over 24 years of experience in project management and administration of various construction projects in the civil engineering industry. He has joined and served as the project manager of Tsun Yip Waterworks and Tsun Yip Civil since 2010 and is primarily responsible for the management and operation of the Group’s civil engineering projects, as well as overseeing the construction progress of various projects undertaken by the Group. Mr. Hui was further appointed as a director of Tsun Yip Waterworks and Tsun Yip Civil in 2020 and is responsible for the management and supervision of the Group’s engineering projects and participating in the Group’s administrative management work. He obtained a diploma in civil engineering in 1999.

Mr. Kan Chun Ting

Mr. Kan Chun Ting Max, aged 28, obtained a Bachelor of Engineering in Civil Engineering from the Hong Kong University of Science and Technology in 2018. He joined Tsun Yip Waterworks as a financial controller in 2018, and is responsible for corporate control, contracting works, project management, and overseeing various construction projects. Mr. Max Kan was appointed as a director of Tsun Yip Waterworks and Tsun Yip Civil in 2023 and is responsible for providing recommendations to the executive directors in relation to the overall management and administration of the Group’s civil engineering business.

Mr. Wong Chung Yip Kenneth

Mr. Wong Chung Yip, Kenneth, aged 56, graduated with professional diploma in accountancy from Hong Kong Polytechnic in 1990 and obtained a Bachelor of Laws from the Peking University in the People’s Republic of China in 1998. Mr. Kenneth Wong also obtained a Master of Science from The Chinese University of Hong Kong in 1999. Mr. Kenneth Wong has extensive experience in auditing, accounting and corporate finance, and is a member of the Hong Kong Institute of Certified Public Accountants.

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Mr. Kenneth Wong previously worked at one of the reputable international accounting firms for six years and also worked in the Hong Kong Exchanges and Clearing Limited for over 13 years with last position as senior manager of the Listing Division of the Hong Kong Exchanges and Clearing Limited. Mr. Kenneth Wong then worked in different financial service institutions licensed by the Securities and Futures Commission as responsible officer providing corporate finance advisory services for more than 10 years. Mr. Kenneth Wong had served as the independent non-executive Director from December 2013 to October 2022. Apart from the above, Mr. Wong did not hold any directorships in any listed public companies in the last three years. He has not, by himself or through his firm in which he practices, provided professional services to the Company in last two years.

Mr. Lai Ah Ming Leon

Mr. Lai Ah Ming Leon, aged 66, obtained a Bachelor of Laws with Honours from the University of Wales, University College, Cardiff in July 1982 and subsequently completed a Postgraduate Certificate in Laws at the University of Hong Kong in July 1986. Mr. Leon Lai has been a practising solicitor in Hong Kong and a member of the Law Society of Hong Kong since August 1988 and is the sole proprietor of a law firm in Hong Kong. He has also been an advocate and solicitor of the Supreme Court of Singapore since February 1995. He has been an independent non-executive director of Allan International Holdings Limited (stock code: 684) since December 1995 and Royal Deluxe Holdings Limited (stock code: 3789) since January 2017.

Further announcement(s) will be made by the Company immediately after the appointments of each of Mr. Kwok, Mr. Chin and the new Directors and the resignation of Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong, Ms. Tang Li, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.* having become effective.

PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

Subject to the fulfilment of the remaining Resumption Guidance and the Resumption, the Offeror intends to maintain the listing of the Shares following the close of the Share Offer. Each of the Company, the Directors, the Offeror, the sole director of the Offeror and the new Directors to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer.

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Steps that may be taken include but are not limited to placing down of sufficient number of accepted Shares by the Offeror, or procuring the disposal of a sufficient number of Shares held by the Offeror, Mr. Kan and/or parties acting in concert with any of them, and/or procuring the issue of new Shares by the Company for this purpose. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

COMPULSORY ACQUISITION

The Offeror do not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Share Offer.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Share Offer, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the GEM Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

Attention of the Overseas Shareholders is drawn to paragraph headed “7. Overseas Shareholders” in Appendix I to this Composite Document. All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and its parties acting in concert, Aristo Securities, Messis Capital, the Independent Financial Adviser and any of their respective ultimate beneficial owners, directors, officers, agents and associates nor other parties involved in the Share Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

LETTER FROM ARISTO SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

In considering what action to take in connection with the Share Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
For and on behalf of
Aristo Securities Limited
Wan Wai Ching Lilian
Director

LETTER FROM THE BOARD



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 (Chairman)

Dr. Li Yong Sheng

(Vice Chairman and Chief Executive Officer)

Mr. Liu Da Yong

Mr. Kan Kwok Cheung

*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

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*

29 February 2024

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
ARISTO SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
CNC HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY THE OFFEROR, MR. KAN AND PARTIES ACTING IN
CONCERT WITH ANY OF THEM)**

1. INTRODUCTION

References are made to (i) the Joint Announcement in relation to, among others, the Term Sheet, the Supplemental Term Sheet and the Share Offer; (ii) the announcement jointly issued by the Offeror and the Company dated 5 February 2024 in relation to, among others, the entering into of the Sale and Purchase Agreement, the Share Subscription Agreement, the Fifth

LETTER FROM THE BOARD

Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B; and (iii) announcement jointly issued by the Offeror and the Company dated 29 February 2024 in relation to, among others, the Acquisition Completion and the Share Offer.

The Company was informed by the Vendor that on 5 February 2024, Mr. Kan and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor has agreed to sell and Mr. Kan has agreed to purchase 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 Joint Announcement and as at the Latest Practicable Date, at a consideration of HK\$16,640,699, which is equivalent to HK\$0.014 per Sale Share. The Acquisition Completion took place on 29 February 2024.

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

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.

Immediately prior to the Acquisition Completion, the Offeror and the parties acting in concert with it were interested in 69,000,000 Shares, representing approximately 1.7% of the total issued share capital of the Company. Immediately after the Acquisition Completion, the Offeror and parties acting in concert with it are interested in 1,257,621,377 Shares, representing approximately 31.0% of the total issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, upon the Acquisition Completion, the Offeror is required to make 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). Subject to the fulfilment or waiver (as the case may be) of all of the Share Subscription Conditions, it is expected that the Share Subscription Completion will take place on or before the first Closing Date, upon which the Offeror and parties acting in concert with it will be interested in not less than 2,924,288,044 Shares, representing approximately 51.1% of the issued share capital of the Company 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 Latest Practicable Date and the Share Subscription Completion. Upon the Share Subscription Completion, the Share Offer shall become unconditional as to acceptances. The Company will make announcement when the Share Offer becomes unconditional and keep the Share Offer open for acceptance for not less than fourteen (14) days thereafter in accordance with the Takeovers Code.

LETTER FROM THE BOARD

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other matters, (i) information relating to the Group, the Offeror and the Share Offer; (ii) a letter from Aristo Securities containing, among other things, details of the Share Offer; (iii) a letter of recommendation from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Share Offer; and (iv) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee on the terms of the Share Offer and as to their acceptance; and (v) the Form of Acceptance.

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP*, each being a non-executive Director who has no relationship with the Offeror and/or Mr. Kan and has no direct and indirect interest in the Share Offer, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Share Offer, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer

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 Share Offer, and therefore has not been appointed as a member of the Independent Board Committee.

With the approval of the Independent Board Committee, 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 Committee in respect of the terms of the Share Offer, and in particular, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer.

3. THE SHARE OFFER

As disclosed in the “Letter from Aristo Securities” in this Composite Document, Aristo Securities is making the Share Offer, for and on behalf of the Offeror, to acquire all the Offer Shares on terms set out in this Composite Document and in the Form of Acceptance on the following basis:

The Share Offer

For each Offer Share HK\$0.014 in cash

LETTER FROM THE BOARD

Further details of the Share Offer are set out under the section headed “Letter from Aristo Securities” and Appendix I to this Composite Document and the accompanying Form of Acceptance, which together set out the terms and conditions of the Share Offer and certain related information.

4. OFFEROR’S INTENTION ON THE COMPANY

Your attention is drawn to the section headed “The Offeror’s Intention on the Group” in the “Letter from Aristo Securities” in this Composite Document which sets out the intention of the Offeror regarding the Group.

The Board is pleased to note the intention of the Offeror in respect of the Group as disclosed. The Board is willing to cooperate with the Offeror for the best interests of the Company and its Shareholders as a whole.

5. INFORMATION ON THE OFFEROR

Your attention is drawn to the sections headed “Information on the Offeror” and “Proposed change to the Board composition of the Company” in the “Letter from Aristo Securities” in this Composite Document for information relating to the Offeror.

6. 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.

LETTER FROM THE BOARD

Shareholding Structure of the Company

The table below sets out the shareholding structure of the Company immediately (i) before the Acquisition Completion; (ii) after the Acquisition Completion and as at the Latest Practicable Date; and (iii) after the Acquisition Completion and the Share Subscription Completion:

Shareholders	Immediately before the Acquisition Completion		Immediately after the Acquisition Completion and as at the Latest Practicable Date		Immediately after the Acquisition Completion and the Share Subscription Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror and parties acting in concert with it						
- The Offeror	-	-	1,188,621,377	29.3	2,855,288,044	49.9
- Mr. Kan	69,000,000	1.7	69,000,000	1.7	69,000,000	1.2
					(Note 1)	
The Vendor	1,188,621,377	29.3	-	-	-	-
Public Shareholders	<u>2,797,728,570</u>	<u>69.0</u>	<u>2,797,728,570</u>	<u>69.0</u>	<u>2,797,728,570</u>	<u>48.9</u>
Total	<u><u>4,055,349,947</u></u>	<u><u>100.0</u></u>	<u><u>4,055,349,947</u></u>	<u><u>100.0</u></u>	<u><u>5,722,016,614</u></u>	<u><u>100.0</u></u>

Notes:

- (i) The percentage had been calculated on the basis of 4,055,349,947 issued Shares as at the Latest Practicable Date.
- (ii) 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.

Your attention is also drawn to Appendices II and III to this Composite Document which contain the financial information of the Group and the general information of the Group respectively.

In deciding whether or not to accept the Share Offer, the Independent Shareholders should consider 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 Composite Document for further details.

LETTER FROM THE BOARD

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 II to this Composite Document, 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 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 II to this Composite Document. 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.

7. PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “Public float and maintenance of the listing status of the Company” in the “Letter from Aristo Securities” in this Composite Document.

As disclosed in the announcement of the Company dated 18 December 2023, after carefully considered all the facts and evidence and submissions presented at the review hearing held on 24 November 2023, the GEM Listing Review Committee decided to overturn the Delisting Decision and instead grant an extension of the remedial period to 29 February 2024 for the Company to demonstrate compliance with the remaining resumption condition to be fulfilled, i.e. the Company’s compliance with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules.

As at the Latest Practicable Date, the Company had executed a legally binding agreement for the appointment of Mr. Chin as an independent non-executive Director with effect from immediately after the posting of this Composite Document, and trading in the Shares on the Stock Exchange is expected to be resumed after such appointment having become effective.

8. FURTHER INFORMATION

You are advised to read the “Letter from Aristo Securities” in this Composite Document and the accompanying Form of Acceptance for information relating to the Share Offer and the acceptance and settlement procedures of the Share Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

9. RECOMMENDATION

Your attention is drawn to (i) “Letter from the Independent Board Committee” as set out on pages 37 to 38 of this Composite Document, which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Share Offer; and (ii) “Letter from the Independent Financial Adviser” as set out on pages 39 to 61 of this Composite Document, which sets out the advice and recommendation of the Independent Financial Adviser to the Independent Board Committee in relation to the Share Offer and the principal factors considered by it before arriving at its recommendation. You are urged to read both letters and the other information contained in this Composite Document carefully before taking any action in respect of the Share Offer.

LETTER FROM THE BOARD

In considering what action to take in response to the Share Offer, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

By order of the Board
CNC Holdings Limited
Li Yong Sheng
Vice Chairman and CEO

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Share Offer which has been prepared for the purpose of inclusion in this Composite Document.



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)

29 February 2024

To the Independent Shareholders:

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
ARISTO SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
CNC HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY THE OFFEROR, MR. KAN AND PARTIES ACTING
IN CONCERT WITH ANY OF THEM)**

1. INTRODUCTION

We refer to the Composite Document dated 29 February 2024 jointly issued by the Offeror and the Company of which this letter forms part.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter. We have been appointed by the Board to form the Independent Board Committee to make recommendation to you as to whether, in our opinion, the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Share Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

INCU Corporate Finance Limited, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Share Offer and in particular as to whether the Share Offer is, or are not, fair and reasonable and as to the acceptance of the Share Offer. Details of its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” in the Composite Document.

We also wish to draw your attention to the “Letter from Aristo Securities”, the “Letter from the Board” and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance.

2. RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we concur with the view of the Independent Financial Adviser and consider that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to accept the Share Offer.

Notwithstanding our recommendation, Independent Shareholders are strongly advised that their decision to realise or hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, Independent Shareholders should consult their own professional advisers for professional advice.

For and on behalf of the
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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 composite document, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Share Offer.



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

29 February 2024

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

Dear Sirs or Madams,

**CONDITIONAL MANDATORY CASH OFFER BY
ARISTO SECURITIES LIMITED FOR AND ON BEHALF OF
THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF
CNC HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED
AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR,
MR. KAN AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of Share Offer, details of which are set out in the composite document of the Company dated 29 February 2024 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 5 February 2024, Mr. Kan (as purchaser) and the Vendor (as vendor) entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and Mr. Kan 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 date of the Sale and Purchase Agreement, at a total consideration of HK\$16,640,699, which is equivalent to HK\$0.014 per Sale Share. The Acquisition Completion took place on 29 February 2024.

As at the Latest Practicable Date, there are 4,055,349,947 Shares in issue. Immediately after the Acquisition Completion, the Offeror and parties acting in concert with it are interested in 1,257,621,377 Shares, representing approximately 31.0% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon the Acquisition Completion, the Offeror is required to make 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).

On 5 February 2024, the Company, as issuer, and Mr. Kan, as subscriber, 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 Subscription Shares at the Subscription Price of HK\$0.012 per Subscription Share for a total consideration of approximately HK\$20,000,000. 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.

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 the parties acting in concert with it will be interested in 2,924,288,044 Shares, representing approximately 51.1% of the issued share capital of the Company 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.

INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising all non-executive Directors with no direct or indirect interest in the Share Offer, to make recommendation to the Independent Shareholders in respect of the Share Offer. As a result, the Independent Board Committee comprising the non-executive Directors, namely Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, BBS, JP, has been established to advise the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer. 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 Share Offer, and therefore has not been appointed as a member of the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

During the past two years, other than being appointed as the independent financial adviser of the Company in relation to the connected transactions under the Share Subscription Agreement, the Fifth Supplemental Deed, CB Subscription Agreement A and CB Subscription Agreement B, we did not act as an 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 Share Offer to the Independent Board Committee and the Independent Shareholders in accordance with 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 Composite Document 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 Composite Document 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 this Composite Document 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 this Composite Document, 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” under the section headed “Appendix III General Information of the Group” in this Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We have not 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 Share Offer.

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 TERMS OF THE SHARE OFFER

Aristo Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Share Offer to acquire all the Offer Shares on terms to be set out in the Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.014 in cash

The Offer Price of HK\$0.014 is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which is outstanding and not yet paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Share Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer, 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.

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;

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- (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, except for item (c) as listed above, the Company has fulfilled all the Resumption Guidance.

Reference is made to the announcement of the Company dated 18 December 2023. On 14 December 2023, the Company received a letter from the Stock Exchange notifying the Company that, after carefully considered all the facts and evidence and submissions presented at the review hearing held on 24 November 2023, the GEM Listing Review Committee decided to overturn the Delisting Decision and instead grant an extension of the remedial period to 29 February 2024 for the Company to demonstrate compliance with the remaining resumption condition to be fulfilled, i.e. the Company's compliance with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules.

As disclosed in the Composite Document, to ensure the Company's compliance with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules so as to fulfill the remaining resumption condition, the Company had executed a legally binding agreement for the appointment of Mr. Chin as an independent non-executive Director with effect from immediately after the posting of this Composite Document, whereupon all the Resumption Guidance will be fully satisfied. Further, the Company has also executed a legally binding for the appointment of Mr. Kwok as an independent non-executive Director with effect from immediately after the posting of this Composite Document. Hence, immediately after posting of this Composite Document, the Board will comprise Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong and Mr. Kan as the executive Directors; Ms. Tang Li and Mr. Law Cheuk Hung as the non-executive Directors; and Mr. Chin, Mr. Kwok, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.* as the independent non-executive Directors.

Mr. Chin will be appointed as the chairman of the audit committee and risk management committee, and a member of each of the nomination committee and remuneration committee of the Company, and Mr. Kwok will be appointed as a member of each of the nomination committee, remuneration committee and risk management committee of the Company. Upon such appointment, the Company will comply with rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules and all the Resumption Guidance will be fully satisfied.

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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)

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.

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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.

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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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:

	As at 31 March 2023 <i>(HK\$'000)</i> <i>audited</i>	As at 30 September 2023 <i>(HK\$'000)</i> <i>unaudited</i>
Non-current assets		
Property, plant and equipment	16,635	16,424
Right-of-use assets	<u>11,465</u>	<u>8,729</u>
	28,100	25,153
Current assets		
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>
	217,443	206,886
Total assets	245,543	232,039
Current liabilities		
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>
	587,953	626,237
Non-current liabilities		
Interest payables	6,777	–
Lease liabilities	2,907	948
Promissory note	40,429	–
Deferred tax liabilities	<u>2,283</u>	<u>2,253</u>
	52,396	3,201
Total liabilities	640,349	629,438
Net current liabilities	(370,510)	(419,351)
Net liabilities	(394,806)	(397,399)
Gearing ratio	160.8%	173.8%

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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.

Going concern uncertainty

We noted that the auditor of the Company had issue a disclaimer opinion for FY2022 due to material uncertainty relating to the ability of the Group to continue as a going concern in the Annual Report 2022/23 as 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 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; (iv) the Company has entered into CB Subscription Agreement B to

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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, we are of the view that the financial position of the Group will be improved.

As stated in the Letter from the Board, it is expected that the Subscription Completion will take place on or before the first Closing Date. 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. As discussed with the management of the Company, the Company has considered various fund raising methods including long term bank borrowings, placement of Shares to independent third parties, rights issue, open offer. However, the Company is of the view that it will be difficult to obtain bank facilities or borrowings or to negotiate attractive terms with independent third parties to carry out equity fund-raising activities such as placing, rights issue or open offer given the existing financial position of the Group.

After considering that (i) 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 will be time consuming; (ii) the difficulties for obtaining the alternative fund raising methods as discussed above; (iii) the financial position of the Group; and (iv) the required fund size, which includes the principal amount and accrued interest of the overdue Existing Convertible Bonds amounted to approximately HK\$257.03 million and HK\$64.13 million respectively, we are of the view that the ability of the Group to continue as a going concern will remain uncertain if the Share Subscription Completion does not take place as discussed above.

Shareholders and potential investors of the Company should also be aware that as the Acquisition and the Share Subscription are not inter-conditional, even if the Share Subscription Completion does not take place, the Share Offer will be made upon the Acquisition Completion.

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The Independent Shareholders are advised to take into account the foregoing, in particular that the Share Subscription Completion is subject to the fulfillment or waiver (as the case may be) of the conditions under the Share Subscription Agreement, and consider carefully the terms of the Share Offer. In deciding whether or not to accept the Share Offer, the Independent Shareholders should consider that the Share Subscription may or may not complete 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 FY2022 and FY2023. Please refer to Appendix II to this Composite Document for further details. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should be aware of the potential risks associated with the material uncertainties relating to going concern and carefully monitor the Group's financial performance, the status of the Share Subscription as well as the intention of the Offeror in relation to the Group in the future.

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

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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.

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.

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After considering (i) the Group has been loss-making in the last two financial years; (ii) the net liabilities position 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 right 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.

3. Information of the Offeror, Mr. Kan and the intention of the Offeror in relation to the Group and the composition of the Board

Information of the Offeror and Mr. Kan

The Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Kan. It is principally engaged in investment holding.

Mr. Kan

As at the Latest Practicable Date, Mr. Kan is the sole shareholder and the sole director of the Offeror. He is also an executive Director, founder of the Group and a Shareholder, who is interested in 1,257,621,377 Shares, representing approximately 31.0% of the entire issued share capital of the Company. Mr. Kan, aged 56, 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.

Intention of the Offeror in relation to the Group

As stated in the Composite Document, following the close of the Share Offer, it is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Share Offer and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation, arrangement, and agreements (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group.

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Nevertheless, following the close of the Share Offer, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the GEM Listing Rules and the Takeovers Code.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group.

Intention of the Offeror in relation to the composition of the Board

As at the Latest Practicable Date, the Board comprised Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong and Mr. Kan as the executive Directors; Ms. Tang Li and Mr. Law Cheuk Hung as the non-executive Directors; and Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP*, as the independent non-executive Directors.

As discussed in the paragraph headed "General information of the Group" under the section headed "1. Background and financial information of the Group" above, to ensure the Company's compliance with Rules 5.05, 5.05A, 5.28 and 5.36A of the GEM Listing Rules so as to fulfill the remaining resumption condition, the Company has executed legally binding agreements for the appointment of Mr. Chin and Mr. Kwok as independent non-executive Directors with effect from immediately after the posting of this Composite Document. Hence, immediately after the posting of this Composite Document, the Board will comprise Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong and Mr. Kan as the executive Directors; Ms. Tang Li and Mr. Law Cheuk Hung as the non-executive Directors; and Mr. Chin, Mr. Kwok, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP*, as the independent non-executive Directors, and all the Resumption Guidance will be fully satisfied by that time.

In compliance with Rule 7 of the Takeovers Code, it is also intended that all of the existing Directors as at the Latest Practicable Date, save for Mr. Kan and Mr. Law Cheuk Hung, will resign from the Board with effect from the earliest time permitted under the Takeovers Code (i.e. after the publication of the closing announcement on the first Closing Date, or the publication of the announcement that the Share Offer has become or been declared unconditional, whichever is later).

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On the date of resignation of Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong, Ms. Tang Li, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.*, which shall take effect from the earliest time permitted under the Takeovers Code, with a view to facilitate the business operation, management and strategy of the Group, it is intended that the following individuals will be appointed as new Directors: (i) Mr. Hui Ka Tsun and Mr. Kan Chun Ting as executive Directors; and (ii) Mr. Wong Chung Yip Kenneth and Mr. Lai Ah Ming Leon as independent non-executive Directors, in compliance with the Takeovers Code and the GEM Listing Rules.

The biographical details of Mr. Chin, Mr. Kwok and the New Directors are set out in the Composite Document.

We note that Mr. Kan has over 28 years of experience in handling civil engineering projects of various types. 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. However, having considered that the Offeror and the Company have not laid down detailed business plan in both Civil Engineering Services and Advertising Business in the Composite Document and in view of the severe competition in both industry and the expiry of the exclusive television broadcasting right as discussed in the section headed “2. Prospect and outlook of the Group” above, the future business development strategy of the Group remained uncertain.

4. Principal terms of the Share Offer

The Offer Price of HK\$0.014 per Offer Share represents:

- (i) a premium of approximately 16.67% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 16.67% 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;
- (iii) 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;
- (iv) a premium of approximately 7.69% over 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;

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- (v) a premium of approximately 16.67% 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 90 trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 16.67% 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 120 trading days immediately prior to and including the Last Trading Day; and
- (vii) a premium of approximately 16.67% 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 180 trading days immediately prior to and including the Last Trading Day.

As the Company recorded consolidated net liabilities of approximately HK\$397.4 million as at 30 September 2023 as shown in the Interim Report 2023/24, the comparison of the Offer Price with the net asset value of the Company in terms of percentage difference is not applicable.

5. Historical price performance and trading volume

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the chart and table that illustrate the historical daily closing price and trading volume of the Shares as quoted on the Stock Exchange during the period commencing from 13 August 2021 up to and including the Last Trading Day (the “**Review Period**”), being approximately one year prior to the Last Trading Day. 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 been suspended since 15 August 2022, which is more than one year from the Latest Practicable Date, the Group still continue its business operation after the trading of the Shares being suspended and the trading price of the Shares is the latest publicly available market information of the value of the Company. Therefore, we consider the historical closing price of the Shares provide a general reference of the value of the Company to the Independent Shareholders. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

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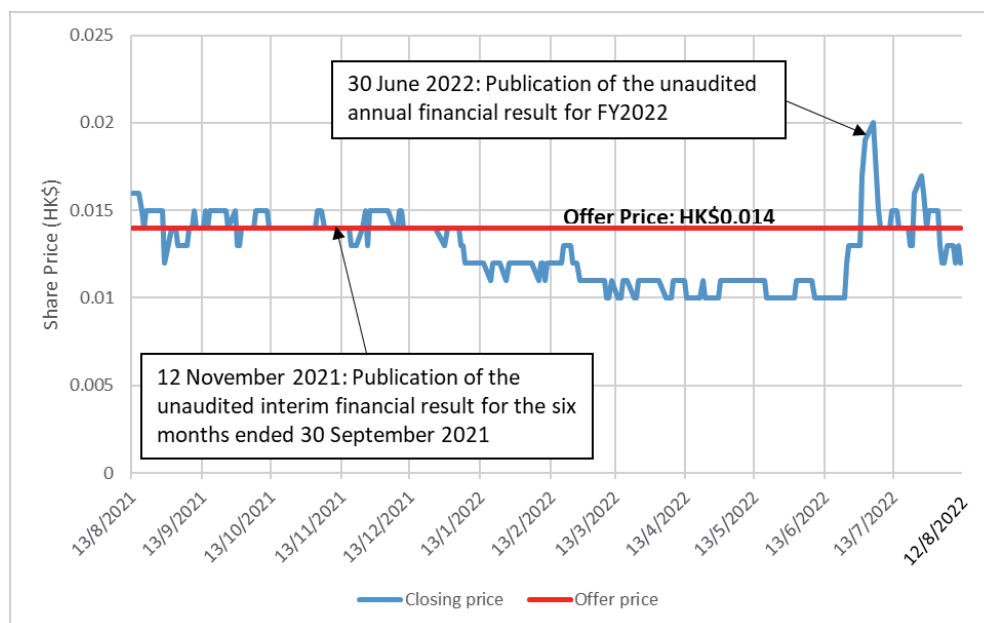


Chart 1: Historical Share price performance of the Company during the Review Period

Source: website of the Stock Exchange (www.hkex.com.hk)

As shown in the above chart 1, during the Review 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 the Offer Price of HK\$0.014 per Offer Share is within the range of the closing price of Share during the Review Period and the Offer Price represents a discount of approximately 30.0% to the highest closing price of Share and a premium of approximately 40.0% over the lowest closing price of the Share during the Review Period. The Offer Price also represents a premium of approximately 7.7% over the average closing price of the Share during the Review Period. We also note that the closing prices of the Shares were at or below the Offer Price for 197 trading days out of 245 trading days in the Review Period. 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 Review Period. Shareholders should note that the information set out above is not an indication of the future performance of the Shares and that the price of the Shares may increase or decrease after the resumption of the trading of the Shares.

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The table below summarizes the trading volume of the Shares during the Review Period:

Month	Total trading volume of Shares (Shares)	Number of trading days (days)	Approximate average daily trading volume of the Shares (Shares)	Approximate percentage of average daily trading volume to the total number of issued Shares held by public Shareholders (Note 1)
2021				
13 August to 31 August	49,770,000	13	3,828,462	0.14%
September	30,830,000	21	1,468,095	0.05%
October	9,140,000	18	507,778	0.02%
November	37,870,000	22	1,721,364	0.06%
December	19,340,000	22	879,091	0.03%
2022				
January	36,190,000	21	1,723,333	0.06%
February	14,520,000	17	854,118	0.03%
March	40,940,000	23	1,780,000	0.06%
April	15,140,000	18	841,111	0.03%
May	8,100,000	20	405,000	0.01%
June	72,280,000	21	3,441,905	0.12%
July	58,350,000	20	2,917,500	0.10%
1 August to the Last Trading Day	14,900,000	9	1,655,556	0.06%

Source: website of the Stock Exchange (www.hkex.com.hk)

Note:

- The percentage is calculated based on the approximate average daily trading volume of the Shares divided by the total number of issued Shares held by public Shareholders, which represents the total number of issued Shares at the end of each month or period subtracted by the number of issued Shares held by the Offeror and the parties acting in concert with it.

During the Review Period, the average monthly trading volume of the Shares ranged between 405,000 Shares and 3,828,462 Shares, representing approximately 0.01% and 0.14% of the total number of issued Shares held by the public Shareholders at the end of the relevant months respectively. Therefore, we consider the trading of the Shares of the Company as a listed issuer of the Stock Exchange is relatively low.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into consideration of the low trading volume of the Shares during the Review Period, it is uncertain that the liquidity of the Shares will be increased or there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose a significant number of Shares in the open market upon the resumption of the trading of the Shares. Given that, as illustrated in the Chart 1 above, (i) the Offer Price is within the range of the closing price of Shares during the Review Period; (ii) the Offer Price represents a premium to the average closing price of the Shares during the Review Period; (iii) the prolonged suspension of trading in the Shares; and (iv) the low liquidity of the Shares would cause difficulty for the Independent Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares in the event that the trading of the Shares resumed as a result of the Company's satisfaction of all Resumption Guidance set out by the Stock Exchange, we consider that the Share Offer is fair and reasonable and provides an opportunity for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Offer Price.

6. Comparable analysis

To further evaluate the fairness and reasonableness of the Offer Price, we have attempted to carry out comparable companies analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted comparison benchmarks in the evaluation of a company, namely the price-to-earnings ratio and price-to-book ratio. However, as the Group recorded net losses in the latest two financial years as disclosed in the Annual Report 2022/23 and net liabilities as at 30 September 2023 as disclosed in the Interim Report 2023/24, the analysis of the price-to-earnings ratio and price-to-book ratio is not applicable. Although the trading in the Shares on the Stock Exchange has been suspended since 15 August 2022, the Company still continues its business operation after the suspension of the trading of the Shares. Therefore, we instead adopted the price-to-sale (“**P/S Ratio**”), which is commonly used to value companies with no earnings or those incurring losses, as the revenue is the top-level parameter of a company's financial performance and an alternative to price-to-earnings ratio.

We identify an exhaustive list of five companies (the “**Comparable Companies**”) which (i) were principally engaged in provision of civil engineering services in Hong Kong; (ii) listed on the Stock Exchange; and (iii) the market capitalisation is below HK\$100 million. Based on the Offer Price of HK\$0.014 per Offer Share and the total number of issued Shares of 4,055,349,947 as at the Latest Practicable Date, the Company is valued at approximately HK\$56.77 million. The P/S Ratio of the Company implied by the Offer Price is approximately 0.114 times (the “**Implied P/S Ratio**”) based on the revenue of the Group of approximately HK\$496.46 million for FY2023 as disclosed in the Annual Report 2022/23. The following table set out the details of the Comparable Companies:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Company name	Principal activities	Market capitalisation as at the Latest Practicable Date (HK\$ million) (Note 1)	P/S Ratio (Note 2)
1472	Sang Hing Holdings (International) Limited	provision of civil engineering works in Hong Kong	73.00	0.226
8188	GME Group Holdings Limited	provision of underground construction services in Hong Kong	60.98	0.138
8217	WMHW Holdings Limited	provision of civil engineering works and investment holding	30.49	0.291
8321	Tai Kam Holdings Limited	construction business mainly site formation works and renovation works in Hong Kong	56.72	0.582
8366	Zhejiang United Investment Holdings Group Limited	undertaking slope works, foundation works and other general building works in Hong Kong	28.39	0.143
			Maximum	0.582
			Minimum	0.138
			Average	0.276
			Median	0.226
8356	The Company	provision of civil engineering services for the public sector in Hong Kong	56.77 (Note 3)	0.114 (Note 3)

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Latest Practicable Date.
2. The P/S Ratio was based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date, divided by the total revenue of the latest financial year of the Comparable Companies.
3. The implied market capitalisation of the Company was calculated based on the Offer Price and the number of issued Shares as at the Latest Practicable Date. The Implied P/S Ratio was calculated based on the implied market capitalisation and the revenue of the Group for FY2023 as discussed above.

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As set out in above table, the P/S Ratio of the Comparable Companies ranged from approximately 0.138 times to approximately 0.582 times, with an average and median of approximately 0.276 times and 0.226 times respectively. Although the Implied P/S Ratio falls out of the range of the P/S Ratio of the Comparable Companies, after considering (i) the trading of the Shares has been suspended since 15 August 2022; and (ii) the Offer Price represents a premium over the closing price on the Last Trading Day, we consider the Offer Price is acceptable.

RECOMMENDATION

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

- (i) the prolonged suspension of trading in the Shares;
- (ii) the financial position of the Group and material uncertainties 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 Share Subscription Completion does not take place;
- (iii) no detailed business plan in both Civil Engineering Services and Advertising Business is provided by the Offeror and the Company and the business environment of the Group remains challenging;
- (iv) the Share Offer allows an exit for the Independent Shareholders at a price, which is premium to the closing price of the Shares prior to the suspension of trading of Shares since 15 August 2022;
- (v) trading of the Shares has been suspended which effectively means that there would not be any higher closing price of the Shares when compared with the Offer Price until the resumption of the trading of the Shares; and
- (vi) the low liquidity of the Shares would cause difficulty for the Independent Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares in the event that the trading of the Shares resumed as a result of the Company's satisfaction of all Resumption Guidance set out by the Stock Exchange;

we are of the view that the terms of Share Offer are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Share Offer. The Independent Shareholders should read carefully the procedures for acceptance of the Share Offer as detailed in this Composite Document, the appendices to this Composite Document and the Form of Acceptance, if they wish to accept the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We would like to remind the Independent Shareholders that, if they consider retaining their Shares under the Share Offer, they should (i) carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Share Offer without causing material adverse impact on the market price level of the Shares as a result of the historical low liquidity of the Shares prior to the suspension of the trading of the Shares; and (ii) closely monitor the development of the Group and any announcements of the Company regarding the Offeror's business strategies during and after the Offer Period, in particular, the potential risks associated with the material uncertainties relating to going concern.

Yours faithfully,

For and on behalf of

INCUBORPORATE FINANCE LIMITED

Gina Leung

Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE 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.

To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which forms part of the terms of the Share Offer.

I. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

- (a) To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “CNC Holdings Limited – Share Offer” on the envelope as soon as possible and in any event by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar;
 - or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given should be provided to the Registrar.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself and other document(s) of title (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or Aristo Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of your Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g., a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Independent Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (h) Seller's ad valorem stamp duty (rounded up to the nearest HK\$1) payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares tendered for acceptance will be given.
- (j) If the Share Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar, lodged with the Form of Acceptance will be returned to the relevant Independent Shareholders who have accepted the Share Offer by ordinary post as soon as possible but in any event no later than seven (7) business days (as defined under the Takeovers Code) after the Share Offer has lapsed.

II. SETTLEMENT OF THE SHARE OFFER

- (a) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) business days after the later of (aa) the date of receipt by the Registrar of the duly completed acceptances of the Share Offer and all relevant document(s) of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (bb) the date on which the Share Offer becomes or is declared unconditional.

- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.
- (c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

III. ACCEPTANCE PERIOD AND REVISION

- (a) Unless the Share Offer has previously been extended or revised with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Share Offer is extended, the Offeror and the Company will issue an announcement in relation to any extension of the Share Offer, which announcement will state either the next Closing Date or, a statement that the Share Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Share Offer is closed to those Independent Shareholders who have not accepted the Share Offer.
- (c) If, in the course of the Share Offer, the Offeror revises the terms of the Share Offer, all the Independent Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms. The revised Share Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document(s) are posted.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

IV. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Share Offer. The Offeror must publish an announcement in accordance with the requirements of the GEM Listing Rules by 7:00 p.m. on the Closing Date stating whether the Share Offer has been extended, has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

Such announcement must state the following:

- (i) the total number of Shares for which acceptances of the Share Offer have been received;
- (ii) the total number of Shares held, controlled or directed by the Offeror, Mr. Kan and/or parties acting in concert with any of them before the Offer Period;
- (iii) the total number of Shares s acquired or agreed to be acquired during the Offer Period by the Offeror, Mr. Kan and/or parties acting in concert with any of them; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company in which the Offeror, Mr. Kan or any parties acting in concert with any of them has borrowed or lent, saved for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by the number of securities as referred to in (i) to (iv) above.

- (b) In computing the total number of Shares for which acceptances of the Share Offer have been received, only valid acceptances that are complete and in good order which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, being the latest time and date for acceptance of the Share Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Share Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules respectively.

V. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Share Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) or (c) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph (a) of the section headed “IV. ANNOUNCEMENT” in this appendix above, the Executive may, pursuant to Rule 19.2 of the Takeovers Code, require that acceptors of the Share Offer who have tendered acceptances of the Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) In compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Share Offer shall be entitled to withdraw his/her/its acceptance of the Share Offer after twenty one (21) days from the Closing Date if the Share Offer has not by then become unconditional as to acceptance.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) business days (as defined under the Takeovers Code) thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholders at his/her/its own risks.

VI. OVERSEAS SHAREHOLDERS

The Share Offer will be made available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Share Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders a who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the acceptance of the Share Offer in such jurisdictions).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that such Overseas Shareholders have observed and are permitted under all applicable laws and regulations to receive and accept the Share Offer and that such Overseas Shareholders have obtained all requisite governmental, exchange control or other consents and have made all requisite regulations and filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payments due from such Overseas Shareholders in connection with such acceptance in such jurisdiction, and the such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders should consult their professional advisers if in doubt.

VII. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regard to the Share Offer.

VIII. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance or rejection of the Share Offer that may be applicable in relevant jurisdictions. It is emphasised that none of the Offeror, Mr. Kan or parties acting in concert with any of them, the Company, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Share Offer is in a position to advise the Independent Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Share Offer.

IX. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipts (as the case may be), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Independent Shareholders or their designated agents will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Aristo Securities, Messis Capital, the Independent Financial Adviser and any of their respective directors nor the Registrar or the company secretary of the Company or other parties involved in the Share Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms and conditions of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.
- (d) The Share Offer are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror, Aristo Securities, the Registrar or such person or persons as the Offeror may direct, to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has/have accepted the Share Offer.
- (f) Due execution of the Form of Acceptance will constitute an agreement of the Independent Shareholders to ratify each and every act or thing which may be done or effected by the Offeror and/or Aristo Securities and/or the Company or their respective agent(s) or such person or persons as any of them may direct on the exercise of any of the rights contained therein.
- (g) Acceptance of the Share Offer by any Independent Shareholders will be deemed to constitute a warranty by such person or persons to the Offeror, Aristo Securities and the Company that their Shares under the Share Offer are sold to the Offeror free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including, in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. As at the Latest Practicable Date, there is no unpaid dividend and the Company has no intention to make, declare or pay any future dividend/distribution until the close of the Share Offer.
- (h) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Share Offer.

- (i) Any Independent Shareholder accepting the Share Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (j) Reference to the Share Offer in this Composite Document and in the Form of Acceptance shall include any extension thereof.
- (k) All acceptance, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (l) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with each of them, Aristo Securities, Messis Capital, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Share Offer. The Independent Shareholders should consult their own professional advisers for professional advice.
- (m) The English text of this Composite Document and the Form of Acceptance shall prevail over the respective Chinese text for the purpose of interpretation.

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) and the Company (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 Composite Document and form part of this Composite Document.

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 30 September 2023	For the year ended 31 March		
	HK\$'000 (unaudited)	2023 HK\$'000 (audited)	2022 HK\$'000 (audited)	2021 HK\$'000 (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 (HK cents)				
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.

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.

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 above mentioned 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 above-mentioned 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 above mentioned 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 above-mentioned 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.

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.

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 confirm that save as disclosed below, there is no material 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.

- (a) as disclosed in the announcement of the Company dated on 19 April 2023 in relation to the winding-up petition filed by A. Plus Financial Press Limited (the “**Original Petitioner**”) against the Company (the “**Petition**”), the withdrawal of petition by the Original Petitioner and the updates on Everbright Centre Company Limited being as substituting petitioner (the “**Substituting Petitioner**”), on 19 April 2023, the Company received a summons dated 18 April 2023 filed by Substituting Petitioner for the withdrawal of the Petition. In the hearing at the High Court of Hong Kong on 19 April 2023, upon the withdrawal application by the Substituting Petitioner, the High Court has granted the leave for the Substituting Petitioner to withdraw the Petition;
- (b) as disclosed in the announcements of the Company dated 10 May 2023, 5 September 2023 and 18 December 2023 in relation to the cancellation of the Company’s listing on the GEM, on 25 August 2023, the Company received a letter from Stock Exchange that the GEM Listing Committee of the Stock Exchange (the “**GEM Listing Committee**”) has decided to cancel the Company’s listing under Rule 9.14A of the GEM Listing Rules. On 24 November 2023, the Listing Review Committee (“**LRC**”) of the Stock Exchange heard an application by the Company for a review of the Delisting Decision. On 14 December 2023, the Company received a letter from the Stock Exchange notifying the Company that having carefully considered all the facts and evidence, and all the submissions presented by the Company and the Listing Division, the LRC decided to overturn the Delisting Decision and grant an extension of the remedial period to 29 February 2024;

- (c) as disclosed in the announcements of the Company dated 15 January 2024 and 5 February 2024, on 5 September 2023, Mr. Kan, who is a shareholder and an executive Director, the Vendor, which was a substantial shareholder of the Company and the holder of the Existing Convertible Bonds, and the Company entered into the legally-binding Term Sheet stipulating, among other things, the principal terms and conditions of (i) the Sale and Purchase Agreement; (ii) the Share Subscription Agreement; (iii) the Fifth Supplemental Deed; and (iv) the subscription agreements (“**CB Subscription Agreements**”) in relation to the subscription of the Convertible Bonds A and Convertible Bonds B. On 5 February 2024, the Sale and Purchase Agreement, Share Subscription Agreement, the Fifth Supplemental Deed and CB Subscription Agreements were entered into by the parties as mentioned above;
- (d) as disclosed in the interim report of the Company for the six months ended 30 September 2023 (“**HY2023/24**”) dated 22 November 2023,
- (i) the unaudited promissory note under the current liabilities increased from nil as at 31 March 2023 to approximately HK\$42.28 million as at 30 September 2023 and the unaudited promissory note under the non-current liabilities decrease from approximately HK\$40.43 million as at 31 March 2023 to nil as at 30 September 2023. The change in the unaudited promissory note was mainly due to the reclassification in the consolidated statement of financial position of the Group as the promissory note will be due on 30 June 2024; and
- (ii) the unaudited net cash flows generated from operating activities decreased by approximately HK\$20.89 million or 76.6% from approximately HK\$27.29 million for the six months ended 30 September 2022 to approximately HK\$6.40 million for the six months ended 30 September 2023, which was mainly due to delay in collection of receivables from a debtor amounted to approximately HK\$19.09 million as at 30 September 2023.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (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 Composite Document (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 Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company were approximately HK\$4,055,350. The number of issued shares of the Company as at the Latest Practicable Date were as follows:

Issued and fully paid: 4,055,349,947 Shares

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

No new Shares had been issued since 31 March 2023, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

The Shares are listed and traded on GEM of the Stock Exchange. No part of the Shares is listed or dealt in, nor in any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, save for the Existing Convertible Bonds, the Company had no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares.

3. MARKET PRICES

As trading in the Shares has been suspended since 9:00 a.m. 15 August 2022, information about the closing prices of the Shares on the Stock Exchange on the Relevant Period are not available, and neither are the highest and lowest closing prices of the Shares during the Relevant Period. The last closing price before suspension of trading was HK\$0.012.

4. DISCLOSURE OF INTERESTS

(a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to be interested in any 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), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

Name of Director	Nature of interest (Note 1)	Number of Shares	Approximate percentage of existing issued share capital of the Company (Note 2)
Mr. Kan	Beneficial owner	69,000,000	1.7%
	Interest in controlled corporation (Note 3)	1,188,621,377	29.3%

Notes:

- (1) All interests in Shares were long positions.
- (2) Based on 4,055,349,947 Shares issued as at the Latest Practicable Date.
- (3) The 1,188,621,377 Shares are held by the Offeror, being 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.

(b) Interests of substantial shareholders in the securities of the Company

As at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had, or was deemed to have, an interest or short position in the Shares and/or underlying Shares which fell 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 pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein, or the Takeovers Code.

(c) Interests discloseable under Schedule II to the Takeovers Code

As at the Latest Practicable Date:

- (i) the Company did not hold any relevant securities in the Offeror and save for Mr. Kan, an executive Director who was at the same time the sole director and the ultimate beneficial owner of the Offeror, no Director was interested in any relevant securities in the Offeror, and the Company and Directors had not dealt for value in any relevant securities in the Offeror during the Relevant Period;
- (ii) save as disclosed in the paragraph headed “4. Disclosure of Interests — (a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company” in this Appendix III, no Director was interested in any relevant securities in the Company;
- (iii) save for Mr. Kan, an executive Director who is at the same time the sole director and the ultimate beneficial owner of the Offeror, who had acquired 1,188,621,377 Sale Shares from the Vendor on 29 February 2024, at a consideration of HK\$0.014 per Sale Share, none of the Directors had dealt for value in any relevant securities in the Company during the Relevant Period;
- (iv) no (i) subsidiary of the Company; (ii) pension fund of the Company or any of its subsidiaries; or (iii) person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held, owned, controlled or dealt with any relevant securities in the Company;
- (v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (vi) no relevant securities in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vii) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Share Offer;

- (viii) no relevant securities in the Company were borrowed or lent by any of the Directors or by the Company or by the Offeror or parties acting in concert with it;
- (ix) Save for the Term Sheet, the Supplemental Term Sheet, the Share Subscription Agreement, the Fifth Supplemental Deed, the CB Subscription Agreement A and the CB Subscription Agreement B, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder and the Company, its subsidiaries or associated companies;
- (x) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;
- (xi) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer; and
- (xii) save for the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Share Subscription Agreement, there is no material contract entered into by the Offeror or parties acting in concert with it in which any Director had a material personal interest.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Director	Commencement date	Term of service	Amount of remuneration payable under the service contract	Amount of variable remuneration/fee (e.g. commission on profit) payable under the service contract
<i>Executive Directors</i>				
Dr. Jiang Yan	14 August 2017	3 years (Note 1)	HK\$12,000 per year	N/A
Dr. Li Yong Sheng (Note 2)	4 February 2013	3 years (Note 1)	HK\$12,000 per year	N/A

Director	Commencement date	Term of service	Amount of remuneration payable under the service contract	Amount of variable remuneration/fee (e.g. commission on profit) payable under the service contract
Mr. Liu Da Yong	8 December 2017	3 years (<i>Note 1</i>)	HK\$12,000 per year	N/A
Mr. Kan Kwok Cheung	11 August 2010	3 years (<i>Note 1</i>)	HK\$12,000 per year	N/A
<i>Non-executive Directors</i>				
Ms. Tang Li	8 December 2017	3 years (<i>Note 3</i>)	HK\$12,000 per year	N/A
Mr. Law Cheuk Hung	5 January 2018	3 years (<i>Note 3</i>)	HK\$12,000 per year	N/A
<i>Independent non-executive Directors</i>				
Mr. Wu Guo Ming	5 January 2018	3 years (<i>Note 3</i>)	HK\$144,000 per year	N/A
Mr. Wan Chi Keung, Aaron, <i>BBS, JP</i>	9 February 2015	3 years (<i>Note 3</i>)	HK\$144,000 per year	N/A

Notes:

- Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years subject to retirement by rotation and re-election at annual general meeting pursuant to the articles of association of the Company. The appointment of the executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three-month salary in lieu of notice.
- Dr. Li Yong Sheng was appointed as a non-executive Director on 4 February 2013, and was re-designated from a non-executive Director to an executive Director on 8 December 2017.
- Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of three years subject to retirement by rotation and re-election at the annual general meeting pursuant to the articles of association of the Company. The appointment of non-executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three-month salary in lieu of notice.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group 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 by or against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by the members of the Group within two years before 15 January 2024, being the date of the Joint Announcement and up to and including the Latest Practicable Date and are or may be material:

- (i) the Term Sheet;
- (ii) the Supplemental Term Sheet;
- (iii) the Share Subscription Agreement;
- (iv) the Fifth Supplemental Deed;
- (v) the CB Subscription Agreement A; and
- (vi) the CB Subscription Agreement B.

8. EXPERT QUALIFICATION AND CONSENT

The following is the name and qualification of the expert who has given opinion or advice which is contained in this Composite Document:

Name	Qualification
INCUCorporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

9. MISCELLANEOUS

- (i) The head office and principal place of business of the Company in Hong Kong is Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories.
- (ii) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, which is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- (iii) The registered office of INCU Corporate Finance Limited is at Unit 1402, 14/F, Winsome House, 73 Wyndham Street, Central, Hong Kong.
- (iv) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection (a) on the website of the Company at www.cncvtv.hk; and (b) on the website of the SFC at www.sfc.hk from the date of this Composite Document onwards for so long as the Share Offer remain open for acceptance:

- (i) the articles of association of the Company;
- (ii) the annual reports of the Company for each of the three financial years ended 31 March 2021, 2022 and 2023;
- (iii) the interim report of the Company for the six months ended 30 September 2023;
- (iv) the “Letter from the Board”, the text of which is set out from pages 29 to 36 of this Composite Document;
- (v) the “Letter from the Independent Board Committee”, the text of which is set out from pages 37 to 38 of this Composite Document;
- (vi) the “Letter from the Independent Financial Adviser”, the text of which is set out from pages 39 to 61 of this Composite Document;
- (vii) the service contracts referred to in the section headed “5. DIRECTORS’ SERVICE CONTRACTS” in this appendix;
- (viii) the material contracts referred to in the section headed “7. MATERIAL CONTRACT” in this appendix;
- (ix) the written consent from the expert referred to in the section headed “8. EXPERT QUALIFICATION AND CONSENT” in this appendix; and
- (x) this Composite Document and the accompanying Form of Acceptance.

I. RESPONSIBILITY STATEMENT

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

II. DISCLOSURE OF INTERESTS IN SHARES

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and its ultimate beneficial owner, parties acting in concert with any of them and the sole shareholder and sole director (being Mr. Kan) of the Offeror were as follows:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of existing issued share capital of the Company (Note 2)
Mr. Kan (Note 1)	Beneficial owner	69,000,000	1.7%
	Interest in controlled corporation (Note 3)	1,188,621,377	29.3%

Notes:

- (1) Mr. Kan, being an executive Director, is at the same time the sole director and the sole shareholder of the Offeror.
- (2) Based on 4,055,349,947 Shares issued as at the Latest Practicable Date.
- (3) The 1,188,621,377 Shares are held by the Offeror, being 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, (i) as at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owner and its sole director (being Mr. Kan) owned, controlled or had any other interest in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and (ii) save for the Acquisition, none of the Offeror, the ultimate beneficial owner of the Offeror nor the parties acting in concert with it had dealt for value in nor owned any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

III. DEALING AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the entering into of the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Share Subscription Agreement, none of Mr. Kan, the Offeror and/or parties acting in concert with any of them has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares during the Relevant Period;
- (ii) save for 1,257,621,377 Shares held directly by Mr. Kan, none of Mr. Kan, the Offeror and/or parties acting in concert with any of them holds, owns or has control or direction over any voting rights or rights over Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) save for the Irrevocable Undertaking, none of Mr. Kan, the Offeror and parties acting in concert with any of them has received any irrevocable commitment(s) to accept or reject the Share Offer;
- (iv) there is no outstanding derivative in respect of the securities of the Company entered into by Mr. Kan, the Offeror and/or parties acting in concert with any of them;
- (v) save for the Acquisition and Share Subscription, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which might be material to the Share Offer;
- (vi) save for the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Share Subscription Agreement, there is no agreement or arrangement to which Mr. Kan, the Offeror and/or parties acting in concert with any of them is a party which relates to circumstances in which he/it may or may not invoke or seek to invoke a pre-condition or condition to the Share Offer;
- (vii) none of Mr. Kan, the Offeror and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (viii) save for the consideration payable by Mr. Kan to the Company under the Share Subscription Agreement upon Share Subscription Completion and the consideration payable by Mr. Kan to the Vendor under the Sale and Purchase Agreement upon Acquisition Completion, there is no other consideration, compensation or benefits in whatever form paid or to be paid by Mr. Kan, the Offeror and/or parties acting in concert with any of them to the Company and/or the Vendor;

- (ix) save for the Term Sheet, the Supplemental Term Sheet, the Sale and Purchase Agreement and the Irrevocable Undertaking, there are no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Mr. Kan, the Offeror and/or any parties acting in concert with any of them on the one hand, and the Vendor and any parties acting in concert with it on the other hand;
- (x) save for the Term Sheet, the Supplemental Term Sheet, the Irrevocable Undertaking, the Sale and Purchase Agreement, the Share Subscription Agreement, there are no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2) Mr. Kan, the Offeror and any party acting in concert with any of them;
- (xi) no benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;
- (xii) there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Share Offer; and
- (xiii) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance of the Share Offer would be transferred, charged or pledged to any other persons.

IV. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualification
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
Messis Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Share Offer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of letter, advice and/or references to its name, in the form and context in which they respectively appear.

V. MISCELLANEOUS

- (a) 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.
- (b) The registered office of the Offeror is situated at Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands.
- (c) The correspondence address of the Offeror is Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories.
- (d) The main business address of Aristo Securities is situated at Room 101, 1st Floor, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong.
- (e) The main business address of Messis Capital is situated at Room 1303, 13/F, OfficePlus @Wan Chai., No.303 Hennessy Road., Wan Chai, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

VI. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of (i) the Company (www.cnetv.hk); and (ii) the SFC (www.sfc.hk) from the date of this Composite Document up to and including the Closing Date or the date on which the Share Offer lapse or are withdrawn (whichever is earlier):

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Aristo Securities, the text of which is set out on pages 12 to 28 of this Composite Document;
- (c) the written consents referred to under the paragraph headed "IV. Qualifications and Consents of Experts" in this appendix; and
- (d) the Irrevocable Undertaking.