



CNC HOLDINGS LIMITED
中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

Executive Directors:

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

Registered office:

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

Non-executive Directors:

Ms. Tang Li
Mr. Law Cheuk Hung

*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

Independent non-executive Directors:

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

15 March 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

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

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

DEBT RESTRUCTURING PROGRESS

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

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

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

SALE AND PURCHASE AGREEMENT

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

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

Date

5 February 2024

Parties

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

Subject matter of the Sale and Purchase Agreement

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

Consideration

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

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

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

Conditions precedent of the Sale and Purchase Agreement

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

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

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

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

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

Acquisition Completion

The Acquisition Completion took place on 29 February 2024.

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

SHARE SUBSCRIPTION AGREEMENT

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

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

Date

5 February 2024

Parties

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

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

Subscription Shares

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

Subscription Price

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

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

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

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

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

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

Ranking of the Subscription Shares

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

Conditions precedent of the Share Subscription Agreement

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

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

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

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

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

Share Subscription Completion

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

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

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

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

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

Share Specific Mandate A

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

Application for listing

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

INFORMATION ON MR. KAN

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

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

REASONS FOR THE SHARE SUBSCRIPTION AND USE OF PROCEEDS

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

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

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

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

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

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

FINANCIAL EFFECTS OF THE SHARE SUBSCRIPTION

Effect on cash and working capital

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

Effect on net liabilities position

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

CONVERTIBLE BONDS

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

THE FIFTH SUPPLEMENTAL DEED

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

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

Conditions precedent of the Fifth Supplemental Deed

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

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

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

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

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

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

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

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

Conversion period

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

Redemption

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

Transferability

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

Mandatory conversion

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

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

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

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

Existing CB Specific Mandate

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

Application for listing

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

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

CB SUBSCRIPTION AGREEMENT A

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

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

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

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

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

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

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

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

Completion

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

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

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

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

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

Conversion Price

HK\$0.196 per Conversion Share

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

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

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

Conversion period

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

Redemption

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

Transferability

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

Mandatory conversion

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

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

CB SPECIFIC MANDATE A

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

Application for listing

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

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

CB SUBSCRIPTION AGREEMENT B

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

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

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

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

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

Subscription of
Convertible Bonds B

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

Conditions precedent

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

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

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

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

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

Completion

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

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

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

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

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

Conversion Price

HK\$0.196 per Conversion Share

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

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

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

Conversion period

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

Redemption

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

Transferability

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

Mandatory conversion

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

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

CB SPECIFIC MANDATE B

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

Application for listing

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

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

INFORMATION ON THE VENDOR

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

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

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

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

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

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

INFORMATION ON THE GROUP

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

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

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

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

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

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

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

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

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

Notes:

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

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

EQUITY FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

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

FURTHER FUNDRAISING ACTIVITIES IN THE NEXT TWELVE MONTHS

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

GEM LISTING RULES IMPLICATIONS

(i) Share Subscription

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

(ii) Convertible Bonds

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

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

TAKEOVERS CODE IMPLICATIONS

Share Offer

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

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

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

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

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

Special Deals

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

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

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

FORMATION OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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

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

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

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

EGM

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

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. no later than Saturday, 6 April 2024 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

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

CLOSURE OF REGISTER OF MEMBERS

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

RECOMMENDATIONS

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

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

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
CNC HOLDINGS LIMITED

A handwritten signature in black ink, appearing to be 'Li Yong Sheng', written in a cursive style.

Li Yong Sheng
Vice Chairman and Chief Executive Officer