## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China 33 Media Group Limited (the "Company"), you should at once forward this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.



(Incorporated in the Cayman Islands with limited liability)

#### (Stock Code: 8087)

# I. PROPOSED SHARE CONSOLIDATION; II. PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE; AND III. NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent to the Company



**Astrum Capital Management Limited** 

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

# VINCO® S Vinco Financial Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 10 December 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 23 December 2024 to Thursday, 2 January 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Monday, 23 December 2024 to Thursday, 2 January 2025 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Excluded Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

A letter of advice from Vinco Financial, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 41 to 65 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 39 to 40 of this circular.

A notice convening the EGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 5 December 2024 at 4:30 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Tuesday, 3 December 2024 at 4:30 p.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

GEM has been positioned as a market designed to accommodate small and midsized 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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The expected timetable for the proposed Share Consolidation, Rights Issue and the Placing is set out below.

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out below is for indicative purpose only assuming that the Rights Issue will be approved by the Independent Shareholders at the EGM. The expected timetable may be subject to changes, and any such change will be further announced by the Company as and when appropriate.

Event Date and time (Hong Kong time)
Latest time for lodging transfer of the Shares to qualify for attendance and voting at the EGM 4:30 p.m. on Thursday, 28 November 2024
Closure of register of members for determination of the right to attend and vote at the EGM (both days inclusive)
Latest time for lodging proxy forms for the EGM 4:30 p.m. on Tuesday, 3 December 2024
Record date for attendance and voting at the EGM Thursday, 5 December 2024
Expected time and date of the EGM to approve the proposed Share Consolidation, the Rights Issue and the transactions contemplated respectively thereunder
Announcement of the poll results of the EGM Thursday, 5 December 2024
Register of members of the Company re-opens Friday, 6 December 2024
Effective date of the Share Consolidation
Commencement of dealings in the Consolidated Shares
Original counter for trading in Existing Shares in the board lot size of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes 9:00 a.m. on Monday, 9 December 2024

Temporary counter for trading in the Consolidated Shares in board lot size of 2,500 Consolidated Shares
(in the form of existing share certificates) opens
Monday, 9 December 2024
First day of free exchange of existing shares certificates
for new share certificates for Consolidated Shares
Last day of dealings in the Consolidated Shares on
a cum-rights basis
First day of dealings in Consolidated Shares on
an ex-rights basis
Latest time for the Shareholders to lodge transfer of
the Consolidated Shares to qualify for the Rights Issue
Wednesday, 11 December 2024
Closure of register of members for the Rights Issue
(both days inclusive)
Wednesday, 18 December 2024
Record Date for the Rights Issue Wednesday, 18 December 2024
Register of members of the Company re-opens
Register of members of the Company re-opens Thursday, 19 December 202-
Prospectus Documents are made available and/or despatched
(as the case may be) to the Qualifying Shareholders
(in the case of the Excluded Shareholders,
the Prospectus only)
First day of dealings in nil-paid Rights Shares in
the board lot size of 10,000 Rights Shares Monday, 23 December 2024
Original counter for trading in the Consolidated Shares
(in the board lot size of 10,000 Consolidated Shares
in the form of new share certificates) reopens Monday, 23 December 2024
Parallel trading in the Consolidated Shares
(in the form of both existing share certificates and
new share certificates) commences Monday, 23 December 2024
Designated broker starts to stand in the market to
provide matching services for odd lots of
the Consolidated Shares

Latest time for splitting of the PALs 4:30 p.m. on Friday, 27 December 2024
Last day of dealing in nil-paid Rights Shares in the board lot size of 10,000 Rights Shares
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements
Tuesday, 7 January 2025
Latest Time for Acceptance of and payment for the Rights Share
Announcement of the number of Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Compensatory Arrangements
Commencement of placing of Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent Wednesday, 15 January 2025
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares
Temporary counter for trading in the Consolidated Shares in the board lot size of 2,500 Consolidated Shares (in the form of existing share certificates) closes
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends
Latest time for free exchange of existing share certificates for new share certificates
Latest time for placing of Unsubscribed Rights Shares and ES Unsold Rights Shares subject to Compensatory Arrangements

Latest Time for Termination of the Placing Agreement
Friday, 24 January 2025
Announcement of the allotment results of the Rights Issue
(including results of the placing of the Unsubscribed
Rights Shares and ES Unsold Rights Shares and
the amount of the Net Gain per Unsubscribed
Rights Share and per ES Unsold Rights Share
under the Compensatory Arrangements) Tuesday, 4 February 2025
Despatch of share certificates for fully-paid Rights Shares Wednesday, 5 February 2025
Despatch of refund cheques, if any, if the Rights Issue
is terminated
Commencement of dealings in fully-paid Rights Shares
in the board lot size of 10,000 Rights Shares
Payment of Net Gain to relevant No Action Shareholders (if any)
Notes:

(1) Shareholders should note that the dates and deadlines specified in the above timetable, and in other parts of this circular are indicative only and subject to change. Further announcement(s) will be made if there is any change to the expected timetable.

(2) All references to times and dates are references to Hong Kong times and dates.

# EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal no. 8 or above, "extreme conditions" caused by super typhoons as announced by the Government of Hong Kong or a "black" rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 7 January 2025. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. 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 Tuesday, 7 January 2025. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Tuesday, 7 January 2025, the dates mentioned in this section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

Unless otherwise specified, the following terms have the following meanings in this circular:

"AFRC"	the Accounting and Financial Reporting Council
"Announcement"	the announcement of the Company dated 21 October 2024 in relation to, among other things, the Share Consolidation, the Rights Issue and the Placing
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and Sunday and any day on which "extreme conditions" caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"Company"	China 33 Media Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8087)
"Compensatory Arrangements"	the compensatory arrangements made pursuant to Rule 10.31(1) (b) of the GEM Listing Rules as described in the paragraph headed "Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements" in this circular
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Consolidated Share(s)"	ordinary shares of US\$0.004 each in the share capital of the Company after the Share Consolidation becoming effective
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 4:30 p.m. on Thursday, 5 December 2024 for the purpose of considering and, if thought fit, approving the Share Consolidation, the Rights Issue and the transaction contemplated respectively thereunder
"ES Unsold Rights Share(s)"	the Rights Share(s) which would otherwise have been provisionally allotted to the Excluded Shareholders in nil- paid form
"Excluded Shareholder(s)"	the Overseas Shareholder(s) in respect of whom the Board, after making relevant enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Existing Share(s)"	ordinary share(s) of US\$0.001 each in the share capital of the Company prior to the Share Consolidation becoming effective
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Committee"	has the meaning ascribed to it under the GEM Listing Rules
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Wipada Kunna, which has been established to advise the Independent Shareholders in respect of the Rights Issue
"Independent Financial Adviser" or "Vinco Financial"	Vinco Financial Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder
"Independent Shareholder(s)"	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue at the EGM under the GEM Listing Rules
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons and not connected with any of them or their respective associates
"Last Trading Day"	Monday, 21 October 2024, last trading day for the Shares on the Stock Exchange immediately before the publication of the Announcement
"Latest Practicable Date"	14 November 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Latest Time for Acceptance"	4:00 p.m. on Tuesday, 7 January 2025, being the latest time for acceptance of the offer of and payment for the Rights Shares
"Latest Time for Termination"	4:00 p.m. on Friday, 24 January 2025, or such later date as the Company and the Placing Agent may agree in writing, being the latest time to terminate the Placing Agreement
"Net Gain"	the premium paid by the Placees over the Subscription Price for the Unsubscribed Rights Shares and ES Unsold Rights Shares placed by the Placing Agent

"No Action Shareholder(s)"	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
"Overseas Shareholder(s)"	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Placee(s)"	institutional, corporate or individual investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agents to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares pursuant to the Placing Agreement
"Placing"	the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
"Placing Agent"	Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
"Placing Agreement"	the placing agreement dated 21 October 2024 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Long Stop Date"	31 March 2025 or such later date as the Company and the Placing Agent may agree in writing
"Placing Period"	the period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares, which is expected to be Wednesday, 15 January 2025, and ending at 4:00 p.m. on Thursday, 23 January 2025

"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus to be issued to the Shareholders containing details of the Rights Issues
"Prospectus Documents"	the Prospectus and the PAL
"Prospectus Posting Date"	Thursday, 19 December 2024, or such other date as the Company may determine, being the date on which the Prospectus Documents are made available and/or despatched (as the case may be) to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
"Public Float Requirement"	the public float requirement under Rule 11.23(7) of the GEM Listing Rules
"Qualifying Shareholder(s)"	Shareholders, other than Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
"Record Date"	Wednesday, 18 December 2024 or such other date as may be determined by the Company, being the date by reference to which the Shareholders' entitlements to participate in the Rights Issue will be determined
"Registrar"	Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
"Rights Issue"	The proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price
"Rights Share(s)"	up to 64,800,000 Consolidated Shares (assuming no change in the number of issued Shares on or before the Record Date other than as a result of the Share Consolidation) to be allotted and issued pursuant to the Rights Issue
"RMB"	Renminbi, the lawful currency of the PRC

"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the Existing Share(s) and/or the Consolidated Share(s) as the case may be
"Share Consolidation"	proposed consolidation of the issued and unissued Existing Shares in the share capital of the Company on the basis of four (4) Existing Shares into one (1) Consolidated Share
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK\$0.30 per Rights Share under the Rights Issue
"substantial shareholder(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Unsubscribed Rights Share(s)"	the Rights Shares that are not subscribed by the Qualifying Shareholders
"US\$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.0 to HK\$1.1. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.



(Stock Code: 8087)

Executive Directors: Mr. Ruan Deqing Mr. Ma Pun Fai

Independent non-Executive Directors: Ms. Tay Sheve Li Mr. Yau Kit Yu Ms. Wipada Kunna Registered office: Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands

Head office in the PRC: Unit 410-412, 4/F., One Indigo 20 Jiuxianqiao Road Chaoyang District Beijing, China

Principal place of business in Hong Kong: Unit 807, 8/F Tower 1 Silvercord 30 Canton Road Tsimshatsui Hong Kong

15 November 2024

To the Qualifying Shareholders and, for information only, the Excluded Shareholders (if any)

Dear Sir or Madam,

# I. PROPOSED SHARE CONSOLIDATION; II. PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE; AND III. NOTICE OF EXTRAORDINARY GENERAL MEETING

#### INTRODUCTION

References are made to the Announcement in relation to, among other matters, the Share Consolidation, the Rights Issue and the Placing.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Rights Issue and the Placing; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the EGM.

#### PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every four (4) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share.

#### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the GEM Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation. The Share Consolidation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

As at the date of this circular, none of the above conditions has been fulfilled.

#### **Effects of the Share Consolidation**

As at the date of the Latest Practicable Date, the authorised share capital of the Company is US\$40,000,000 divided into 40,000,000 Existing Shares of US\$0.001 each, of which 172,800,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become US\$40,000,000 divided into 10,000,000 Consolidated Shares of US\$0.004 each, of which 43,200,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

#### Listing application

An application will be made by the Company to the GEM Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective. Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

#### Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares of the Company regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

#### Other securities of the Company

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

#### Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, a designated broker, Astrum Capital Management Limited has been appointed by the Company to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Shareholders who wish to take advantage of this facility may directly or through their brokers, contact Ms. Angie Yeung of Astrum Capital Management Limited at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (telephone number: (852) 3665 8160) during office hours (i.e. 9:00 a.m. to 12:00 noon and 1:00 p.m. to 4:00 p.m.) for the period from Monday, 23 December 2024 to Wednesday, 15 January 2025 (both days inclusive).

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/ her/its own professional advisers.

#### **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Monday, 9 December 2024 to 4:30 p.m. on Friday, 17 January 2025 (both days inclusive), submit the existing share certificates for the Existing Shares (in yellow colour) to the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares (in pink colour). Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

#### **Reasons for the Share Consolidation**

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$0.080 per Existing Share, the value of each existing board lot of 10,000 Shares was HK\$800, which was less than HK\$2,000.

As at the Latest Practicable Date, the closing price of the Shares was HK\$0.080 per Existing Share, with a board lot size of 10,000, the existing board lot value is less than HK\$2,000. The Directors consider that the proposed Share Consolidation will bring about a corresponding upward adjustment in the expected value per board lot and increase the value of each board lot of the Consolidated Shares to over HK\$2,000. As such, it would enable the Company to comply with the trading requirements under the GEM Listing Rules.

Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. Accordingly, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract potential investors and to extend the shareholder base of the Company. The Board believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board is of the view that, having considered the corporate plan of the Company for the next twelve months, the proposed Share Consolidation is fair and reasonable, and in the interest of the Company and the Shareholders as a whole. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the GEM Listing Rules, as and when appropriate.

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed "Conditions of the Share Consolidation" above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

#### **PROPOSED RIGHTS ISSUE**

The Board proposes to raise gross proceeds of up to approximately HK\$19.4 million (assuming full subscription under the Rights Issue) by way of issuing up to 64,800,000 Rights Shares assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation) at the Subscription Price of HK\$0.30 per Rights Share on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). Further details of the Rights Issue are set out below:

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	172,800,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	43,200,000 Consolidated Shares
Maximum number of Rights Shares to be issued	:	64,800,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Approximate aggregate nominal value of the Rights Shares	:	US\$259,200 (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)	:	108,000,000 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	:	Approximately HK\$0.29 per Rights Share

Maximum gross proceeds to be raised from the Rights Issue before expenses	:	Approximately HK\$19.4 million
Maximum net proceeds to be raised from the Rights Issue after expenses	:	Approximately HK\$19.0 million

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 64,800,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 150% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 60% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allottment and issue of the Rights Shares.

As at the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

#### The Subscription Price

The Subscription Price is HK\$0.30 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

- (i) a discount of approximately 6.25% to the theoretical closing price of approximately HK\$0.320 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.080 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 7.41% to the theoretical closing price of approximately HK\$0.324 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 8.54% to the theoretical average closing price of approximately HK\$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.082 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 9.64% to the theoretical average closing price of approximately HK\$0.332 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.083 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 3.23% to the theoretical ex-rights price of approximately HK\$0.310 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 5.12% of the theoretical diluted price of approximately HK\$0.311 per Consolidated Share to the benchmarked price of approximately HK\$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the higher of the closing price of HK\$0.081 per Existing Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.082 per Existing Share);
- (vii) a discount of approximately 55.62% to the unaudited consolidated net asset value per Consolidated Share of approximately RMB0.615 (equivalent to approximately HK\$0.676) based on the unaudited consolidated net asset value of the Company of approximately RMB26.56 million as at 30 June 2024 and the total number of 43,200,000 Consolidated Shares in issue immediately upon completion of the Share Consolidation; and
- (viii) a discount of approximately 65.75% to the audited consolidated net asset value per Consolidated Share of approximately RMB0.796 (equivalent to approximately HK\$0.876) based on the audited consolidated net asset value of the Company as at 31 December 2023 of approximately RMB34.39 million and the total number of 43,200,000 Consolidated Shares in issue immediately upon completion of the Share Consolidation.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.29.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed "Reason for and benefits of the Rights Issue and the use of proceeds" in this circular; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

The Directors consider that it is reasonable to set the Subscription Price at a discount to the prevailing market price and the adjusted consolidated net asset value per Consolidated Share as illustrated above, taking into consideration:

- (i) based on the closing price of HK\$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the Existing Shares have been traded at a discount of approximately 52.1% to the unaudited consolidated net asset value per Existing Share of approximately RMB0.154 (equivalent to approximately HK\$0.169) with reference to the unaudited consolidated net asset value of the Company of approximately RMB26.56 million as at 30 June 2024 and the total number of 172,800,000 Existing Shares in issue as at the Last Trading Day;
- (ii) the daily closing price of the Existing Shares has demonstrated an overall downward trend during the six months prior to the Last Trading Day, from HK\$0.152 per Existing Share on 22 April 2024 to HK\$0.081 per Existing Share on the Last Trading Day;
- (iii) during the six months prior to and including the Last Trading Day, the Company's average daily trading volume (calculated based on the total trading volume divided by the total numbers of days during the six months prior to and including the Last Trading Day) represented merely approximately 0.01% of the total issued share capital of the Company; and
- (iv) for the year ended 31 December 2022 and 2023, the Company recorded loss for the year of approximately RMB57.5 million and RMB55.7 million, respectively.

Under the prevailing market conditions and economic sentiment and with reference to the recent market performance of the Existing Shares and the latest business performance and financial position of the Group, the Directors consider that it would be more practical and commercially reasonable to set a subscription price which is lower than the prevailing market price and the consolidated net asset value per Consolidated Share as illustrated above in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate in the Rights Issue.

The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

#### Non-underwritten Basis

Subject to the fulfilment of conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed to independent Placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue and there is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who apply to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or may result in the non-compliance by the Company of the Public Float Requirement under Rule 11.23(7) of the GEM Listing Rules. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (i) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in any non-compliance with the Public Float Requirement on the part of the Company.

#### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (i) the Share Consolidation having become effective;
- (ii) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iii) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (v) the Prospectus Documents having been made available to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Prospectus Posting Date; and
- (vi) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions precedent by the Latest Time for Termination or such other date as the Company and the Placing Agent may agree.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Excluded Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.

#### **Basis of provisional allotments**

The Rights Shares will be allotted on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Placing Agreement and the Prospectus Documents.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made with the Registrar on or before the Latest Time for Acceptance by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for. There will be no excess application arrangements in relation to the Rights Issue.

#### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

#### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 11 December 2024 (Hong Kong time).

The last day of dealing in the Consolidated Shares on cum-rights basis is Monday, 9 December 2024. The Consolidated Shares will be dealt with on an ex-rights basis from Tuesday, 10 December 2024.

Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status and action to be taken.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL) to the Excluded Shareholders for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

#### **Rights of the Overseas Shareholder(s) (if any)**

As at the Latest Practicable Date, based on the register of members of the Company, there was one Overseas Shareholder with registered address located in the PRC, which was interested in 1,060,000 Shares, representing approximately 0.6% of the total issued share capital of the Company. Save for the Overseas Shareholder with registered address located in the PRC, there were no other Overseas Shareholders based on the register of members of the Company as at the Latest Practicable Date. Taking into account the advice provided by legal adviser in the PRC, the Directors are of the view that the relevant PRC legal restrictions and requirements of the regulatory body or stock exchange in the PRC do not make it necessary or expedient to exclude the Overseas Shareholder with registered addresses located in the PRC from the Rights Issue. Therefore, such Overseas Shareholder is not Excluded Shareholder and the Rights Issue will be extended to such Overseas Shareholder.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to take part in the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the securities of the Company.

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. In the event that additional Overseas Shareholder(s), other than the Overseas Shareholder with registered address located in the PRC as mentioned above, is/are identified as at the Record Date, such Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

In the event additional Overseas Shareholder(s), other than the Overseas Shareholder with registered address located in the PRC as mentioned above, is/are identified as at the Record Date, pursuant to Rule 17.41(1) of the GEM Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the nil-paid Rights Shares or allotment of fully-paid Rights Issue will be made to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, on a best effort basis, be placed by the Placing Agent under the Compensatory Arrangements to independent Placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue, at the price at least equal to the Subscription Price.

#### Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fullypaid Rights Shares are expected to be posted on or before Wednesday, 5 February 2025 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Wednesday, 5 February 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

#### Fractional Entitlements to the Rights Shares

Rights Shares in provisional allotment will be rounded down to the nearest whole number. No fractional Rights Shares shall be issued under the Rights Issue. All fractions of the Rights Shares will be aggregated and placed by the Placing Agent under the Compensatory Arrangements to Independent Third Parties for the benefit of the Company.

#### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Astrum Capital Management Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Ms. Angie Yeung of Astrum Capital Management Limited at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (telephone number: (852) 3665 8160) during office hours (i.e. 9:00 a.m. to 12:00 noon and 1:00 p.m. to 4:00 p.m.) for the period from Monday, 23 December 2024 to Wednesday, 15 January 2025 (both days inclusive).

Holders of odd lots arising from the Rights Issue should note that successful matching of the sale and purchase of odd lots arising from the Rights Issue are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/ her/its own professional advisers.

#### Application for listing of the Rights Shares and applicable fees

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid and fully-paid Rights Shares will be traded in board lot size of 10,000 Shares.

#### Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to payments of stamp duty, Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

#### Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

#### Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

# Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering these Shares to independent Placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

Accordingly, on 21 October 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent Placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period to independent Placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 23 January 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and ES Unsold Rights Shares. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Excluded Shareholders as set out below on a pro-rata basis (but rounded down to the nearest cent):

- A. for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/ her/its nil-paid rights are not validly applied for; and
- B. for Excluded Shareholders, the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Excluded Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) and Excluded Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of HK\$100 or less for its own benefit.

## THE PLACING AGREEMENT

Principal terms of the Placing Agreement are summarised as below.

On 21 October 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to, on a best effort basis, procure Placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date	:	21 October 2024 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities.
		The Placing Agent confirmed that it and its ultimate beneficial owner(s) are not Shareholders and are Independent Third Parties.

Placing Price	:	The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the placement process.
Placing Period	:	The period from Wednesday, 15 January 2025 up to 4:00 p.m. on Thursday, 23 January 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
Placing Commission	:	The Company shall pay the Placing Agent a placing commission equivalent to (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher.
Placees	:	The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares	:	The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank <i>pari passu</i> in all respects among themselves and with the existing Shares in issue as at the date of completion of the Placing.

Conditions Precedent :	The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):			
	(i) the Share Consolidation having become effective;			
	<ul><li>(ii) the GEM Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;</li></ul>			
	<ul><li>(iii) the approval of the Rights Issue and the transactions contemplated thereunder (including the Placing Agreement) by more than 50% of the Independent Shareholders at the EGM by way of poll;</li></ul>			
	(iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and			
	<ul><li>(v) the Placing Agreement not having been terminated in accordance with the provisions thereof.</li></ul>			
	The Placing Agent may, in its absolute discretion, waive			

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i), (ii) and (iii) above) by notice in writing to the Company. Termination

The Placing Period shall end at 4:00 p.m. on Thursday, 23 January 2025 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by the Placing Agent at any time prior to 4:00 p.m. on Friday, 24 January 2025 or any other date by mutual written agreement between the Placing Agent and the Company in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. Further, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the reasonable opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

The Company shall use its best endeavours to procure the fulfillment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The terms of the Placing Agreement (including the commission payable) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the market conditions. The Board considers the terms of the Placing for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

As explained above, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed by the Placing Agent to independent Placees on a best effort basis for the benefits of the No Action Shareholders and Excluded Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Excluded Shareholders.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Board considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

# REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of outdoor and digital advertising services and prepaid card business.

According to the Company's interim report for the six months ended 30 June 2024, the Group recorded net loss of approximately RMB5.4 million for the six months ended 30 June 2024 as compared to a net loss of approximately RMB2.2 million for the corresponding period in 2023. As at 30 June 2024, the Group had bond payable of approximately RMB13.9 million (equivalent to approximately HK\$14.9 million) in aggregate. For the six months ended 30 June 2024, the Group incurred interest expense of approximately RMB0.7 million on corporate bond. Subsequently, on 23 July 2024, the Company renewed a bond agreement with a bondholder, being an Independent Third Party, with a renewed principal of HK\$15.5 million (equivalent to approximately RMB14.0 million) which bears an interest rate of 12% per annum and is due for repayment on 23 July 2025.

In light of the loss-making performance of the Group and with a view to relieve the Group's financial burden and lowering its finance costs, the Company intends to raise funds through the Rights Issue to improve the financial condition of the Group and also reducing its gearing and interest burden.

#### Use of proceeds

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Share Consolidation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$19.0 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 91.2% of the net proceeds or approximately HK\$17.3 million for repayment of the Group's bond payable; and
- (ii) approximately 8.8% of the net proceeds or approximately HK\$1.7 million for enhancing the general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

#### Other fund-raising alternatives

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing, or an open offer.

In respect of debt financing, the Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. Debt financing will also result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company.

As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the Independent Financial Adviser) considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, based on publicly available market information, the Board understands that where the Unsubscribed Rights Shares and ES Unsold Rights Shares are to be fully-underwritten, the underwriting commission charged by underwriters is generally much higher than the commission charged for placing on a best effort basis. To improve the cost effectiveness of the Rights Issue and having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted.

#### FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fund-raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

## CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iv) immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing:

Name of Shareholders	As at the L Practicable		Immediately completion of Share Consol	of the	Immediately completion Rights Issue a full acceptanc Rights Shares Qualifying Sha	of the ssuming e of the s by all	Immediately completion Rights Issue ass acceptance of t Shares by the O Shareholders as remaining Uns Rights Shares Unsold Rights having been p the Placing	of the suming nil he Rights Qualifying nd all the ubscribed and ES s Shares laced by
	Number of		Number of		Number of		Number of	0
	Shares	%	Shares	%	Shares	%	Shares	%
Lizhong Limited <sup>(Note 1)</sup> Public Shareholders	14,400,500	8.33	3,600,125	8.33	9,000,312	8.33	3,600,125	3.33
- Independent Placees <sup>(Note 2)</sup>	-	-	-	-	-	-	64,800,000	60.00
- Other public Shareholders	158,399,500	91.67	39,599,875	91.67	98,999,688	91.67	39,599,875	36.67
Notes:	172,800,000	100.0	43,200,000	100.0	108,000,000	100.0	108,000,000	100.0

- 1. Lizhong Limited is held as to approximately 48.73% and 48.73% by Broad Win Limited and Joint Loyal Limited, respectively. The entire issued share capital of Broad Win Limited and Joint Loyal Limited was owned by Mr. Lin Pintong and Mr. Ruan Deqing, respectively. Under the SFO, each of Mr. Lin Pintong and Mr. Ruan Deqing, Broad Win Limited and Joint Loyal Limited was deemed to be interested in all the Shares held by Lizhong Limited by virtue of the SFO. The directors of Lizhong Limited are Mr. Lin Pintong, Mr. Ruan Deqing and Mr. Han Wenqian.
- As it is not expected that any of the Placees will become a substantial Shareholder immediately after completion of the Placing, the Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent will form part of the public float of the Company.
- 3. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

#### GEM LISTING RULES IMPLICATION

#### The Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. No Shareholder is involved or interested in or has a material interest in the Share Consolidation and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting in favour of the resolution to approve the Share Consolidation and the transactions contemplated thereunder by way of poll at the EGM.

#### The Rights Issue

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50%, the Rights Issue is conditional upon the Independent Shareholders' approval at the EGM, and any controlling Shareholder(s) (as defined under the GEM Listing Rules) and their respective associates, or where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder. Accordingly, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), shall abstain from voting in favour of the proposed Rights Issue at the EGM. As at the date of this circular, Lizhong Limited holds 14,400,500 Existing Shares, representing approximately 8.33% of the total issued share capital of the Company. Lizhong Limited is held as to approximately 48.73% by Joint Loyal Limited, which is wholly-owned by Mr. Ruan Deqing, being an executive Director and the chairman of the Board. Mr. Ruan Deqing is deemed to be interested in all the Shares held by Lizhong Limited by virtue of the SFO. Accordingly, each of Mr. Ruan Deqing, Lizhong Limited, Joint Loyal Limited and their associate(s) shall abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the date of this circular, save for Mr. Ruan Deqing, none of the Directors or chief executives of the Company had any interest in the Shares.

The Subscription Price represents a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) which is represented by a discount of approximately 5.12% to the benchmarked price of approximately HK\$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules). Accordingly, the Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

#### GENERAL

The EGM will be convened for the Shareholders to consider and, if fought fit, approve the Share Consolidation, the Rights Issue and the Placing. For the purpose of determining the Shareholders' entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 29 November 2024 to Thursday, 5 December 2024 (both days inclusive).

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Thursday, 28 November 2024.

A notice convening the EGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 5 December 2024 at 4:30 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar in Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Tuesday, 3 December 2024 at 4:30 p.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

#### **DESPATCH OF PROSPECTUS DOCUMENTS**

Subject to the fulfilment of the conditions of the Rights Issue, the Prospectus Documents containing, among other matters, details of the Rights Issue, are expected to be made available on the websites of the Company (http://www.china33media.com) and the Stock Exchange (www.hkexnews.hk) on or before Thursday, 19 December 2024. The Company will despatch the PAL in printed form to the Qualifying Shareholders but will not despatch the PAL to the Excluded Shareholders.

## WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed "Conditions of the Rights Issue" in this circular.

Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any Shareholder or other person dealing in the Shares and/or Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a nonunderwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Excluded Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

# THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Wipada Kunna, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

#### RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Wipada Kunna, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 39 to 40 of this circular which contains its recommendation to the Independent Shareholders in relations to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 41 to 65 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

Yours faithfully, By order of the Board China 33 Media Group Limited Ma Pun Fai Executive Director

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Stock Code: 8087)

15 November 2024

To the Independent Shareholders

Dear Sir or Madam,

## I. PROPOSED SHARE CONSOLIDATION; AND II. PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE

We refer to the circular of the Company dated 15 November 2024 (the "Circular") of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote at the EGM.

Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement are fair and reasonable. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 41 to 65 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 12 to 38 of the Circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in its letter of advice to the Independent Shareholders and the Independent Board Committee on pages 41 to 65 of the Circular, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable o far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully, For and on behalf of The Independent Board Committee Mr. Yau Kit Yu Ms. Wipada Kunna Independent non-executive Directors China 33 Media Group Limited

Ms. Tay Sheve Li

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms of the Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

## VINCO® 🖁 Vinco Financial Limited

15 November 2024

To the Independent Board Committee and the Independent Shareholders of China 33 Media Group Limited

Dear Sirs,

## PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 15 November 2024 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement in relation to, among other things, the Share Consolidation, the Rights Issue and the Placing. The Board proposes to raise gross proceeds of up to approximately HK\$19.4 million (assuming full subscription under the Rights Issue) by way of issuing up to 64,800,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation) at the Subscription Price of HK\$0.30 per Rights Share on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Share Consolidation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$19.0 million. Details of the use of proceeds are set out in the section headed "Reasons for and

benefits of the Rights Issue and the use of proceeds" in the Board Letter. The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.29. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 91.2% (or approximately HK\$17.3 million) for repayment of the bond payable of the Group; and (ii) approximately 8.8% (or approximately HK\$1.7 million) for enhancing the general working capital of the Group. There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50%, the Rights Issue is conditional upon the Independent Shareholders' approval at the EGM, and any controlling Shareholder(s) (as defined under the GEM Listing Rules) and their respective associates, or where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder. Accordingly, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), shall abstain from voting in favour of the proposed Rights Issue at the EGM. As at the Latest Practicable Date, Lizhong Limited holds 14,400,500 Existing Shares, representing approximately 8.33% of the total issued share capital of the Company. Lizhong Limited is held as to approximately 48.73% by Joint Loyal Limited, which is wholly-owned by Mr. Ruan Deqing, being an executive Director and the chairman of the Board. Mr. Ruan Deqing is deemed to be interested in all the Shares held by Lizhong Limited by virtue of the SFO. Accordingly, each of Mr. Ruan Deqing, Lizhong Limited, Joint Loyal Limited and their associate(s) shall abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the date of the Circular, save for Mr. Ruan Deqing, none of the Directors or chief executives of the Company had any interest in the Shares.

The Subscription Price represents a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) which is represented by a discount of approximately 5.12% to the benchmarked price of approximately HK\$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules). Accordingly, the Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Wipada Kunna, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

#### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue and the transactions contemplated thereunder of the Company.

#### **BASIC OF OUR OPINION**

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the interim report of the Company for the six months ended 30 June 2024 (the "Interim Report 2024"); (ii) the annual report of the Company for the year ended 31 December 2023 (the "Annual Report 2023"); (iii) the management accounts of the Group; (iv) the Placing Agreement; (v) the Circular; and (vi) market information

obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Business and financial information of the Group

#### Information of the Group

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of outdoor and digital advertising services and prepaid card business.

#### Business and financial performance of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the two years ended 31 December 2023 ("**FY2023**") and 31 December 2022 ("**FY2022**"); and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2024 ("**HY2024**") and 30 June 2023 ("**HY2023**") which were extracted from the Annual Report 2023 and Interim Report 2024 respectively:

	For the six m 30 J		For the year ended 31 December			
	30 J 2024	2023				
	RMB'000	2023 RMB'000	2023 RMB'000	<b>2022</b> <i>RMB</i> '000		
	(unaudited)	(unaudited)	(audited)	(audited)		
Revenue	17,948	19,055	34,608	71,049		
Gross profit	11,715	5,783	15,790	14,195		
Loss for the period/year	(5,368)	(2,177)	(55,726)	(57,508)		

	As at 30 June	As at 31 D	ecember
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
	(unaudited)	(audited)	(audited)
Cash and cash equivalents	21,924	16,805	2,941
Bond payable	13,908	12,918	12,399
Total assets	326,947	273,406	364,879
Total liabilities	300,387	239,014	280,854
Net assets	26,560	34,392	84,025

#### FY2023 vs FY2022

According to the Annual Report 2023, the Group recorded revenue in the amount of approximately RMB34.6 million in FY2023, representing a decrease of approximately 51.3% as compared to in the amount of approximately RMB71.0 million in FY2022. Such decrease was mainly due to the decrease in sales demand, in particular outdoor and digital advertising business due to the fierce competition in the industry which led to reduced number of customers. We also note that the Group's gross profit of approximately RMB15.8 million in FY2023 increased by approximately 11.2% from approximately RMB14.2 million in FY2023, despite the decrease in revenue. The Group recorded a net loss in FY2023 in the amount of approximately RMB55.7 million, which slightly improve from that in FY2022 in the amount of approximately RMB57.5 million.

The Group's cash and cash equivalents amounted to approximately RMB16.8 million as at 31 December 2023, which increased by approximately RMB13.9 million, as compared to that of approximately RMB2.9 million as at 31 December 2022. The Group's total assets as at 31 December 2023 amounted to approximately RMB273.4 million and its total liabilities as at 31 December 2023 amounted to approximately RMB34.4 million as at 31 December 2023, representing a decrease of approximately 59.1% as compared to that of approximately RMB84.0 million as at 31 December 2022. Such decrease was mainly due to the net loss as discussed above. As at 31 December 2023, the gearing ratio of the Group was approximately 0.52 which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, while it was approximately 0.33 as at 31 December 2022. We note that the increase in gearing ratio was due to increase of the Group's cash and cash equivalents, but the equity attributable to owners of the Company decrease.

#### HY2024 vs HY2023

According to the Interim Report 2024, the Group recorded revenue in the amount of approximately RMB17.9 million in HY2024, representing a decrease of approximately 5.8% as compared to in the amount of approximately RMB19.1 million in HY2023. Such decrease was mainly due to the decrease of revenue from outdoor and digital advertising and film and entertainment investment business due to the fierce competition in the industry and change in market trend. We also note that the Group's gross profit of approximately RMB11.7 million in HY2023, despite the decrease in revenue. The Group recorded a net loss in HY2023 in the amount of approximately RMB5.4 million as compared to that in HY2023 in the amount of approximately RMB2.2 million. Such change was mainly due to (i) the increase in net other losses of approximately RMB5.0 million in relation to the fair value loss on financial assets at fair value through profit and loss; and (ii) the increase in gross profit as mentioned above.

The Group's cash and cash equivalents amounted to approximately RMB21.9 million as at 30 June 2024, which increased by approximately RMB5.1 million, as compared to that of approximately RMB16.8 million as at 31 December 2023. The Group's total assets as at 30 June 2024 amounted to approximately RMB326.9 million and its total liabilities as at 30 June 2024 amounted to approximately RMB300.4 million. The Group's net assets amounted to approximately RMB26.6 million as at 30 June 2024, representing a decrease of approximately 22.8% as compared to that of approximately RMB34.4 million as at 31 December 2023. Such decrease was mainly due to the net loss as discussed above. As at 30 June 2024, the gearing ratio of the Group was approximately 0.54 which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, while it was approximately 0.52 as at 31 December 2023.

#### Bond payable

As stated in the Annual Report 2023, the Group's bond payable amounted to approximately RMB12.9 million as at 31 December 2023 and RMB12.4 million as at 31 December 2022. On 23 July 2020, the Company entered a bond agreement with a company which is independent to the Group with a principal value of HK\$12,000,000 (equivalent to approximately RMB10,843,000). The bond bears interest rate at 12% per annum and are due for repayments on 22 July 2023. On 23 July 2023, the Company renewed the above bond agreement with a renewed principal value of HK\$13,440,000 (equivalent to approximately RMB12,260,000). The renewed bond bears interest rate at 12% per annum and are due for repayments on 22 July 2023. On 23 July 2023, the Company renewed the above bond agreement with a renewed principal value of HK\$13,440,000 (equivalent to approximately RMB12,260,000). The renewed bond bears interest rate at 12% per annum and are due for repayments on 22 July 2024. On initial recognition, the fair value of bond issued by the Company were determined

based on the present value of the contractual stream of future cash flows discounted at rate at 12% per annum. The discount rate is determined with reference to the yield rate with credit rating and duration similar to the bond note. As at 30 June 2024, the bond payable amounted to approximately RMB13.9 million. We have obtained and reviewed the bond agreement signed on 23 July 2020, 23 July 2023 and 23 July 2024, and the calculation of the principal of the renewed bond which was renewed by the Company with a bondholder (the "**Bondholder**") on 23 July 2024. We note that the principal and total interest payable to be repaid by 23 July 2025 would be approximately HK\$15.5 million and HK\$1.86 million.

Having considered the interest payable, we are of the view that the Rights Issue allows additional cash flow for the repaying Group's bond and is a reasonable decision for the interests of the Company and the Shareholders as a whole.

#### 2. Reasons for the Rights Issue and use of proceeds

As set out in the Board Letter, according to the Interim Report 2024, the Group recorded net loss of approximately RMB5.4 million in HY2024 as compared to a net loss of approximately RMB2.2 million for the corresponding period in 2023. As at 30 June 2024, the Group had bond payable of approximately RMB13.9 million (equivalent to approximately HK\$14.9 million) in aggregate. For the six months ended 30 June 2024, the Group incurred interest expense of approximately RMB0.7 million on corporate bond. Subsequently, on 23 July 2024, the Company renewed a bond agreement with a bondholder, being an Independent Third Party, with a renewed principal of HK\$15.5 million (equivalent to approximately RMB14.0 million) which bears an interest rate of 12% per annum and is due for repayment on 23 July 2025. In light of the loss-making performance of the Group and with a view to relieve the Group's financial burden and lowering its finance costs, the Company intends to raise funds through the Rights Issue to improve the financial condition of the Group and also reducing its gearing and interest burden.

The estimated expenses of the Rights Issue are approximately HK\$0.40 million, which include placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue and will be borne by the Company.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Share Consolidation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$19.0 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 91.2% of the net proceeds or approximately HK\$17.3 million for repayment of the Group's bond payable; and
- (ii) approximately 8.8% of the net proceeds or approximately HK\$1.7 million for enhancing the general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As discussed with the management of the Group, the outstanding amount of bond payable (inclusive of interests payable) to be repaid by utilising HK\$17.3 million of the net proceeds from the Rights Issue mainly comprise (i) bond with an aggregate outstanding principal of approximately HK\$15.5 million, bearing an interest rate of 12% per annum; and (ii) the bond interest amounting to HK\$1.86 million, and the Company expects to repay the principal and interest by 23 July 2025.

#### Fund raising alternatives

With reference to the discussion with the management of the Group, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity fund raising.

Bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company.

The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

In comparison, the Board considers raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Having considered (i) the Group's financial position as at 30 June 2024; (ii) its net loss making performance for the two years ended 31 December 2023 and the six months ended 30 June 2024; (iii) its funding needs for relieve the Group's financial burden and lowering its finance costs; and (iv) the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and given that it offers relatively more flexibility and the opportunity to participate in the growth of the Company, we concur with the Director's view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

#### 3. Principal terms of the Rights Issue

The Board proposes, subject to the Share Consolidation becoming effective, to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held as at the Record Date. Set out below are the details of the Rights Issue statistics:

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	172,800,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	43,200,000 Consolidated Shares

Maximum number of Rights Shares to be issued	:	64,800,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Approximate aggregate nominal value of the Rights Shares	:	US\$259,200 (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)	:	108,000,000 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	:	Approximately HK\$0.29 per Rights Share
Maximum gross proceeds to be raised from the Rights Issue before expenses	:	Approximately HK\$19.4 million
Maximum net proceeds to be raised from the Rights Issue after expenses	:	Approximately HK\$19.0 million

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 64,800,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) approximately 150% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 60% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

As at the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

#### The Subscription Price

The Subscription Price is HK\$0.30 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 6.25% to the theoretical closing price of approximately HK\$0.320 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.080 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 7.41% to the theoretical closing price of approximately HK\$0.324 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 8.54% to the theoretical average closing price of approximately HK\$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.082 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 9.64% to the theoretical average closing price of approximately HK\$0.332 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.083 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) discount of approximately 3.23% to the theoretical ex-rights price of approximately HK\$0.310 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 5.12% of the theoretical diluted price of approximately HK\$0.311 per Consolidated Share to the benchmarked price of approximately HK\$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the higher of the closing price of HK\$0.081 per Existing Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.082 per Existing Share);
- (vii) a discount of approximately 55.62% to the unaudited consolidated net asset value per Consolidated Share of approximately RMB0.615 (equivalent to approximately HK\$0.676) based on the unaudited consolidated net asset value of the Company of approximately RMB26.56 million as at 30 June 2024 and the total number of 43,200,000 Consolidated Shares in issue immediately upon completion of the Share Consolidation; and
- (viii) a discount of approximately 65.75% to the audited consolidated net asset value per Consolidated Share of approximately RMB0.796 (equivalent to approximately HK\$0.876) based on the audited consolidated net asset value of the Company as at 31 December 2023 of approximately RMB34.39 million and the total number of 43,200,000 Consolidated Shares in issue immediately upon completion of the Share Consolidation.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.29.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds" in the Board Letter; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the theoretical closing price per Existing Share during the one year ended the date of the Announcement (being a period of approximately one year prior to and including the Last Trading Day) (the "**Review Period**"), with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue, assuming the Share Consolidation having become effective (the "**Closing Price**"); and (ii) the average daily trading volumes of the Existing Shares for each of the months/periods during the Review Period.

We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical adjusted closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company, the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the Closing Price versus the Subscription Price of HK\$0.30 per Share:



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

The Closing Price of the Share during the Review Period ranged from HK\$0.216 per Share (the "Lowest Closing Price") to HK\$0.840 per Share (the "Highest Closing Price") and with the average Closing Price of approximately HK\$0.434 per Share (the "Average Closing Price").

We noted from the above that during the Review Period, the Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.30 represents (i) a premium of approximately 38.9% to the Lowest Closing Price; (ii) a discount of approximately 64.3% to the Highest Closing Price; and (iii) a discount of approximately 30.9% to the Average Closing Price. We note that there were 22 days when the Subscription Price was higher than the Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price respectively.

#### Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	Total trading volume of the Shares in the month/period Number of Shares	Number of trading days in the month/period	Average daily trading volume of the Shares in the month/period (Note 1)	Percentage of average daily trading volume to total number of Shares (approximately %) (Note 2)
2023				
October (from 18 October				
2023 to 31 October 2023				
(both days inclusive))	0	9	0	Nil
November	72,250	22	3,284	0.0019
December	157,712	19	8,301	0.0048
2024				
January	2,253,000	22	102,409	0.0593
February	900,000	19	47,368	0.0274
March	576,000	20	28,800	0.0167
April	131,250	20	6,563	0.0038
May	1,440,150	21	68,579	0.0397
June	80,000	19	4,211	0.0024
July	20,000	22	909	0.0005
August	19,000	22	864	0.0005
September	80,000	19	4,211	0.0024
October (up to and including				
the Last Trading Day)	438,750	13	33,750	0.0195

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

Notes:

- 1. Average daily trading volume is calculated by dividing the total trading volume for the month/ period by the number of trading days in the respective month/period.
- 2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month/period.

As illustrated in the table above, the percentage of average daily trading volume of Shares during the Review Period ranged from nil to approximately 0.0593% of the total number of issued Shares for each of their respective month/period. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it appears to be reasonable for the Subscription Price to be set at a discount to the prevailing theoretical adjusted closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

#### Comparison with other rights issue transactions

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 34 rights issues transactions (the "**Comparables**") announced by other companies listed on the Stock Exchange for the 6-month period immediately prior to the Last Trading Day. Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

						Premium/(discount)							
						of subscription							
						price per rights							
					Premium/(discount)	issue share over/							
					of subscription	to theoretical ex-							
					price per rights	rights price per							
					issue share over/to	share based on	Premium/						
					closing price per	closing price per	(discount) of the	Premium/					
					share on the last	share on the last	subscription price	(discount) of					Minimum
				Maximum	trading day prior	trading day prior	to the net asset	theoretical	Excess	Placing			placing/
Date of		Stock	Basic of	dilution on the	to announcement	to announcement	value per share	dilution effect	application/Placing	commission	Underwriting	Underwriting	underwriting
announcement	Company name	code	entitlement	shareholding	of rights issue	of rights issue	(Note 1)	(Note 2)	(Note 4)	(Note 5)	arrangement	commission	commission
				(%)	(%)	(%)	(%)	(%)		(%)		(%)	HK\$
18/10/2024	Kingkey Financial International (Holdings) Limited	1468	1 for 2	33.33	0	NA (Note 3)	124.60	0	Placing	1.00	Non-underwritten	N/A	No
18/10/2024	Gaodi Holdings Limited	1676	1 for 2	33.33	37.90	12.10	(65.50)	12.10	Excess application	N/A	Non-underwritten	N/A	No
15/10/2024	Eminence Enterprise Limited	616	2 for 1	66.67	(8.00)	(2.85)	(98.98)	(21.30)	Excess application	N/A	Non-underwritten	N/A	No
8/10/2024	V & V Technology Holdings Limited	8113	1 for 2	33.33	(31.51)	(23.47)	(32.23)	(10.50)	Excess application	N/A	Non-underwritten	N/A	No
4/10/2024	China Water Industry Group Limited	1129	1 for 1	50.00	(49.44)	(32.84)	(91.65)	(21.72)	Placing	2.00	Non-underwritten	N/A	No
4/10/2024	Palinda Group Holdings Limited	8179	1 for 2	33.33	(18.70)	(13.29)	(66.10)	(6.23)	Excess application	N/A	Non-underwritten	N/A	No
2/10/2024	China National Culture Group Limited	745	2 for 1	66.67	(31.97)	(13.54)	(53.36)	(21.31)	Placing	2.00	Non-underwritten	N/A	No
26/9/2024	Innovax Holdings Limited	2680	1 for 2	33.33	(67.39)	(59.02)	(88.59)	(22.78)	Placing	1.00	Non-underwritten	N/A	No
23/9/2024	Hatcher Group Limited	8365	3 for 1	75.00	(31.50)	(10.40)	(94.10)	(23.60)	Placing	N/A	Fully-underwritten	N/A	No
23/9/2024	Shougang Fushan Resources Group Limited	639	1 for 30	3.23	1.96	1.90	(20.49)	0.06	Excess application	N/A	Non-underwritten	N/A	No
13/9/2024	Dragon Rise Group Holdings Limited	6829	1 for 1	50.00	(48.70)	(33.10)	(89.20)	(24.90)	Placing	1.00	Fully-underwritten	2.00	100,000
13/9/2024	Shougang Century Holdings Limited	103	1 for 5	16.67	10.00	8.20	(62.50)	6.80	Excess application	N/A	Non-underwritten	N/A	No
9/9/2024	Crown International Corporation Limited	727	1 for 2	33.33	2.27	1.50	162.35	0	Excess application	N/A	Non-underwritten	N/A	No
4/9/2024	China New Consumption Group Limited	8275	1 for 2	33.33	(5.66)	(4.76)	(61.09)	(2.50)	Placing	3.50	Non-underwritten	N/A	250,000
2/9/2024	Guangdong - Hong Kong Greater Bay Area	1396	1 for 2	33.33	(22.03)	(15.85)	(90.50)	(8.28)	Excess application	N/A	Non-underwritten	N/A	No
	Holdings Limited												
22/8/2024	BeijingWest Industries International Limited	2339	1 for 2	33.33	(13.85)	(9.68)	(88.72)	(4.62)	Excess application	N/A	Non-underwritten	N/A	No
14/8/2024	Ziyuanyuan Holdings Group Limited	8223	1 for 5	16.67	(66.44)	(62.26)	36.38	(11.09)	Excess application	N/A	Fully-underwritten	7.07	No
2/8/2024	Asia Television Holdings Limited	707	1 for 2	33.33	(46.80)	(37.00)	Net liabilities	(15.60)	Placing	2.00	Non-underwritten	N/A	100,000
31/7/2024	Emperor International Holdings Limited	163	1 for 2	33.33	(30.60)	(23.60)	(96.10)	(10.50)	Excess application	N/A	Fully-underwritten	2.00	No
22/7/2024	Roma (meta) Group Limited	8072	3 for 1	75.00	(23.08)	(7.41)	(97.23)	(18.18)	Placing	1.25	Non-underwritten	N/A	100,000
19/7/2024	Trendzon Holdings Group Limited	1865	4 for 1	80.00	(14.30)	(4.30)	(93.70)	(14.60)	Placing	1.00	Non-underwritten	N/A	No
12/7/2024	Guan Chao Holdings Limited	1872	4 for 1	80.00	(20.00)	(4.76)	(89.86)	(20.07)	Placing	0.75	Non-underwritten	N/A	No
2/7/2024	Tonking New Energy Group Holdings Limited	8326	1 for 2	33.33	(41.18)	(33.30)	(69.70)	(11.76)	Placing	1.00	Non-underwritten	N/A	100,000
28/6/2024	Jiading International Group Holdings Limited	8153	3 for 1	75.00	(16.67)	(4.76)	(91.67)	(12.50)	Placing	3.00	Non-underwritten	N/A	No
27/6/2024	Hanvey Group Holdings Limited	8219	1 for 2	33.33	(59.30)	(49.20)	(7.40)	(19.80)	Placing	3.50	Non-underwritten	N/A	100,000
26/6/2024	Ev Dynamics (Holdings) Limited	476	3 for 2	60.00	(3.06)	N/A (Note 3)	(93.79)	(1.84)	Placing	1.50	Non-underwritten	N/A	150,000
25/6/2024	Chong Fai Jewellery Group Holdings Company Limited	8537	3 for 1	75.00	(32.20)	(10.40)	(87.40)	(24.60)	Placing	1.00	Non-underwritten	N/A	130,000
19/6/2024	Bonny International Holding Limited	1906	1 for 4	20.00	(43.02)	(38.16)	(14.93)	(8.71)	Excess application	N/A	Non-underwritten	N/A	No
4/6/2024	MMG Limited	1208	2 for 5	28.57	(31.41)	(24.65)	(32.51)	(10.17)	Excess application	N/A	Fully-underwritten	2.00	No
29/5/2024	Icon Culture Global Company Limited	8500	1 for 1	50.00	(36.71)	(22.84)	Net liabilities	(18.59)	Placing	0.50	Non-underwritten	N/A	No
16/5/2024	Futian Holdings Limited	8196	1 for 2	33.33	0	0	8.70	(4.60)	Excess application	N/A	Non-underwritten	N/A	No
10/5/2024	Sky Blue 11 Company Limited	1010	1 for 1	50.00	(33.30)	(20.00)	Net liabilities	(17.90)	Placing	5.00	Non-underwritten	N/A	No
30/4/2024	Goldway Education Group Limited	8160	3 for 1	75.00	(27.50)	(8.66)	(88.40)	(20.90)	Placing	1.00	Non-underwritten	N/A	No
26/4/2024	Flying Financial Service Holdings Limited	8030	3 for 1	75.00	(24.20)	(7.40)	(64.80)	(23.70)	Placing	3.00	Non-underwritten	N/A	800,000
			Maximum	80.00	37.90	12.10	162.35	12.10		5.00		7.07	800,000
			Minimum	3.23	(67.39)	(62.26)	(98.98)	(24.90)		0.50		2.00	100,000
			Average	45.74	(24.31)	(17.31)	(51.56)	(12.17)		1.84		3.27	203,333
			Median	33.33	(25.85)	(11.85)	(69.70)	(12.13)		1.25		2.00	100,000
21/10/2024	The Company	8087	3 for 2	60.00	(7.41)	(3.23)	(55.62)	(5.12)	Placing	1.50	Non-underwritten	N/A	100,000

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

#### Notes:

- 1. The net asset value (NAV) per share is calculated based on (i) the latest audited/ unaudited consolidated NAV which was published immediately before the date of the respective announcements and (ii) total number of shares in issue as at the date of the respective announcements. The respective Comparables had consolidated net liabilities per share and therefore was excluded for comparison and analysis purpose.
- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rule, or extracted from announcement, circular or prospectus in respect of the relevant rights issue.
- This information is not disclosed in the relevant announcement of the respective Comparable/ the Company.
- 4. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.
- 5. In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute underwriting/placing commissions.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 37.90% to a discount of approximately 67.39% with average and median discounts of approximately 24.31% and 25.85% respectively. The discount of approximately 7.41% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 12.10% to a discount of approximately 62.26% with average and median discounts of approximately 17.31% and 11.85% respectively. The discount of approximately 3.23% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from a premium of approximately 12.10% to a discount of 24.90% with average and median discounts of approximately 12.17% and 12.13% respectively. The theoretical dilution effect of the Rights Issue of approximately 5.12% falls within the range of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 162.35% to a discount of approximately 98.98% with average and median discounts of approximately 51.56% and 69.70% respectively. The discount of approximately 55.62% of the Subscription Price to the NAV per share of the Company falls within the range of those of the Comparables.

As stated in the Board Letter, the Directors consider that it is reasonable to set the Subscription Price at a discount to the prevailing market price and the adjusted consolidated net asset value per Consolidated Share as illustrated above, taking into consideration:

- (i) based on the closing price of HK\$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the Existing Shares have been traded at a discount of approximately 52.1% to the unaudited consolidated net asset value per Existing Share of approximately RMB0.154 (equivalent to approximately HK\$0.169) with reference to the unaudited consolidated net asset value of the Company of approximately RMB26.56 million as at 30 June 2024 and the total number of 172,800,000 Existing Shares in issue as at the Last Trading Day;
- (ii) the daily closing price of the Existing Shares has demonstrated an overall downward trend during the six months prior to the Last Trading Day, from HK\$0.152 per Existing Share on 22 April 2024 to HK\$0.081 per Existing Share on the Last Trading Day;
- (iii) during the six months prior to and including the Last Trading Day, the Company's average daily trading volume (calculated based on the total trading volume divided by the total numbers of days during the six months prior to and including the Last Trading Day) represented merely approximately 0.01% of the total issued share capital of the Company; and
- (iv) for the year ended 31 December 2022 and 2023, the Company recorded loss for the year of approximately RMB57.5 million and RMB55.7 million, respectively.

Under the prevailing market conditions and economic sentiment and with reference to the recent market performance of the Existing Shares and the latest business performance and financial position of the Group, the Directors consider that it would be more practical and commercially reasonable to set a subscription price which is lower than the prevailing market price and the consolidated net asset value per Consolidated Share as illustrated in the section headed "The Subscription Price" in the Board Letter in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate in the Rights Issue.

According to our research, we observed that (i) 28 of the 34 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the "LTD Price"); (ii) 27 of the 34 Comparables had set the subscription price of their rights issue at a discount to the theoretical ex-rights prices (the "Ex-rights Price") based on the LTD Price; and (iii) 27 of the 34 Comparables had set the subscription price of their rights issue at a discount to the NAV per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, the Ex-rights Price and the NAV per share, with the view to encourage participation. As such, we concurred with the Directors' view that it is reasonable to set the Subscription Price at a discount to the prevailing market price and the adjusted consolidated net asset value per Consolidated Share.

Taking into account that (i) the Subscription Price falls below the Closing Price during the Review Period; (ii) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of a rights issue at a discount to the LTD Price, the Ex-rights Price and the NAV per share with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (iii) the discounts of the Subscription Price to the LTD Price and the Ex-rights Price of the Company fall within discount ranges of the Comparables; (iv) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables; and (v) the discounts of the Subscription Price to the NAV per share of the Company falls within the range of the Comparables, we consider the Subscription Price is fair and reasonable.

Among the Comparables, we noted that 20 out of 34 Comparables exercise placing in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

## Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares

Extracted details of the Placing Agreement are shown below:

Date	:	21 October 2024 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) are not Shareholders and are Independent Third Parties.

Placing Period : The period from Wednesday, 15 January 2025 up to 4:00 p.m. on Thursday, 23 January 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

- Placing Commission : The Company shall pay the Placing Agent a placing commission equivalent to, in Hong Kong dollars, (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher.
- Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For further details, please refer to section headed "Placing Agreement" in the Board Letter. As stated in the Board Letter, the terms of the Placing Agreement (including the commission payable) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the market conditions. The Board considers the terms of the Placing for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering these Shares to independent Placees,

who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, we considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders.

Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission equivalent to, in Hong Kong dollars, (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher. To assess the fairness and reasonableness of the terms of the Placing Agreement, we have reviewed the placing commissions of the Comparables, if any. In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions and noted that their placing commissions ranged from 0.50% to 5.00%, with an average and median of approximately 1.84% and 1.25% respectively. In addition, among the 20 Comparables who exercise placing in their rights issues, we noted there were 9 Comparables who shall pay a fixed fee or minimum fee and we are of view that it is not uncommon to have fixed fee as placing commission. We noted that their fixed placing commissions ranged from HK\$100,000 to HK\$800,000, with an average and median of approximately HK\$203,333 and HK\$100,000 respectively.

As illustrated from the Comparables, (i) the placing commissions of the Placing Agreement of 1.5% falls within the range of the placing commissions among the Comparables and slightly higher than the median, but slightly lower than the average of the placing commissions among Comparables; and (ii) the fixed placing commissions of the Placing Agreement of HK\$100,000 falls within the range of the placing commissions among the Comparables, lower than the average and same as the median of the placing commissions among Comparables. Having considered that (i) the placing commission of the Placing Agreement is based on the number of the Placing Shares that have been successfully placed by the Placing Agent with a minimum fee of HK\$100,000 and is fair and reasonable and in the interest of the Company; and (ii) the placing commission of the view that the placing commission of the Placing Agreement falls within the range of the Comparables, we are of the view that the placing commission of the Placing Agreement is fair and reasonable.

#### Potential dilution effect on the Rights Issue

Pursuant to the Board Letter, the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted. The Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). Therefore, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed "CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY" in the Board Letter.

Immediately upon completion of the Rights Issue, (i) assuming all Qualifying Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted by up to a maximum of 60.00%, which fall within the range of the Comparables.

Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all the remaining Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent, the shareholding interests of other public shareholders in the Company will be diluted from approximately 91.67% to approximately 36.67%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is within the range of that of the Comparables; (iv) the Compensatory Arrangements would provide (a) a distribution channel of the Placing Shares to the Company; (b) an additional channel of participation in the Rights Issue for the

Qualifying Shareholders and the Non-Qualifying Shareholders; and (c) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders; (v) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (vi) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be beneficial to the long term development of the Group, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

#### Financial effects of the Rights Issue

#### Net tangible assets

According to the "UNAUDITED PRO FORMA FINANCIAL INFORMATION" set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB28.3 million as at 30 June 2024, while the unaudited consolidated net tangible assets per Share before completion of the Rights Issue was approximately RMB0.16; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately RMB45.7 million, while (i) the unaudited pro forma adjusted consolidated net tangible assets per Share before the completion of the Rights issue was approximately RMB0.65; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights issue was approximately RMB0.65; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion adjusted consolidated net tangible assets per Share immediately after Consolidated net tangible assets per Share immediately RMB0.65; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after Consolidation and the Rights issue was approximately RMB0.42.

## Gearing ratio and liquidity

The Group's gearing ratio was which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, was approximately 0.54 as at 30 June 2024. Since the net proceeds are intended to be utilised for (i) repayment of the Group's bond payable; and (ii) the general working capital of the Group, the Group's liquidity would be improved upon completion of the Rights Issue.

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interest of the Company and the Shareholders.

### Recommendation

Taking into consideration of the principal factors and reasons as set out in this letter, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholder as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue and the transaction contemplated thereunder.

> Yours faithfully, For and on behalf of Vinco Financial Limited Alister Chung Managing Director

*Note:* Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

## **APPENDIX I**

#### A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (https://www.hkexnews.hk/) and the Company (http://www.china33media.com), respectively:

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 1 April 2022, from pages 59 to 137 (https://www1.hkexnews.hk/listedco/listconews/gem/2022/0401/2022040100224.pdf);
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 2 April 2023, from pages 60 to 133 (https://www1.hkexnews.hk/listedco/listconews/gem/2023/0402/2023040200113.pdf); and
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2023 is disclosed in the annual report of the Company for the year ended 31 December 2023 published on 30 April 2024, from pages 47 to 123 (https://www1.hkexnews.hk/listedco/listconews/gem/2024/0430/2024043003268.pdf).

#### **B. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 October 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

#### (a) Bond payable

The Group had an outstanding bond payable of approximately HK\$16.0 million (equivalent to approximately RMB14.7 million). The bond bears an interest rate of 12% per annum and is due for repayment on 23 July 2025.

#### (b) Lease liabilities

The Group had lease liabilities of approximately RMB263,000 in respect of the lease of properties.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, as at 31 October 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade

## APPENDIX I FINANCIAL INFORMATION OF THE GROUP

bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 October 2024 up to the Latest Practicable Date.

#### C. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

#### D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) outdoor and digital advertising, including online advertising through mobile applications and websites etc. and sale of advertising spaces on the billboards and LEDs installed at certain railway stations; (ii) film and entertainment investment; and (iii) prepaid card business.

As numerous players compete for market share of the advertising industry, the market become saturated with advertising services and solutions. Heightened competition has diluted customer attention and diminished the return on investment for businesses, resulting in a decline in the Group's revenue from this segment over the past years.

In recent years, the film and entertainment business of the Group has faced a significant downturn, due to various challenges and setbacks. Key factors contributing to this downturn include disrupted film/drama production schedules, delayed releases, tightened tax practices of the PRC and increased government censorship and regulation in the PRC, which have restricted thematic content in films/dramas. Consequently, the Group has ceased further investment on this segment.

## APPENDIX I FINANCIAL INFORMATION OF THE GROUP

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016. Revenue from prepaid card business mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service was provided. With an increasing number of sales channels and clients, the income generated from transaction-related fees has risen. Additionally, the expanding card base has contributed to increased income from card related services fees, for instance card management fee. Looking forward, the Group intends to continue focusing on its prepaid card business.

### PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. The principal risks and uncertainties faced by the Group are set out below:

#### **Operational risks**

For reason as disclosed in the section headed "Connected transactions" in the prospectus of the Company dated 22 February 2011, a series of contracts (the "Structure Agreements") were entered into by, among others, Aoshen Technology Service (Fuzhou) Co., Ltd. ("Aoshen Technology"), Hongkong Ao Shen Investment Co., Limited ("Aoshen Hong Kong"), Mr. Lin, Mr. Ruan and the Contracting Entities on 17 December 2010. The purpose of the Structure Agreements is to provide the Group with effective control over the financial and operational policies of the Contracting Entities and Beijing FanPei Culture Media Co. Ltd. (collectively the "Operating Entities"), to obtain the economic benefits from the Operating Entities and acquire the equity interests in the Contracting Entities as and when permitted under the applicable PRC laws and to allow the Company to consolidate the assets, liabilities, equity, income and expenses of the Operating Entities into the Group's consolidated financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

There is no assurance that there will be no future laws and regulations promulgated by the PRC government that would limit the implementation of the arrangements under the Structure Agreements. If the Structure Agreements are considered to be in breach of the applicable laws and regulations in China in the future, the Group could be subject to penalty imposed by the PRC government or that the arrangements under the Structure Agreements would need to discontinue or be subject to such other conditions or requirements that the Group may not be able to comply with.

## **APPENDIX I**

## Credit risks

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, restricted cash and cash and cash equivalents. The Group has concentration of credit risks with exposure limited to certain customers. Trade receivables (after impairment) from the five largest debtors at 31 December 2023 represented 60% of the total trade receivables. Trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

## Currency risks

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still has certain foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Price risks

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has delegated the chief financial officer of the Group to monitor the price risk and will consider hedging the risk exposure should the need arise.

# A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

#### Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 (the "**Unaudited Pro Forma Financial Information**") which has been prepared by the directors in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effects of the Rights Issue, on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024, as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 or any future date following the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company derived from the unaudited consolidated statement of financial position of the Group as at 30 June 2024 as extracted from the published interim report of the Company for the six months ended 30 June 2024, after incorporating the adjustments described in the accompanying notes.

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

					Unaudited pro	
					forma consolidated	
					net tangible assets	Unaudited pro
					of the Group	forma adjusted
					attributable to	consolidated net
			Unaudited pro	Unaudited	owners of the	tangible assets
			forma adjusted	consolidated net	Company per	attributable to
			consolidated net	tangible assets	Share after taking	owners of the
	Unaudited		tangible assets	attributable to	into account the	Company per
	consolidated net		attributable to the	owners of the	completion	Share as at
	tangible assets of		owners of the	Company per	of Share	30 June 2024
	the Group		Company as at	Share immediately	Consolidation but	immediately after
	attributable to	Unaudited	30 June 2024	before completion	immediately	completion of
	owners of the	estimated net	immediately after	of the Share	before completion	the Share
	Company as at 30	proceeds from the	completion of the	Consolidation and	of the	Consolidation and
	June 2024	<b>Rights Issue</b>	<b>Rights Issue</b>	the Rights Issue	<b>Rights Issue</b>	<b>Rights Issue</b>
	RMB'000	RMB'000	RMB'000	RMB	RMB	RMB
	(Note 1)	(Note 2)		(Note 3)	(Note 4)	(Note 5)
Based on 64,800,000						
Rights Shares to be						
e						
issued at Subscription						
Price of HK\$0.3 per						
Rights Share	28,259	17,434	45,693	0.16	0.65	0.42

#### Notes:

- 1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2024 were approximately RMB28,259,000, which has been extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024, as shown on the published interim report of the Company for the six months ended 30 June 2024 by the Directors.
- 2. The estimated net proceeds from the Rights Issue of approximately RMB17,434,000 (equivalent to approximately HK\$19,020,000) are based on 64,800,000 Rights Shares to be issued at HK\$0.30 per Rights Share after deducting estimated related expenses of approximately RMB385,000 (equivalent to approximately HK\$420,000) and assumed that no outstanding share options being exercised, and that there is no change in the number of issued shares from the date of the announcement on 30 June 2024 up to the record date.

The conversion of HK\$ into RMB is calculated at the rate of HK\$1 to RMB0.9166. No representation is made that the HK\$ amounts have been, could have been or could be converted to RMB, or versa, at that rate or at any other rates or at all.

3. The calculation of unaudited consolidated net tangible assets of the Group attributable to owners of the Company per share immediately before completion of Share Consolidation and Rights Issue are calculated based on 172,800,000 shares in issue as at 30 June 2024.

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

- 4. The calculation of the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company per share after taken into account the completion of Share Consolidation (on the basis that every four (4) shares of the Company consolidated into one (1) Consolidated Share) but immediately before completion of the Rights Issue are calculated based on the unaudited consolidated net tangible assets of the Group of approximately RMB28,259,000 as at 30 June 2024, divided by 43,200,000 Consolidated Shares in issue.
- 5. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2024 per share immediately after completion of the Share Consolidation and Rights Issue is based on unaudited pro forma adjusted consolidated net tangible assets of the Group of approximately RMB45,693,000 attributable to the owners of the Company as at 30 June 2024 immediately after completion of the Rights Issue, being the aggregate of unaudited consolidated net tangible assets of the Group of approximately after completion of approximately RMB28,259,000 attributable to the owners of the Company as at 30 June 2024 immediately after group of approximately RMB28,259,000 attributable to the owners of the Company as at 30 June 2024 and the estimated net proceeds from the Rights Issue of approximately RMB17,434,000, divided by 108,000,000 Shares which represents the sum of 43,200,000 Consolidated Shares in issue and 64,800,000 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and no other change in the share capital of the Company on or before the Record Date) were issued immediately after completion of the Share Consolidation and Rights Issue, as if the Share Consolidation and Rights Issue had been completed on 30 June 2024.
- 6. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

# B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Jon Gepsom CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Circular.



1003-1005, 10/F Siu On Centre, 188 Lockhart Road Wan Chai, Hong Kong

15 November 2024

The Board of Directors of China 33 Media Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China 33 Media Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2024 and related notes as set out on pages II-1 to II-3 of the circular issued by the Company dated 15 November 2024 (the "**Circular**"). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of three rights shares for every two consolidated shares (the "**Rights Issue**") held on the record date on the Group's financial position as at 30 June 2024 as if the Rights Issue had taken place as at 30 June 2024. As part of this process, information about the Group's net tangible assets as at 30 June 2024 has been extracted by the directors from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024, on which an interim report has been published.

#### Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" which requires the firm to design implement and operate a comprehensive system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Jon Gepsom CPA Limited Certified Public Accountants Hong Kong

Lo Ka Ki Practicing Certificate Number -P06633

#### 1. **RESPONSIBILITY STATEMENT**

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; and (iii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

#### (a) As at the Latest Practicable Date

Authorised:		US\$
40,000,000,000	Existing Shares of US\$0.001 each	40,000,000
Issued and fully pa	uid:	US\$
172,800,000	Existing Shares of US\$0.001 each	172,800

(b) Immediately following the Share Consolidation having become effective (assuming no other change in the number of issued Existing Shares (or the Consolidated Shares upon the Share Consolidation having become effective) from the Latest Practicable Date up to the effective date)

Authorised:		US\$
10,000,000,000	Consolidated Shares of US\$0.004 each	40,000,000
Issued and fully par	id:	US\$
43,200,000	Consolidated Shares of US\$0.004 each	172,800

(c) Share capital immediately following the Share Consolidation becoming effective and upon completion of the Rights Issue (assuming no further issue of Consolidated Shares or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares) and the Rights Issue is fully subscribed)

Authorised:		US\$
10,000,000,000	Consolidated Shares immediately following the Share Consolidation becoming effective	40,000,000
Issued and fully paic	1:	US\$
43,200,000	Consolidated Shares of US\$0.004 each	172,800
64,800,000	Rights Shares to be allotted and issued under the Rights Issue	259,200
108,000,000	Shares in issue immediately upon completion of the Rights Issue	432,000

All the Existing Shares, Consolidated Share and the Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case may be. The Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

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

#### 3. DISCLOSURE OF INTERESTS

# (a) Directors and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

			Approximate percentage of
Name of director	Nature of interest	Number of Shares held	the issued share capital
Mr. Ruan Deqing	Interest of a controlled corporation	14,400,500 (Note)	8.33%

*Note:* These Shares were registered in the name of Lizhong Limited ("**Lizhong**"), 48.73% of the entire issued share capital of which was owned by Joint Loyal Limited ("**Joint Loyal**"). The entire issued share capital of Joint Loyal was owned by Mr. Ruan Deqing ("**Mr. Ruan**"), an executive director. Mr. Ruan was deemed to be interested in all the Shares in which Joint Loyal was interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of the issued
Name of snareholder	Nature of Interest	Snares neid	share capital
Mr. Lin Pintong <sup>(Note 1)</sup>	Interest of a controlled corporation	14,400,500	8.33%
Lizhong <sup>(Note 1)</sup>	Beneficial owner	14,400,500	8.33%
Broad Win <sup>(Note 1)</sup>	Interest of a controlled corporation	14,400,500	8.33%
Ms. Pan Xiaoying (Note 2)	Interest of spouse	14,400,500	8.33%
Joint Loyal <sup>(Note 1)</sup>	Interest of a controlled corporation	14,400,500	8.33%
Ms. Liu Sibin <sup>(Note 3)</sup>	Interest of spouse	14,400,500	8.33%
New Express Investment Limited <sup>(Note 4)</sup>	Beneficial owner	9,103,000	5.27%
China Investment and Finance Group Limited <sup>(Note 4)</sup>	Interest of a controlled corporation	9,103,000	5.27%

(b) Substantial shareholders and other persons' interests and short positions in Shares and underlying Shares

#### Notes:

- (1) These Shares were registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong was owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal was owned by Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal was deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (2) Ms. Pan Xiaoying ("**Ms. Pan**") was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the Shares which Mr. Lin was deemed, or taken to be interested in for the purposes of the SFO.

- (3) Ms. Liu Sibin ("Ms. Liu") was the spouse of Mr. Ruan. Therefore, Ms. Liu was deemed, or taken to be, interested in the Shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited ("China Investment"). China Investment was deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

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

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

#### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders of the Company or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

## 7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

## 8. MATERIAL CONTRACTS

Save for the Placing Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular.

## 9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular (collectively, the "**Experts**"):

Name	Qualification
Vinco Financial	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jon Gepsom CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up.

## **10. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and ES Unsold Rights Shares, are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$0.4 million, which are payable by the Company.

## 11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Mr. Ruan Deqing <i>(Chairman)</i> Mr. Ma Pun Fai <i>Independent non-Executive Directors</i> Ms. Tay Sheve Li Mr. Yau Kit Yu
Mr. Ma Pun Fai Independent non-Executive Directors Ms. Tay Sheve Li
Ms. Tay Sheve Li
Ms. Tay Sheve Li
-
Mr. Van Kit Vu
Ivii. Tau Kit Tu
Ms. Wipada Kunna
Audit committee Ms. Tay Sheve Li (Chairperson)
Mr. Yau Kit Yu
Ms. Wipada Kunna
Nomination committee Ms. Wipada Kunna (Chariperson)
Mr. Ma Pun Fai
Ms. Tay Sheve Li
<b>Remuneration committee</b> Ms. Tay Sheve Li ( <i>Chairperson</i> )
Mr. Ruan Deqing
Ms. Wipada Kunna
Registered office Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands
Head office in the PRC Unit 410-412, 4/F.
One Indigo
20 Jiuxianqiao Road
Chaoyang District
Beijing
China

Principal place of business in Hong Kong	Unit 807, 8/F Tower 1 Silvercord 30 Canton Road Tsimshatsui Hong Kong
Authorised representatives	Mr. Ruan Deqing Mr. Fu Yan Ming
Business address of	Unit 807, 8/F
all Directors and	Tower 1
authorised representatives	Silvercord
	30 Canton Road
	Tsimshatsui
	Hong Kong
Company Secretary	Mr. Fu Yan Ming
Principal share registrar and	Suntera (Cayman) Limited
transfer office	Suite 3204, Unit 2A
	Block 3, Building D, P.O. Box 1586
	Gardenia Court
	Camana Bay
	Grand Cayman, KY1-1110
	Cayman Islands
Hong Kong branch share	Tricor Investor Services Limited
registrar and transfer office	17/F, Far East Finance Centre
	16 Harcourt Road
	Admiralty
	Hong Kong
Principal bankers	Bank of Communications Co., Ltd
	Bank of China (HK) Limited
	China Construction Bank (Asia) Corporation Limited
Auditor	Jon Gepsom CPA Limited
	Certified Public Accountants
	1003-1005, 10/F., Siu On Centre
	188 Lockhart Road, Wan Chai, Hong Kong

Legal adviser to the Company as to Hong Kong laws	David Fong & Co. Unit A, 12th Floor China Overseas Building 139 Hennessy Road Wanchai Hong Kong
Independent Financial Adviser	Vinco Financial Limited
to the Independent Board	Unit 2602, 26/F
Committee and the	The Center
Independent Shareholders	99 Queen's Road Central
	Hong Kong
Placing Agent	Astrum Capital Management Limited Room 2704 Tower 1, Admiralty Centre 18 Harcourt Road Amrialty, Hong Kong

## 12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

## **Executive Directors**

Mr. Ruan Deqing (阮德清), aged 59, is the Chairman and an executive Director and is responsible for the operating and financial matters of the Group. He also acts as the compliance officer of the Group. Mr. Ruan was appointed as a Director on 5 May 2010. Mr. Ruan graduated from the Zhengzhou Institute of Railway Mechanics (鄭州鐵路機械學 校) in 1986 and obtained an Adult Education Diploma in Advertising from the Xiamen University (廈門大學) in July 2000. Mr. Ruan has more than twenty years of experience in the advertising industry. Prior to co-founding the Group with Mr. Lin Pintong, Mr. Ruan worked as a technician of the locomotive depot in Fuzhou of Nanchang Railway Bureau (南 昌鐵路局福州機務處) during the period from 1986 to 1997. During the period from 1997 to 1999, Mr. Ruan worked at Fujian Huashui Advertising and Decorating Company Limited (福建華税廣告裝潢有限公司). Mr. Ruan was the general manager of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司) during the period from 1999 to 2002. From August 2002 to April 2010, Mr. Ruan was the general manager of Fujian Ao Shen Media Advertising Co., Ltd.(福建省奧神傳媒廣告有限責任公司). Mr. Ruan has an interest in the shares of the Company under the Securities and Futures Ordinance as disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" in this appendix.

Mr. Ma Pun Fai (馬彬輝), aged 55, is an executive Director appointed on 25 August 2015. Mr. Ma has over 20 years' experience in administration and management. He is currently a managing director in a local electronics company. Mr. Ma had been working in the entertainment and advertising industry for around ten years, and was responsible for administrative and managerial work in several domestic and foreign enterprises.

#### **Independent non-executive Directors**

Ms. Tay Sheve Li (鄭雪莉), aged 51, is an independent non-executive Director appointed on 30 September 2013. Ms. Tay is the independent non executive Director who has the qualifications and experience to meet the requirements under Rule 5.05(2) of the GEM Listing Rules. Ms. Tay graduated from the University of Strathclyde, United Kingdom, in July 1994 with a bachelor's degree in arts majoring in accounting and finance and received her master's degree in applied finance from University of Western Sydney in September 2004.

Ms. Tay is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales. Ms. Tay has over 15 years of experience in accounting and auditing experience. From November 1997 to September 2007, she worked at Ernst & Young as a senior manager in audit assurance. From October 2007 to September 2010, Ms. Tay worked at Ernst & Young as a senior manager in the finance department. From October 2010 to June 2011, Ms. Tay was the president of finance and capital management department in Centron Telecom International Holding Ltd., a company previously listed on the Main Board of the Stock Exchange (stock code: 1155).

Ms. Tay was an independent non-executive director of SSLJ.com Limited, a company previously listed on Nasdaq (stock code: YGTY, formerly known as SSLJ), and delisted in July 2019, her employment was from October 2018 to January 2019 and from March to July 2019. Ms. Tay was an independent non-executive director of Hudson Capital Inc., a company listed on Nasdaq (stock code: HUSN), from 22 February 2017 to 17 April 2020.

Mr. Yau Kit Yu (邱潔如), aged 70, is an independent non-executive Director appointed on 24 November 2015. Mr. Yau has over 30 years of experience in the trading and marketing industries. He started his career in sales activities in 1978, and has since 2000 served in various companies selling agricultural products as marketing directors, mainly responsible for the overall management of sales and marketing.

**Ms. Wipada Kunna**, aged 30, is an independent non-executive Director appointed on 15 February 2024. Ms. Kunna has over 5 years of management and accounting experience in the finance and retail industry. Ms. Kunna obtained a bachelor's degree of public administration from The Chiang Mai Rajabhat University.

#### Senior management

Mr. Wong Chee Weng (黄志榮), aged 44, is appointed as the Chief Executive Officer of 33 Financial Services Limited and is responsible for developing and managing payment product business. Mr. Wong holds an Executive Master of Business Administration Degree from the Quantic School of Business & Technology. Mr. Wong has over 10 years of experience in the finance industry.

**Mr. Fu Yan Ming**(符恩明), aged 59, is appointed as the company secretary of the Company with effect from 8 December 2023. He is a fellow member of The Association of Chartered Certified Accountants. He obtained a Bachelors' Degree of Business Administration from The Chinese University of Hong Kong. Mr. Fu possess over 30 years of experience in accounting, audit, internal control, financial management, strategic business planning, corporate finance, merger and acquisition and corporate governance. He has worked for various sizeable organizations including accounting firm, logistic company, TMT (Technology, Media and Telecommunications) companies, manufacturing companies and consultancy firm. During the past 15 years, he held various senior positions including financial controller and company secretary in main and GEM board listed companies of Hong Kong.

## **13. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board (the "Audit Committee") comprised all of the independent non-executive Directors, namely Ms. Tay Sheve Li (the chairperson of the Audit Committee), Mr. Yau Kit Yu and Ms. Wipada Kunna. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed "12. Particulars of the Directors and senior management" in this appendix. The primary duties of the Audit Committee are to review the financial statements, financial reports and accounts of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external auditors; to assess the performance of internal financial and audit personnel; to review the risk management and the internal control systems of the Company; and to perform the corporate governance functions under the Corporate Governance Code in Appendix C1 to the GEM Listing Rules.

#### 14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (https://www.hkexnews.hk/) and the Company (http://www.china33media.com) from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

- (b) the annual reports of the Company for each of the three financial years ended 31 December 2021, 2022 and 2023;
- (c) the Placing Agreement;
- (d) the letter from the Board, the text of which is set out on pages 12 to 38 of this circular;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 41 to 65 of this circular;
- (g) the accountant's report on the unaudited pro forma financial information of the Group issued by Jon Gepsom CPA Limited, the text of which is set out in Appendix II to this circular;
- (h) the written consent referred to in paragraph headed "9. Experts and consents" of this appendix; and
- (i) this circular.

#### **15. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still has certain foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.
- (c) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.



(Stock Code: 8087)

# NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "EGM") of China 33 Media Group Limited (the "Company") will be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 5 December 2024 at 4:30 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolutions which will be proposed as ordinary resolutions. Unless otherwise stated, the capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 15 November 2024 (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) (the "Circular"), of which the notice convening the EGM shall form part.

## **ORDINARY RESOLUTIONS**

- 1. "THAT subject to and conditional upon (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares (as defined below) arising from the Share Consolidation; and (ii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the Shares are traded on the Stock Exchange:
  - (a) every four (4) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share, and such Consolidated Share(s) shall rank *pari passu* in all respects with each other in accordance with the Company's articles of association;
  - (b) all fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the Directors of the Company may think fit; and
  - (c) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Share Consolidation."

- 2. "**THAT** subject to the conditions set out in the letter from the board under the heading "Conditions of the Rights Issue" in the circular of the Company dated 15 November 2024:
  - (a) the allotment and issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price, be and is hereby approved, confirmed and ratified;
  - (b) the Placing Agreement (a copy of which has been produced to the EGM marked "B" and singed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders, and, in particular, the Directors may make such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
  - (d) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder."

By order of the Board China 33 Media Group Limited Ma Pun Fai Executive Director

Hong Kong, 15 November 2024

Registered office: Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands Head office in the PRC Unit 410-412, 4/F One Indigo 20 Jiuxianqiao Road Chaoyang District Beijing China

Principal place of business in Hong Kong Unit 807, 8/F Tower 1 Silvercord 30 Canton Road Tsimshatsui Hong Kong

Notes:

- (1) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares ("Shares") of the Company, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or person authorised, and must be deposited with the Hong Kong branch share registrar and transfer office ("Registrar") of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM or any adjournment.
- (4) For the purpose of determining members who are qualified for attending and voting at the EGM, the register of members of the Company will be closed from Friday, 29 November 2024 to Thursday, 5 December 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Registrar at the address stated in note 3 above not later than 4:30 p.m. on Thursday, 28 November 2024.
- (5) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) In compliance with Rule 17.47(4) of the GEM Listing Rules, voting on all proposed resolutions set out in the notice will be taken by a poll.

- (7) If tropical cyclone warning signal no. 8 or above, "extreme conditions" caused by super typhoons as announced by the Government of Hong Kong or a "black" rainstorm warning is in force after 9:00 a.m. on Thursday, 5 December 2024, the EGM will be proposed to be adjourned to a date to be determined. The Company will make a separate announcement on this.
- (8) All times and dates specified herein refer to Hong Kong local times and dates.

As at the date of this notice, the executive Directors are Mr. Ruan Deqing and Mr. Ma Pun Fai; and the independent non-executive Directors are Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Wipada Kunna.

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

This notice will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This notice will also be published on the Company's website at http://www.china33media.com.