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

If you have sold or transferred all your shares in i-CABLE Communications Limited, you should at once hand this circular and the accompanying forms of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

**(I) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4)
EXISTING SHARES AT HK\$0.100 PER RIGHTS SHARE;**

**(II) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF UNLISTED LONG-TERM CONVERTIBLE
SECURITIES UNDER SPECIFIC MANDATE TO
FOREVER TOP (ASIA) LIMITED;**

(III) PROPOSED CHANGE IN BOARD LOT SIZE;

(IV) NOTICE OF CLOSE OF REGISTER OF MEMBERS; AND

(V) NOTICE OF GENERAL MEETING

Financial advisers to the Company



SOMERLEY CAPITAL LIMITED



Halcyon Capital Limited

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



Able Capital Partners Limited

A letter from the Board is set out on pages 18 to 61 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 62 to 63 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 64 to 110 of this circular.

To qualify for the Rights Issue, the Shareholders must be registered as a member of the Company on the Record Date, which is currently expected to be Wednesday, 8 May 2019. In order to be registered as a member of the Company on the Record Date, the Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. on Tuesday, 30 April 2019. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Friday, 26 April 2019. The Shares will be dealt with on an ex-rights basis from Monday, 29 April 2019.

A notice convening the GM to be convened at 3:00 p.m. on Thursday, 25 April 2019 at Salon 5-6, JW Marriott Ballroom (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages GM-1 to GM-4 of this circular. If a Shareholder is not able to attend the GM in person, such Shareholder is requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the Company's share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the GM. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the GM should the Shareholder so desire.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, there are no requirements for minimum levels of subscription. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 14 May 2019 to Tuesday, 21 May 2019 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before 9:00 a.m. on Tuesday, 4 June 2019 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 14 May 2019 to Tuesday, 21 May 2019 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

8 April 2019

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LETTER FROM THE CHAIRMAN



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

Non-executive Directors:

Tan Sri Dato' David Chiu (*Chairman*)
Dr. Cheng Kar-Shun, Henry *GBM, GBS (Vice-chairman)*
Dr. Cheng Chi-Kong, Adrian *JP*
Mr. Tsang On Yip, Patrick
Mr. Hoong Cheong Thard

Registered Office:

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

Executive Director:

Mr. Andrew Wah Wai Chiu

Independent Non-executive Directors:

Mr. Lam Kin-Fung, Jeffrey *GBS, JP*
Dr. Hu Shao Ming Herman *SBS, JP*
Mr. Luk Koon Hoo, Roger *BBS, JP*
Mr. Tang Sing Ming Sherman

8 April 2019

**(I) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4)
EXISTING SHARES AT HK\$0.100 PER RIGHTS SHARE; AND**

**(II) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF UNLISTED LONG-TERM CONVERTIBLE
SECURITIES UNDER SPECIFIC MANDATE TO
FOREVER TOP (ASIA) LIMITED**

Dear independent shareholders,

On 9 November 2018, we announced that we proposed to raise between HK\$676.5 million and HK\$691.7 million before expenses by way of a rights issue at the subscription price of HK\$0.109 per rights share on the basis of one rights share for every one existing share in issue. We took the view that the rights issue was necessary to strengthen our Group's capital base, provide additional funding for our Group's capital expenditure, meet the cash flow needs of our Group and provide additional funding to fulfill the investment requirements under the television licences of our Group. However, following a very low turnout, the resolutions approving, among other things, the rights issue and the whitewash waiver were not passed by shareholders at the general meeting held on 9 January 2019.

LETTER FROM THE CHAIRMAN

The attendance at the general meeting held on 9 January 2019 was exceptionally low. Of the 3,524 million shares held by the independent shareholders, only around 80 million shares were voted at the meeting. This is a turnout ratio of less than 2.3%. Of these shares, 46 million shares were voted against the relevant resolutions, representing 1.3% of the votes eligible to be cast. This turnout is, for example, significantly lower than the approximately 25.9% voter turnout ratio at the extraordinary general meeting held by our Company in September 2017 for approving the 2017 open offer. With such an exceptionally low voter turnout, the results are not likely to be a reliable indicator of the wishes of the general body of independent shareholders.

In these circumstances, as stated in our announcement of 9 January 2019, we are continuing to explore fund raising alternatives, as we still consider new funding is essential. Based on the feedback from the independent shareholders during and after the general meeting held on 9 January 2019, we noted that, while the independent shareholders were aware of the deteriorating financial position of our Group and the need for additional funding, some independent shareholders expressed the view that the equity call on them and the potential dilution through that rights issue was too heavy.

After reviewing the results of that general meeting and the comments made, we have revised the previous proposal to try, as far as possible, to balance the undoubted need for increased equity capital with the concerns of the independent shareholders. At approximately HK\$660 million, the amount to be raised is broadly the same as before, as this is the amount we consider necessary to achieve financial stability, maintain customer confidence and fulfil our Group's licensing requirements. The main changes in response to shareholder concerns and the reasons for them are as follows:

(i) Call on the independent shareholders reduced

The maximum call on the independent shareholders has been reduced to respond to the independent shareholders' concern on this matter.

This has been achieved by structuring the fund raising in two tranches, the first tranche being a share issue and the second tranche being long-term convertible securities. A minimum of approximately HK\$185.0 million will be raised through an unlisted long-term convertible securities to be taken up entirely by the controlling shareholder. The basis for share portion has been reduced from 1-for-1 to 3-for-4, to raise a maximum of approximately HK\$475.9 million, as compared to the previous HK\$691.7 million.

(ii) More attractive pricing for independent shareholders

The issue price per share for the rights issue has been set at HK\$0.100, compared to HK\$0.109 previously. The conversion price per share for the long-term convertible securities, on the other hand, has been set at HK\$0.125, a 25% premium to the price for the rights issue.

LETTER FROM THE CHAIRMAN

(iii) Less dilution for independent shareholders through flexible size of the rights issue (non-underwritten status)

The rights issue will not be underwritten, saving some HK\$5 million of underwriting fees. The controlling shareholder will undertake to take up its entitlement on the basis that its application will be “scaled down” to an amount which does not trigger a general offer, in accordance with the note to Listing Rules 7.19(5)(b). This means that an amount between zero (if no shareholder subscribes for the rights shares) and HK\$475.9 million (based on present issued share capital as enlarged by the exercise of all outstanding share options on a fully subscribed basis) will be raised through the rights issue. Any shortfall from HK\$475.9 million in the total amount raised from the rights issue will be made good by increasing the amount of long-term convertible securities, up to a maximum amount of HK\$660 million.

(iv) Further protection from dilution for independent shareholders

As the long-term convertible securities do not carry any voting or dividend rights, immediate dilution for independent shareholders is lessened. The long-term convertible securities have a maturity of 10 years. If the convertible securities are finally converted, they will be converted at HK\$0.125 per Share, a 25% premium over to the HK\$0.100 per share issue price for the rights issue. As the issue of long-term convertible securities is a connected transaction, independent shareholders’ approval is required.

(v) Whitewash waiver no longer sought

As mentioned above, the rights issue will not be underwritten and the controlling shareholder’s subscription will be scaled down to avoid a general offer pursuant to the note to Listing Rule 7.19(5)(b). Consequently, a whitewash waiver is no longer needed, which will enhance the certainty of this revised fund raising exercise.

(vi) More complete information to independent shareholders

While the announcement of the revised fund raising exercise was made in January 2019, the despatch of this circular has been delayed to include the 2018 results of the Group. This will give independent shareholders a more complete and up-to-date picture of the financial position of the Group when they consider this revised fund raising exercise.

The outcome of this revised fund raising exercise will have significant bearing on our Company’s future. I therefore strongly encourage all of you to exercise your voting rights at the general meeting of our Company so that a fully representative decision on the merits of this revised fund raising exercise can be reached, irrespective of whether or not you wish to participate in the rights issue.

Yours faithfully,
Tan Sri Dato’ David Chiu
Chairman and non-executive director

DEFINITIONS

“2017 Facility Term Extension”	the extension of the term of the revolving loan facility of up to the principal amount of HK\$400 million granted by Wharf Finance Limited to HKCTV to 31 December 2019, which such extension became effective immediately after completion of the 2017 Loan Capitalisation Agreement and the principal loan amount was then revised to HK\$100 million
“2017 Facility Term Extension Agreement”	the facility term extension agreement dated 14 April 2017 entered into among the Company, HKCTV and Wharf Finance Limited in relation to the 2017 Facility Term Extension
“2017 Loan Capitalisation Agreement”	the conditional loan capitalisation agreement dated 14 April 2017 among Wharf Finance Limited, HKCTV and the Company in relation to the conversion of HK\$300 million to the 2017 Loan Capitalisation Shares which were issued on 15 September 2017
“2017 Loan Capitalisation Shares”	a total of 841,987,090 Shares (representing approximately 13.57% of the then total number of issued Shares) issued to The Wharf (Holdings) Limited, at the issue price of one Share for approximately HK\$0.3563, pursuant to the 2017 Loan Capitalisation Agreement which was completed on 15 September 2017
“2017 Open Offer”	the open offer completed by the Company in September 2017
“2018 Proposed Rights Issue”	the proposed rights issue announced by the Company on 9 November 2018
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 25 January 2019 in relation to, among other things, the Rights Issue, the Subscription and the Change in Board Lot Size
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

DEFINITIONS

“Bookrunner”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the bookrunner appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
“Business Day”	any day on which banks are generally open for business in Hong Kong (excluding Saturday and Sunday)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Beneficial Owners”	beneficial owners of the Shares who hold pecuniary interests and voting rights in the Company with respect to the Shares deposited into CCASS and registered in the name of HKSCC Nominees
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Change in Board Lot Size”	the proposed change in board lot size of the Shares from 10,000 Shares to 20,000 Shares upon the commencement of dealings in fully-paid Rights Shares, subject to the Rights Issue becoming effective
“ChinaClear”	China Securities Depository and Clearing Corporation Limited
“China Connect”	Shanghai Connect and Shenzhen Connect
“Circular” or “this circular”	the circular of the Company dated 8 April 2019 in relation to, among other things, the Rights Issue, the Subscription and the Change in Board Lot Size

DEFINITIONS

“CMHK”	China Mobile Hong Kong Company Limited
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Communications Authority”	the Communications Authority of Hong Kong, an independent statutory body established under the Communications Authority Ordinance (Cap. 616) on 1 April 2012
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	i-CABLE Communications Limited (Stock Code: 1097), a company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board
“Compensatory Arrangements”	the placement of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner on a best effort basis pursuant to arrangements described in Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	Forever Top (Asia) Limited, a company incorporated in Hong Kong with limited liability on 9 January 2015 and is interested in approximately 43.2% of the total number of existing issued Shares as at the Latest Practicable Date
“Conversion Price”	the conversion price of the Conversion Shares pursuant to the LCS Subscription Agreement of HK\$0.125 per Conversion Share
“Conversion Shares”	the new Shares to be issued upon exercise of the conversion rights under the LCS
“CSRC”	the China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (Announcement 2016 No. 21)
“Director(s)”	the director(s) of the Company
“Free TV Licence”	domestic free television programme service licence issued to FTV

DEFINITIONS

“FTV”	Fantastic Television Limited, a private company incorporated in Hong Kong, which is a consolidated structured entity of the Company and the Company holds 14.9% of its voting rights
“GM”	the general meeting of the Company to be convened on Thursday, 25 April 2019 to approve, among other things, the Rights Issue and the LCS Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company, its subsidiaries and consolidated structured entities of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKCTV”	Hong Kong Cable Television Limited, a private company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iNOL”	i-CABLE Network Operations Limited
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman, which is established to give recommendations to the Independent Shareholders on, among others, the Rights Issue and the Subscription
“Independent Financial Adviser”	Able Capital Partners Limited, a licensed corporation 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 appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Rights Issue and the Subscription

DEFINITIONS

“Independent Shareholder(s)”	Shareholders other than (i) the Controlling Shareholder; (ii) the associates of the Controlling Shareholder; and (iii) Shareholders who are involved in, or interested in the Rights Issue and the Subscription, who are required under the Listing Rules to abstain from voting in the GM
“Independent Third Party(ies)”	third party(ies) independent of the Company and any connected person(s) of the Company and not a connected person of the Company
“Last Trading Day”	25 January 2019, being the last full trading day for the Shares before the release of the Announcement
“Latest Acceptance Date”	Friday, 24 May 2019, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Latest Practicable Date”	Monday, 1 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Latest time for acceptance”	4:00 p.m. on the Latest Acceptance Date
“LCS”	the unlisted long-term convertible bonds to be issued by the Company in the principal amount of the difference between HK\$660 million and the aggregate gross proceeds raised in the Rights Issue and, in any event, shall not be more than HK\$660 million
“LCS Instrument”	the instrument constituting the LCS to be executed by the Company upon issuance of the LCS
“LCS Subscription Agreement”	the subscription agreement dated 25 January 2019 entered into between the Company and the Controlling Shareholder in respect of the LCS
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan drawn by the Company under the Loan Facility
“Loan Agreement”	the loan agreement dated 25 January 2019 entered into between the Controlling Shareholder as lender and the Company as borrower in relation to the grant of the Loan by the Controlling Shareholder to the Company

DEFINITIONS

“Loan Facility”	the loan facility of up to HK\$200,000,000 which the Controlling Shareholder has agreed to make available to the Company
“Long Stop Date”	31 December 2019
“Main Board”	the Main Board of the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting (a) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Bookrunner under the Compensatory Arrangements; and (b) the aggregate amount of the expenses of the Bookrunner and any other related expenses/fees)
“Network Development Agreement”	a network development agreement entered into with CMHK by iNOL on 5 December 2018
“No Action Shareholder(s)”	Qualifying Shareholders (excluding the Controlling Shareholder) who do not subscribe for the Rights Shares (whether partially or fully) under the provisional letters of allotment or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong

DEFINITIONS

“Pay TV Licence”	the domestic pay television programme service licence issued to HKCTV
“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares as described in the section headed “Placing arrangement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares” in the letter from the Board contained in this circular
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Bookrunner dated 8 April 2019 in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Posting Date”	Thursday, 9 May 2019, or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“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
“PRC Southbound Trading Investors”	the PRC investors who hold Shares through ChinaClear as nominee under China Connect
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the Provisional Allotment Letter
“Provisional Allotment Letter(s)” or “PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“Qualifying Shareholders”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Wednesday, 8 May 2019, being the date by reference to which entitlements under the Rights Issue are expected to be determined
“Registrar”	the share registrar of the Company, being Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

DEFINITIONS

“Repayment Date”	the date that is the earlier of (a) 18-months from the date of the Loan Agreement and (b) five (5) Business Days following completion of last fund raising activity of the Company (including issuance of equity or debt or convertible securities) from the date of the Loan Agreement with an aggregate amount of gross proceeds received by the Company from all fund raising activities completed after the date of the Loan Agreement being not less than HK\$600 million
“Rights Issue”	the proposed offer of the Rights Shares to the Qualifying Shareholders at the Subscription Price, on the basis of three (3) Rights Shares for every four (4) existing Shares held by each Qualifying Shareholder on the Record Date
“Rights Share(s)”	the new Share(s) to be allotted and issued in respect of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shanghai Stock Exchange, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shanghai
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option(s)”	a right to subscribe for Shares pursuant to the Share Option Scheme or any share option granted thereunder
“Share Option Scheme”	the share option scheme of the Company adopted on 24 May 2018
“Shenzhen Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shenzhen Stock Exchange, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shenzhen
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the GM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription”	the subscription of the LCS by the Controlling Shareholder pursuant to the LCS Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.100 per Rights Share
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Undertaking”	the undertaking provided by the Controlling Shareholder to the Company dated 25 January 2019
“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to the Controlling Shareholder for which subscription of Rights Shares will be subject to the Undertaking as set out in the section headed “Undertaking by the Controlling Shareholder” in this circular
“Whitewash Waiver”	a waiver from the Executive Director of the Corporate Finance Division of the SFC (or any of his delegate(s)) pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Controlling Shareholder to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Controlling Shareholder and any parties acting in concert with it
“%”	per cent. or percentage

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this circular:

Basis of the Rights Issue:	Three (3) Rights Shares for every four (4) existing Shares held on the Record Date
Subscription Price:	HK\$0.100 per Rights Share
Number of the existing Shares in issue as at the Latest Practicable Date:	6,206,020,156 Shares
Number of Rights Shares:	<p>Up to 4,654,515,117 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date); or</p> <p>up to 4,759,215,117 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date) (i.e. 6,206,020,156 Shares plus the outstanding exercisable Share Options carrying the right to subscribe for a total number of 139,600,000 Shares as at the Latest Practicable Date)</p>
Enlarged issued share capital upon completion of the Rights Issue:	<p>10,860,535,273 Shares (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue); or</p> <p>11,104,835,273 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)</p>
Maximum proceeds to be raised under the Rights Issue:	<p>Approximately HK\$465.5 million (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date); or</p> <p>approximately HK\$475.9 million (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date)</p>

SUMMARY OF THE RIGHTS ISSUE

Non-underwritten basis:

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to the Controlling Shareholder for which subscription of Rights Shares will be subject to the Undertaking as set out in the section headed “Undertaking by the Controlling Shareholder” in this circular, will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 279,200,000 Shares at an exercise price of HK\$0.210 per Share, of which options for 139,600,000 Shares are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive) and options for 139,600,000 Shares are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 4,654,515,117 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 75.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 42.9% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 4,759,215,117 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 76.7% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 42.9% of the total number of the issued Shares as enlarged by the allotment and issue of all the Rights Shares immediately upon completion of the Rights Issue.

EXPECTED TIMETABLE

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE AND CHANGE IN BOARD LOT SIZE

The expected timetable for the Rights Issue and the Change in Board Lot Size is set out in below.

2019

Announcement	Friday, 25 January
Despatch of GM circular in relation to, among others, the Rights Issue, the Subscription and the Change In Board Lot Size	Monday, 8 April
Latest time for lodging transfers of Shares in order to be qualified for attendance and voting at the GM	4:30 p.m. on Tuesday, 16 April
Register of members of the Company closes for determining the identity of the Shareholders entitled to attend and vote at the GM (both days inclusive)	Wednesday, 17 April to Thursday, 25 April
Latest time for lodging proxy form for the GM	3:00 p.m. on Tuesday, 23 April
Record date for attendance and voting at the GM	Thursday, 25 April
GM	3:00 p.m. on Thursday, 25 April
Announcement of the results of the GM	Thursday, 25 April
Last day of dealings in the Shares on a cum-rights basis	Friday, 26 April
First day of dealings in the Shares on an ex-rights basis	Monday, 29 April
Latest time for lodging transfer documents of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 30 April
Register of members of the Company closes for determining entitlements under the Rights Issue (both days inclusive)	Thursday, 2 May to Wednesday, 8 May
Record date for determining entitlements under the Rights Issue	Wednesday, 8 May
Register of members of the Company reopens	Thursday, 9 May

EXPECTED TIMETABLE

2019

Despatch of Prospectus Documents.....	Thursday, 9 May
First day of dealing in nil-paid Rights Shares	Tuesday, 14 May
Latest time for splitting nil-paid Rights Shares.....	4:30 p.m. on Thursday, 16 May
Last day of dealing in nil-paid Rights Shares	Tuesday, 21 May
Latest time for lodging transfer documents of nil-paid Rights Shares	4:00 p.m. on Friday, 24 May
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Friday, 24 May
Announcement of the number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements to be posted on the Stock Exchange's website and the Company's website on or before.....	Monday, 27 May
Commencement of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner	Tuesday, 28 May
Latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner	6:00 p.m. on Thursday, 30 May
Announcement of the results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and the NQS Unsold Rights Shares under the Compensatory Arrangements) to be posted on the Stock Exchange's website and the Company's website on or before.....	Friday, 31 May
Last day of trading of Shares in board lot size of 10,000 Shares	Friday, 31 May
Effective date of change in board lot size from 10,000 Shares to 20,000 Shares	Monday, 3 June
Designated broker starts to stand in the market to provide matching services for odd lots of Shares.....	Monday, 3 June
Share certificates for fully-paid Rights Shares to be posted	Monday, 3 June
Dealings in fully-paid Rights Shares commences.....	9:00 a.m. on Tuesday, 4 June

EXPECTED TIMETABLE

2019

The last day for the designated broker to provide
matching services for odd lots of Shares..... Monday, 24 June

Payment of the Net Gain to relevant No Action Shareholders (if any) Tuesday, 25 June

Note: All times and dates in this circular refer to Hong Kong local times and dates. Shareholders should note that the dates or deadlines specified in the expected timetable for the Rights Issue and the Change in Board Lot Size as set out above, and in other parts of this circular, are indicative only. Further, Shareholders should note that the relevant notice of waiver(s) in respect of the revised shareholding structure of the Company as a result of the Rights Issue from the Communications Authority may be obtained subsequent to the publication of the results announcement of the Rights Issue by the Company. In such event, and/or if any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. Any such extension or adjustment to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, 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 the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same day; and
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time of 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 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 the Latest Acceptance Date, the dates mentioned in the section headed “Expected timetable for the Rights Issue and the Change in Board Lot Size” 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.

LETTER FROM THE BOARD



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

Non-executive Directors:

Tan Sri Dato' David Chiu (*Chairman*)
Dr. Cheng Kar-Shun, Henry *GBM, GBS (Vice-chairman)*
Dr. Cheng Chi-Kong, Adrian *JP*
Mr. Tsang On Yip, Patrick
Mr. Hoong Cheong Thard

Registered Office:

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

Executive Director:

Mr. Andrew Wah Wai Chiu

Independent Non-executive Directors:

Mr. Lam Kin-Fung, Jeffrey *GBS, JP*
Dr. Hu Shao Ming Herman *SBS, JP*
Mr. Luk Koon Hoo, Roger *BBS, JP*
Mr. Tang Sing Ming Sherman

8 April 2019

*To the Shareholders and for information purposes only,
the holders of the Share Options*

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4)
EXISTING SHARES AT HK\$0.100 PER RIGHTS SHARE;**

**(II) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF UNLISTED LONG-TERM CONVERTIBLE
SECURITIES UNDER SPECIFIC MANDATE TO
FOREVER TOP (ASIA) LIMITED;**

(III) PROPOSED CHANGE IN BOARD LOT SIZE;

(IV) NOTICE OF CLOSE OF REGISTER OF MEMBERS; AND

(V) NOTICE OF GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue, the LCS Subscription Agreement and the Change in Board Lot Size. It was announced that the Company proposed to raise not more than approximately HK\$465.5 million before

LETTER FROM THE BOARD

expenses by way of the Rights Issue to the Shareholders (on the basis that no new Shares are issued and no repurchase of Shares on or before the Record Date). The Rights Issue is not underwritten and involves the issue of up to 4,654,515,117 Rights Shares (on the basis that no new Shares are issued and no repurchase of Shares on or before the Record Date) at the Subscription Price of HK\$0.100 per Rights Share on the basis of three (3) Rights Shares for every four (4) existing Shares in issue on the Record Date. The Company also entered into the LCS Subscription Agreement with the Controlling Shareholder, pursuant to which the Company has conditionally agreed to issue, and the Controlling Shareholder has conditionally agreed to subscribe for the LCS. Under the LCS Subscription Agreement, the Company will procure the Controlling Shareholder to subscribe for the LCS. The principal amount for the Subscription will be the difference between HK\$660 million and the aggregate gross proceeds raised in the Rights Issue, and will be between HK\$185 million and HK\$660 million.

In compliance with Rule 7.19A(1) of the Listing Rules, the Rights Issue will be made conditional on approval by the Independent Shareholders by way of poll at the GM and any controlling Shareholder and their associates or where there is no controlling Shareholder, the Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue.

As at the Latest Practicable Date, the Controlling Shareholder is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares and is a substantial Shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the LCS Subscription Agreement (including the grant of the Specific Mandate) constitutes a connected transaction of the Company under the Listing Rules and the LCS Subscription Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(6) of the Listing Rules, the Board has established the Independent Board Committee, comprising of all independent non-executive Directors, namely Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman, to advise the Independent Shareholders on whether the terms of the Rights Issue and the LCS Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the relevant resolutions at the GM.

Able Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue and the LCS Subscription Agreement and such appointment has been approved by the Independent Board Committee.

The purpose of this circular is to provide you with, among other things, (i) details of the Rights Issue and the LCS Subscription Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue and the Subscription; (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 the Subscription; and (iv) a notice of the GM.

LETTER FROM THE BOARD

RIGHTS ISSUE

The Board proposed the Rights Issue, details of which are summarised below:

Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every four (4) existing Shares (i.e. in the ratio of 0.75 Rights Share for every 1 existing Share) held on the Record Date. For example, if a Shareholder holds 7 existing Shares, this Shareholder will be entitled to receive 5 Rights Shares (based on the aforesaid ratio and rounded down to the nearest whole number)
Subscription Price:	HK\$0.100 per Rights Share
Number of the existing Shares in issue as at the Latest Practicable Date:	6,206,020,156 Shares
Number of Rights Shares:	<p>Up to 4,654,515,117 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date); or</p> <p>up to 4,759,215,117 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date) (i.e. 6,206,020,156 Shares plus the outstanding exercisable Share Options carrying the right to subscribe for a total number of 139,600,000 Shares as at the Latest Practicable Date)</p>
Enlarged issued share capital upon completion of the Rights Issue:	<p>10,860,535,273 Shares (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue); or</p> <p>11,104,835,273 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)</p>

LETTER FROM THE BOARD

Maximum proceeds to be raised
under the Rights Issue:

Approximately HK\$465.5 million (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date); or

approximately HK\$475.9 million (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date)

As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 279,200,000 Shares at an exercise price of HK\$0.210 per Share, of which options for 139,600,000 Shares are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive) and options for 139,600,000 Shares are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 4,654,515,117 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 75.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 42.9% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 4,759,215,117 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 76.7% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 42.9% of the total number of the issued Shares as enlarged by the allotment and issue of all the Rights Shares immediately upon completion of the Rights Issue.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to the Controlling Shareholder for which subscription of Rights Shares will be subject to the Undertaking as set out in the section headed “Undertaking by the Controlling Shareholder” in this circular, will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain 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 is no minimum amount to

LETTER FROM THE BOARD

be raised under the Rights Issue. The legal adviser of the Company has confirmed that there are no statutory requirements under applicable Hong Kong law regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the Provisional Allotment Letter may unwittingly incur an obligation to make a general offer for the Shares and Share Options under the Takeovers Code. 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) for his/her/its assured entitlement under the Rights Issue may be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. For the avoidance of doubt, if a Shareholder who holds the Shares via one of the brokers or custodian banks with CCASS and triggers the obligation to make a general offer after taken up the assured entitlement, only this Shareholder's application for his/her/its assured entitlement under the Rights Issue will be scaled down but not the entire application for its assured entitlement by HKSCC Nominees.

Undertaking by the Controlling Shareholder

As at the Latest Practicable Date, the Controlling Shareholder is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares. The Controlling Shareholder has irrevocably undertaken to the Company that, among others, it will accept or procure the acceptance of the Rights Shares to be provisionally allotted to it under the Rights Issue of up to a maximum of 2,011,771,860 Rights Shares (being all of the assured entitlement of the Controlling Shareholder under the Rights Issue based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the Latest Practicable Date up to and including the Record Date) provided that the total number of Rights Shares to be subscribed by the Controlling Shareholder under the Rights Issue will be scaled down to the extent that its percentage of shareholding in the Company will be the same immediately before and after the completion of the Rights Issue. Consequently, the Controlling Shareholder will not trigger a general offer obligation in accordance to the note to Rule 7.19(5)(b) of the Listing Rules and no Whitewash Waiver will be applied for.

On this basis, the number of Rights Shares to be allotted and issued to the Controlling Shareholder shall be determined by the following formula, being:

$$Y = N \times (A/B), \text{ where}$$

Y = the total number of the Rights Shares to be allotted and issued to the Controlling Shareholder (rounded down to the nearest whole number)

N = the total number of the Rights Shares validly applied by the Shareholders (other than the Controlling Shareholder) and investors and accepted by the Company

LETTER FROM THE BOARD

A = the total number of Shares held by the Controlling Shareholder immediately before completion of the Rights Issue

B = the total number of issued Shares immediately before completion of the Rights Issue minus A

Subscription Price

The subscription price of HK\$0.100 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 3.8% to the closing price of HK\$0.104 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.0% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 13.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.115;
- (iv) a discount of approximately 13.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.115;
- (v) a discount of approximately 8.3% to the theoretical ex-rights price of approximately HK\$0.109 per Share based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 14.5% to the consolidated net asset value attributable to the Shareholders as at 31 December 2018 as extracted from the final results announcement of the Company for the year ended 31 December 2018 of approximately HK\$0.117 per Share as at 31 December 2018; and
- (vii) a dilution effect of approximately 5.2% to the existing Shareholders if they elect not to/cannot participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$0.109 per Share (taking into account the closing price of the Last Trading Day of HK\$0.115 per Share) and the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and excluding the Last Trading Day of approximately HK\$0.115 (the “**Theoretical Dilution Effect**”).

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Board considers that the discount of the Subscription Price to the current market price will

LETTER FROM THE BOARD

encourage them to participate in the Rights Issue. The Subscription Price and the Rights Issue ratio were determined by the Board based on the funding needs of the Group and the verbal feedback from certain Independent Shareholders in the general meeting of the Company held on 9 January 2019 which suggested that the equity call on them and potential dilution through the 2018 Proposed Rights Issue proposed at that meeting was too heavy. Accordingly, the Rights Issue will proceed on a non-underwritten basis and the Controlling Shareholder's undertaking to subscribe for its assured entitlement may be scaled down. In addition, the Theoretical Dilution Effect to the existing Shareholders if they elect not to/cannot participate in the Rights Issue is lessened as compared to the 2018 Proposed Rights Issue. Nevertheless, the Board is of the view that the Rights Issue, together with the funds raised through the Subscription of up to HK\$660 million of convertible securities by the Controlling Shareholder as detailed in the section headed "Issue of unlisted long-term convertible securities" in this circular, will provide the Group with sufficient funding to continue and develop its business in the manner as set out under the section headed "Reasons for the Rights Issue and the Subscription" in this circular. As such, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

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

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date and not being a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by not later than 4:30 p.m. on Tuesday, 30 April 2019. It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 26 April 2019 and the Shares will be dealt with on an ex-rights basis from Monday, 29 April 2019.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Provisional Allotment Letter and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied for with the Registrar on or before 4:00 p.m. on the Latest Acceptance Date.

The Directors have made the relevant enquiries and they were advised that the PRC Southbound Trading Investors can participate in the Rights Issue through ChinaClear. ChinaClear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid Rights Shares on the Stock Exchange; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of shareholding held on the Record

LETTER FROM THE BOARD

Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations. In addition, according to the PRC legal adviser of the Company, the PRC Southbound Trading Investors (or the relevant ChinaClear participants as the case may be) whose stock accounts are credited with nil-paid Rights Shares could only sell those nil-paid Rights Shares on the Stock Exchange under China Connect but could not purchase any other nil-paid Rights Shares nor transfer any nil-paid Rights Shares to other PRC Southbound Trading Investors. The PRC Southbound Trading Investors cannot sell or subscribe for Rights Shares until after the Company completes its filing with the CSRC.

The PRC Southbound Trading Investors should seek advice from their intermediary (including broker, custodian, nominee or ChinaClear participants) and/or other professional advisers for details of the logistical arrangements as required by ChinaClear, and provide instructions for such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the latest time for acceptance of and payment for Rights Shares or last day of dealing in nil-paid Rights Shares stated in the section headed “Expected timetable” of this circular and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or ChinaClear in order to allow sufficient time to ensure that such instructions are given effect. According to the PRC legal adviser of the Company, as the Prospectus Documents have not been and are not intended to be filed with or approved by the CSRC other than in accordance with CSRC Notice, the Rights Shares (in nil-paid and fully-paid forms) issued to the PRC Southbound Trading Investors shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless through China Connect (subject to certain limitations in relation to the PRC Southbound Trading Investors’ rights to participate in the Rights Issue as explained in this circular), or the person or entity has otherwise been exempt by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **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.**

LETTER FROM THE BOARD

Rights of the Overseas Shareholders

As at the Latest Practicable Date, according to the register of members of the Company, the Company had 275 Overseas Shareholders (excluding CCASS Participants) with registered addresses in 22 jurisdictions, who collectively held 1,379,584 Shares in aggregate (representing approximately 0.022230% of the total number of Shares in issue). The table below further sets out the number of Overseas Shareholders in each of the 22 jurisdictions and their aggregate shareholding as at the Latest Practicable Date:

Jurisdiction of the registered address of the Overseas Shareholder(s)	Number of Overseas Shareholder(s)	Number of Shares held in aggregate as at the Latest Practicable Date	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
<i>Included in Rights Issue:</i>			
China Securities Depository and Clearing Corporation Limited (Shenzhen)	N/A	15,334	0.000247%
China Securities Depository and Clearing Corporation Limited (Shanghai)	N/A	93,287	0.001503%
Sub-total (CCASS Participants) (Note 1)	N/A	108,621	0.001750%
PRC	50	265,953	0.004285%
Macau Special Administrative Region of the PRC (“ Macau ”)	21	169,697	0.002734%
The Republic of Singapore (“ Singapore ”)	35	423,515	0.006824%
United Kingdom	50	90,361	0.001456%
Portugal	1	4,259	0.000069%
Taiwan	3	9,916	0.000160%
Ireland	2	477	0.000008%
Gibraltar	1	86	0.000001%
Sub-total (Individual Overseas Shareholders included in Rights Issue excluding CCASS Participants):	163	964,264	0.015538%

LETTER FROM THE BOARD

Jurisdiction of the registered address of the Overseas Shareholder(s)	Number of Overseas Shareholder(s)	Number of Shares held in aggregate as at the Latest Practicable Date	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
<i>Excluded from Rights Issue:</i>			
Australia	4	190	0.000003%
Barbados	4	1,420	0.000023%
Brazil	1	2,724	0.000044%
Canada	2	2,162	0.000035%
Channel Islands	2	371	0.000006%
France	2	1,575	0.000025%
Indonesia	1	381	0.000006%
India	2	33,246	0.000536%
Japan	1	81	0.000001%
Malaysia	15	113,864	0.001835%
New Zealand	12	3,719	0.000060%
The Republic of the Philippines (“the Philippines”)	1	8,430	0.000136%
Thailand	2	21,153	0.000341%
The United States	63	226,004	0.003642%
Sub-total (Overseas Shareholders excluded from Rights Issue):	112	415,320	0.006692%
Total (all Overseas Shareholders excluding CCASS Participants):	275	1,379,584	0.022230%

Notes:

- (1) Shareholding up to the latest publication available on the Stock Exchange’s website as at the Latest Practicable Date.
- (2) The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Overseas Shareholders (excluding those with registered address in jurisdictions which are included in the Rights Issue) on the Record Date may not be eligible to take part in the Rights Issue as explained below.

LETTER FROM THE BOARD

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than (a) Hong Kong; and (b) the PRC, in accordance with the CSRC Notice.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the rights of the Rights Shares to such Overseas Shareholders.

Based on the advice of the legal advisers in the PRC, Macau, Singapore, the United Kingdom, Portugal, Taiwan, Ireland and Gibraltar, under the applicable legislations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to the Overseas Shareholders in the relevant jurisdiction; or (ii) the Rights Issue meets the relevant exemption requirements under the relevant jurisdictions so that it would be exempt from obtaining approval or recognition from and/or registration of the Prospectus Documents with the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions. Accordingly, the Board is of the view that it is expedient to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC, Macau, Singapore, the United Kingdom, Portugal, Taiwan, Gibraltar and Ireland and such Overseas Shareholders are considered as Qualifying Shareholders. It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares.

The Company has also obtained the required advice from the legal advisers in Australia, Barbados, Brazil, Canada, Channel Islands, France, Indonesia, India, Japan, Malaysia, New Zealand, the Philippines, Thailand and the United States (collectively, the “**Specified Territories**”). The Directors have formed the view that, it is necessary or expedient to restrict the ability of the Overseas Shareholders in the Specified Territories to take up their rights under the Rights Issue in view of the time and costs required for (i) ascertaining the exact aggregate shareholding interests in the Company held by Shareholders and CCASS Beneficial Owners in the Specified Territories and/or the trading volume in the Company’s securities that occurred in the Specified Territories in the last financial year, for the purpose of determining the applicable threshold of compliance with relevant local legal or regulatory requirements in the Specified Territories, and/or (ii) complying with the onerous due diligence, Prospectus disclosure, Prospectus registration, financial reporting and/or other relevant legal and regulatory requirements in extending the Rights Issue to Overseas Shareholders (excluding CCASS Participants) in certain Specified Territories. Taking into account the aggregate shareholding of less than 0.007% in the Company held by the Overseas Shareholders in the Specified Territories as at the Latest Practicable Date, the expected timetable for the Rights Issue and the Company’s current trading and financial position, the Board considered the time and costs required to extend the Rights Issue to such Overseas Shareholders (i) to be outweighing the potential benefit that would have been made available to the Overseas Shareholders in the Specified Territories if the Rights Issue is extended to them and (ii) not in the interests of the Company and the Shareholders as a whole. The Company will, to the extent

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reasonably practicable, send the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any application forms in respect of the Rights Issue to the Non-Qualifying Shareholders.

Option holders

The holders of the Share Options who wish to participate in the Rights Issue should exercise the Share Options in accordance with the terms and conditions of the Share Option Scheme, and be registered as holders of the Shares allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and the PRC, in accordance with the CSRC Notice. The Company will send copies of the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the Provisional Allotment Letter to them. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained above.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold 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 Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Bookrunner under the Placing Arrangement together with the Unsubscribed Rights Shares. The proceeds of the sale as described above, less expenses and in the case of being sold by the Bookrunner, also less the Subscription Price, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong dollars, in the case of being sold by the Bookrunner, to be pro-rata together with the Non-Qualifying Shareholders on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements. For the avoidance of doubt, the Non-Qualifying Shareholders will be entitled to vote at the GM unless such person is an associate of the Controlling Shareholder or is otherwise not an Independent Shareholder.

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The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Non-Qualifying Shareholders should exercise caution when dealing in the Shares.

Fractional entitlements

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Procedures in respect of Rights Shares not subscribed and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of 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.

The Company therefore appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Bookrunner will on a best effort basis, procure, by not later than 6:00 p.m., on Thursday, 30 May 2019, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement 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) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- A. where the nil-paid rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (C) below);

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- B. where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (C) below);
- C. if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

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

The Company and the Bookrunner have entered into the Placing Agreement, setting out the key terms as summarised below of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

Date: 8 April 2019

Bookrunner: China Galaxy International Securities (Hong Kong) Co., Limited was appointed as a bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.

The Bookrunner confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company.

Fees and expenses: The higher of HK\$200,000 or 1.75% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and reimbursed for the expenses in relation to the placing (including but not limited to legal expenses, roadshows expenses, marketing expenses and traveling expenses for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by the Bookrunner to the Company at completion.

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Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be):

The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be) shall be at least equal to the total of:

- (a) the Subscription Price; and
- (b) the estimated expenses per Unsubscribed Rights Share and/or NQS Unsold Rights Share (as the case may be)

The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement.

Placees:

The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties.

Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares:

The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares then in issue.

Condition precedent:

The completion of the Placing Agreement is conditional upon the fulfillment of all the conditions precedent of the Rights Issue

Completion:

Subject to the fulfilment of the condition precedent set out above on or before 31 December 2019, completion shall take place on the date of allotment and issue of Rights Shares or such later date as may be mutually agreed by the Bookrunner and the Company

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Termination:

The engagement of the Bookrunner may be terminated by mutual written agreement of the Company and the Bookrunner in case of force majeure resulting in the Company and the Bookrunner being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Bookrunner's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Bookrunner, may make it inadvisable to continue the engagement or, where applicable, may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant governmental bodies and/or regulatory authorities, the Bookrunner shall have the right to terminate the engagement by written notice to the Company with immediate effect. In such event, the Bookrunner has the right to collect no more than HK\$200,000 from the Company. In addition, the Company will proceed with the Rights Issue only if comparable Compensatory Arrangements can be secured with another placing agent that will be made available to the No Action Shareholders and the Non-Qualifying Shareholders.

The engagement between the Company and the Bookrunner for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Bookrunner and the Company. The Directors consider the fee charged by the Bookrunner is no less favourable to the Company than the commission in recent placing transactions at the time when entering into the Placing Arrangement and therefore the terms of the Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms. The Directors believe the expenses as typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

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Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 20,000. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Monday, 3 June 2019 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risk.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) The approval by the Independent Shareholders of the Rights Issue by way of poll at the GM in accordance with the Listing Rules.
- (ii) The grant by the Communications Authority of the relevant notice of waiver(s) in respect of the revised shareholding structure of the Company as a result of the Rights Issue, if applicable.
- (iii) The delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Listing Rules.
- (iv) The despatch of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders, if any, for information purpose only.
- (v) The 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, the Rights Shares.
- (vi) The compliance with and performance of all the undertakings and obligations of the Controlling Shareholder in accordance to the Undertaking.

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- (vii) All relevant consents and approvals being obtained from the regulatory authorities, including the Communications Authority and the Stock Exchange, as the case may require in connection with the Rights Issue by the relevant time that each consent and approval is required.

All of the conditions are incapable of being waived. If the conditions above are not satisfied on or before the Long Stop Date, the Rights Issue shall be terminated.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both 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 commencement date of dealings in the Rights 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. 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.

Splitting and transfer of Provisional Allotment Letter

If you wish to accept only part of your provisional allotment or transfer only part of your rights to subscribe for the Rights Shares provisionally allotted to or to transfer all or part of your rights to more than one person, the original PAL must be surrendered and lodged for cancellation and splitting of the relevant PAL(s) first together with a covering letter stating clearly the number of split PALs required and the number of nil-paid Rights Shares to be comprised in each split PAL (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in the original PAL) by not later than 4:30 p.m. on Thursday, 16 May 2019 to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, who will then cancel this original PAL and issue new PAL(s) in the denominations required, which will be available for collection at the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong after 9:00 a.m. on the second Business Day after the surrender of this original PAL and the related fee will be borne by the Company. Thereafter, upon collection of new PAL(s), you can transfer the relevant nil-paid Rights Shares to the relevant transferee(s) following the procedures and steps as stated in the below paragraph.

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If you wish to transfer all of your rights to subscribe for the Rights Shares provisionally allotted to you hereunder, you must complete and sign the “Form of transfer and nomination” (Form B) in the PAL and hand this PAL to the transferee(s) or through whom you are transferring your rights. The transferee(s) must then lodge the duly completed, signed and stamped “Registration application form” (Form C) in the PAL to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for re-registration during the period from Thursday, 9 May 2019 to Friday, 24 May 2019. The Registrar will impose a re-registration fee of PAL on Shareholders. The related fee to be charged by the Registrar will follow Rule 13.60 of the Listing Rules at the option of level of services selected by you (including standard securities registration services or optional securities registration services or expedited securities registration services or bulk securities registration services) for each PAL issued or each PAL cancelled, whichever the number of PAL(s) involved is higher. The standard securities registration services, optional securities registration services, expedited securities registration services and bulk securities registration services will be provided during the whole subscription period of the Rights Issue. The new PAL(s) will be available for collection at the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong after 9:00 a.m. on the collection date indicated on the transfer receipt to be issued by Tricor Tengis Limited.

The Registrar will determine the eligibility for the cash compensation as derived from the lapsed PALs after the completion of the re-registration for all re-registration request received by the Registrar on or before the latest time for acceptance of and payment for Rights Shares and by all means before the announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements is posted on the Stock Exchange’s website and the Company’s website. The Registrar should notify the transferee(s) of any unsuccessful re-registration as soon as practicable.

ISSUE OF UNLISTED LONG-TERM CONVERTIBLE SECURITIES

On 25 January 2019 (after trading hours), the Company entered into the LCS Subscription Agreement with the Controlling Shareholder, pursuant to which the Company has conditionally agreed to issue, and the Controlling Shareholder has conditionally agreed to subscribe for the LCS. Under the LCS Subscription Agreement, the Company will procure the Controlling Shareholder to subscribe for the LCS (i) in the event that the Rights Issue is not approved by the Independent Shareholders, at the later of: (1) the fifth Business Day after the GM; and (2) the fifth Business Day after the last of the conditions in the LCS Subscription Agreement is fulfilled or waived; or (ii) in the event that the Rights Issue is approved by the Independent Shareholders but does not become unconditional by the latest time for the Rights Issue to become unconditional, at the later of (1) the fifth Business Day after the latest time for the Rights Issue to become unconditional; and (2) the fifth Business Day after the last of the conditions in the LCS Subscription Agreement is fulfilled or waived; or (iii) in the event that the Rights Issue is approved by the Independent Shareholders and becomes unconditional by the latest time for the Rights Issue to become unconditional, on the date of completion of the Rights Issue. The principal amount for the Subscription will be the difference between HK\$660 million and the aggregate gross proceeds raised in the Rights Issue, and will be between HK\$185 million and HK\$660 million.

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Principal terms of the LCS Subscription Agreement are set out below:

Date: 25 January 2019

Issuer: The Company

Subscriber: The Controlling Shareholder

Principal amount: HK\$185 million, subject to increase to up to HK\$660 million (being: (a) in the event that the Rights Issue is approved by the Independent Shareholders but does not become unconditional or is not approved by the Independent Shareholders, the principal amount shall be HK\$660,000,000; and (b) in the event that the Rights Issue is approved by the Independent Shareholders and becomes unconditional, the principal amount shall be an amount equal to HK\$660,000,000 minus the amount of the gross proceeds from the Rights Issue (as determined by the Company), rounded up to the nearest million), but shall not in any event exceed HK\$660,000,000.

Conversion Price: The initial Conversion Price (subject to adjustments as set out in the paragraph “Adjustments to the Conversion Price” below) shall be HK\$0.125 per Conversion Share, which represents:

- (i) a premium of approximately 25.0% over the Subscription Price;
- (ii) a premium of approximately 20.2% over the closing price of HK\$0.104 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iii) a premium of approximately 8.7% over the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a premium of approximately 8.7% over the average closing price of approximately HK\$0.115 per Share as quoted on the Stock Exchange over the 5 consecutive trading days ending on and including the Last Trading Day;
- (v) a premium of approximately 8.7% over the average closing price of approximately HK\$0.115 per Share as quoted on the Stock Exchange over the 10 consecutive trading days ending on and including the Last Trading Day;

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- (vi) a premium of approximately 14.7% over the theoretical ex-entitlement price of approximately HK\$0.109 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 6.8% over the consolidated net asset value attributable to the Shareholders as at 31 December 2018 as extracted from the final results announcement of the Company for the year ended 31 December 2018 of approximately HK\$0.117 per Share as at 31 December 2018.

Based on the initial Conversion Price, the LCS is convertible into (i) a minimum of 1,480,000,000 Conversion Shares, representing approximately 23.8% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 11.8% of the total number of issued Shares as enlarged by the issue of the Conversion Shares in full (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options and all Shareholders and Share Options holders have taken up all the entitled Rights Shares under the Rights Issue, but otherwise no other Shares are issued and no repurchase of Shares by the Company on or before the conversion of the LCS); and (ii) a maximum of 5,280,000,000 Conversion Shares, representing approximately 85.1% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 46.0% of the total number of issued Shares as enlarged by the issue of the Conversion Shares in full (assuming that no further Shares will be issued or repurchased by the Company on or before the conversion of the LCS). The Conversion Price of the LCS was determined based on, among others, the prevailing market prices of the Shares, the Subscription Price and the premium of the conversion price of convertible bonds with maturity of not less than five years as announced by companies listed on the Main Board of the Stock Exchange within six months prior to the Last Trading Day (the “**Comparable Issues**”). Based on the aforesaid, the Board is of the view that the premium level of the Conversion Price is within the range of Comparable Issues which ranges from a discount of approximately 14.31% to a premium of 100.00% of each respective conversion price of the Comparable Issues over the respective share price on the last trading day, as defined in the respective announcement, and hence, the Conversion Price is considered fair and reasonable.

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Adjustments to the
Conversion Price:

The initial Conversion Price will be subject to adjustment for share consolidations, share subdivisions, re-classification of share into other securities (upon which the Conversion Price will be adjusted proportionately such that holders would receive the number of Shares and/or such other securities which they would have been entitled to had they been converted before the re-classification), capitalisation issues, capital distributions, rights issues, and certain other market standard dilutive events, provided that there shall be no adjustment to the Conversion Price as a result of the Rights Issue. For details of adjustment mechanism of Conversion Price pursuant to the LCS Instrument, please refer to Appendix III to this circular.

Coupon rate/Interest:

2.0% per annum, payable quarterly.

Maturity date:

The end of tenth (10th) year from date of the issue of the LCS. On the maturity date, all of the remaining outstanding LCS will be redeemed by the Company at 100% of the outstanding principal amount of the LCS together with any interest accrued but unpaid thereon.

Redemption upon events of
default:

If any of the following events occurs and is continuing, the holder(s) of the LCS may give written notice to the Company that the LCS are, and they shall immediately become, due and payable by the Company at the Redemption Amount (as defined below):

- (A) there is a default in the payment of any principal or interest or premium due in respect of the LCS on the due date for such payment and in the case of interest only, such default continues for a period of more than seven (7) Business Days;
- (B) the Company does not perform or comply with one or more of its other warranties, covenants or obligations in the LCS or the LCS Instrument (other than those referred to in paragraph (A) above), which default is incapable of remedy in the opinion of the holder(s) of the LCS or, if capable of remedy in the opinion of the holder(s) of the LCS, is not remedied within thirty (30) Business Days after written notice of such default shall have been given to the Company by the holder(s) of the LCS;

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- (C) failure by the Company to deliver any Shares as and when such Shares are required to be delivered following conversion of the LCS;
- (D) the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Company;
- (E) (i) any other present or future indebtedness (whether actual or contingent) of the Company for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, *provided that* the aggregate amount of the relevant indebtedness in respect of which one or more of the events mentioned above in this paragraph have occurred exceeds HK\$100,000,000 or its equivalent in any other currency or currencies;
- (F) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company and is not discharged or stayed within thirty (30) Business Days;

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- (G) an order of any court of competent jurisdiction is made or an effective resolution is passed for the liquidation, winding-up or dissolution of the Company (other than a voluntary winding-up on a solvent basis), or the Company ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the holder(s) of the Company;
- (H) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Company or any of its subsidiaries (as the case may be) and is not discharged within thirty (30) Business Days;
- (I) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all of the assets of the Company or any of its subsidiaries;
- (J) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the LCS, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the LCS admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done;
- (K) it is or will become unlawful for the Company to perform or comply with anyone or more of its obligations under the LCS;
- (L) there is material adverse change to the business, financial condition or operations of the Company or any of its subsidiaries;

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- (M) the Company sells, disposes or transfers its assets the amount of which, in the aggregate or individually, exceeds HK\$50,000,000 without the prior consent of the holder(s) of the LCS (other than sales or trading conducted in the ordinary course of business of the Company);
- (N) the public float of the Shares on the Stock Exchange has fallen below the requirements under the Listing Rules or the Shares cease to be listed or admitted to trading or are suspended from trading for more than ten (10) continuous trading days, save for any suspension thereof required under the Listing Rules or any other listing rules of the Alternative Stock Exchange, as applicable, for clearance of announcement or circular to be made by the Company;
- (O) the Company or any of its subsidiaries makes any false or misleading representation in respect of the LCS;
- (P) the Company or any of its subsidiaries (other than those insignificant subsidiaries as defined under Rule 14A.09 of the Listing Rules) ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (Q) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

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“Redemption Amount” of the LCS means the amount which is 100 per cent. of the outstanding principal amount of the LCS being redeemed, together with all accrued but unpaid interest at the rate of interest under the LCS Instrument (accrued in accordance with the terms and conditions of the LCS) and, if applicable in accordance with these terms and conditions of the LCS, any default interest at 20 per cent. per annum (accrued in accordance with the terms and conditions of the LCS) in respect of the said outstanding principal amount of the LCS being redeemed from and including the date of the LCS Instrument up to and excluding the date of payment of the Redemption Amount.

- Mandatory redemption: The holder(s) of LCS will have the right at its option to require the Company to redeem all, but not some only, of such LCS on the relevant event redemption date at the Redemption Amount upon occurrence of the following:
- (A) the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 10 consecutive trading days on the Stock Exchange; or
 - (B) there is a change in control of the Company.
- Conversion: Convertible into ordinary Shares at any time during the period from the date of the issue of the LCS up to the close of business on the maturity date at an integral multiple of HK\$1 million, subject to the conversion restrictions.
- Conversion restrictions: The holder(s) of LCS may exercise a conversion right only if such conversion:
- (A) (where applicable) has been approved or consented to by the Communications Authority; and
 - (B) will not cause the Company to be unable to meet the minimum public float requirement under the Listing Rules.
- Voting: The holders of the LCS shall not be entitled to receive notices of, attend or vote at any general meetings of the Company or any meetings of any class of Shares, by reason only of it being a holder of the LCS.

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Listing: The LCS will not be listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the LCS on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the LCS in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the LCS.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attached to the LCS.

Transferability: The LCS is transferable to other Independent Third Parties except that the transfer would result in the Company being obliged to comply with the obligations prescribed under the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to issue of prospectus or initial public offering of securities or (where applicable) a grant by the Communications Authority of the requisite notice of waiver(s) as a result of such transfer of LCS has not been obtained.

Ranking of the Conversion Shares: The Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Conversion Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of conversion of the Conversion Shares on the Company's register of members (after issue of the Conversion Shares upon conversion of the LCS) respectively and shall accordingly entitle the holders thereof to participate in full in all future dividends or other distributions the record date for which falls on a date on or after the relevant conversion date.

The terms of the LCS Subscription Agreement were determined with reference to the other convertible bonds with maturity of not less than five years as announced by companies listed on the Main Board of the Stock Exchange within six months prior to the Last Trading Day. Based on the aforesaid, the Board is of the view that the terms of LCS Subscription Agreement, including the coupon rate, which is also within range of the Comparable Issues that ranges from 0% to 6%, are fair and reasonable and in the interest of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the issuance of LCS

The obligation of the Controlling Shareholder to subscribe for the LCS is subject to the fulfilment of the following conditions:

- (i) The warranties made by the Company in the LCS Subscription Agreement being true and correct in all material respects when made, and being true, and correct in all material respects as of the date of the completion of the LCS Subscription Agreement with the same force and effect as if they had been made on and as of such date.
- (ii) The Company having performed and complied with in all respects all agreements, obligations and conditions contained in the LCS Subscription Agreement and the other transaction documents set out in the LCS Subscription Agreement that are required to be performed or complied with by it on or before the date of the completion of the LCS Subscription Agreement and having obtained all approvals, consents and qualifications necessary to complete the transactions contemplated by the LCS Subscription Agreement at the completion of the LCS Subscription Agreement.
- (iii) The Company having delivered to the Controlling Shareholder each of the duly executed transaction documents set out in the LCS Subscription Agreement on or prior to the completion of the LCS Subscription Agreement.
- (iv) The Company having obtained, on or before the completion of the LCS Subscription Agreement, as the case may be, any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the LCS Subscription Agreement and the other transaction documents set out in the LCS Subscription Agreement, including but not limited to:
 - (a) the approval from the Independent Shareholders at the GM for the consummation of the LCS Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate to allot, issue and deal with the Conversion Shares;
 - (b) the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which fall to be issued upon conversion of the LCS; and
 - (c) the grant by the Communications Authority of the relevant notice of waiver(s) in respect of the revised shareholding structure of the Company as a result of the issue of the LCS and the Conversion Shares, if applicable.
- (v) There having not occurred any change (nor any development or event involving a prospective change), in the financial or business condition, prospects, results of operations or general affairs of the Company and the Group taken as a whole, which, in the opinion of the Controlling Shareholder, is material and adverse in the context of the issue of the LCS after the date of the LCS Subscription Agreement up to and at the completion of the LCS Subscription Agreement.

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- (vi) The Shares remaining listed on the Stock Exchange at all times prior to the completion of the LCS Subscription Agreement and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than three trading days after the date of the LCS Subscription Agreement up to the completion date of the LCS Subscription Agreement (or such longer period as the Company and the Controlling Shareholder may agree); and no indication being received before or on the completion date of the LCS Subscription Agreement from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of or in connection with the terms of the LCS Subscription Agreement or for any other reason.

All of the above conditions precedent are required to be satisfied (or waived, if applicable) by 5:00 p.m. on 31 December 2019 (or such later date as may be mutually agreed by the Company and the Controlling Shareholder in writing). The Controlling Shareholder may not waive the condition precedent (iv) set out in the above. The Controlling Shareholder has the sole discretion to waive the conditions precedent in (i) to (iii) and (v) and (vi) set out in the above in whole or in part by written notice to the Company.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

GRANT OF LOAN FACILITY BY THE CONTROLLING SHAREHOLDER

On 25 January 2019, the Controlling Shareholder as lender and the Company as borrower entered into the Loan Agreement pursuant to which the Controlling Shareholder agreed to grant the Loan Facility to the Company for its general working capital requirements. Principal terms of the Loan Agreement are set out below:

Date:	25 January 2019
Borrower:	The Company
Lender:	The Controlling Shareholder
Principal amount:	Up to HK\$200 million
Term:	The period commencing on the date of the Loan Agreement and ending on the date that is the earlier of (a) 18-months from the date of the Loan Agreement; and (b) five (5) Business Days following completion of last fund raising activity of the Company (including issuance of equity or debt or convertible securities) from the date of the Loan Agreement with an aggregate amount of gross proceeds received by the Company from all fund raising activities completed after the date of the Loan Agreement being not less than HK\$600 million
Interest rate:	HIBOR per annum

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Repayment and prepayment: The Company shall repay the outstanding principal amount of the Loan and accrued unpaid interest in full on the Repayment Date. The Company is entitled to early repay any outstanding amount of the Loan and the accrued unpaid interest by giving at least three Business Days' prior written notice to the Controlling Shareholder. Any amount of the Loan repaid or prepaid will not be available for withdrawal again in accordance with the terms of the Loan Agreement

Security by the Group: None

As at the Latest Practicable Date, the Loan Facility has not been drawn down by the Company and the Company expects to draw down the Loan Facility for general working capital as and when required.

EFFECT OF THE RIGHTS ISSUE AND THE SUBSCRIPTION ON SHAREHOLDINGS IN THE COMPANY

(1) Assuming no exercise of the exercisable Share Options on or before the Record Date

Set out below are the shareholding of the Company as at the Latest Practicable Date and as a result of sequential completions of each of the following events: (i) the Rights Issue (assuming all or none of the Shareholders to take up their respective the Rights Shares entitlements); and (ii) upon conversion of the LCS in full (pursuant to which the principal amount of the LCS is dependent on the acceptance level of the Rights Issue by the Shareholders).

	As at the Latest Practicable Date		Assuming all the Shareholders have taken up all the entitled Rights Shares and before any conversion of the LCS		Assuming none of the Shareholders has taken up any entitled Rights Shares and before any conversion of the LCS (Note 1)		Assuming all Shareholders have taken up all entitled Rights Shares and the LCS are converted in full		Assuming none of the Shareholders have taken up any entitled Rights Shares and the LCS are converted in full (Note 1)	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Controlling Shareholder										
Forever Top (Asia) Limited	2,682,362,480	43.2%	4,694,134,340	43.2%	2,682,362,480	43.2%	6,254,134,340	50.4%	7,962,362,480	69.3%
Public										
Other public Shareholders	3,523,657,676	56.8%	6,166,400,933	56.8%	3,523,657,676	56.8%	6,166,400,933	49.6%	3,523,657,676	30.7%
Total	<u>6,206,020,156</u>	<u>100.0%</u>	<u>10,860,535,273</u>	<u>100.0%</u>	<u>6,206,020,156</u>	<u>100.0%</u>	<u>12,420,535,273</u>	<u>100.0%</u>	<u>11,486,020,156</u>	<u>100.0%</u>

Note:

- In the event that the Rights Issue does not proceed, the shareholding structure impact to the Company caused by the Subscription shall be the same as if none of the Shareholders have taken up any entitled Rights Shares prior to or after the LCS are converted in full.

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(2) Assuming full exercise of the exercisable Share Options on or before the Record Date

Set out below are the shareholding of the Company as at the Latest Practicable Date and as a result of sequential completions of each of the following events: (i) full exercise of exercisable Share Options on or before the Record Date; (ii) the Rights Issue (assuming all or none of the Shareholders to take up their respective the Rights Shares entitlements); and (iii) upon conversion of the LCS in full (pursuant to which the principal amount of the LCS is dependent on the acceptance level of the Rights Issue by the Shareholders).

	As at the Latest Practicable Date		Assuming full exercise of exercisable Share Options on or before the Record Date		Assuming all the Shareholders and Share Options holders have taken up all the entitled Rights Shares and before any conversion of the LCS		Assuming none of the Shareholders and Share Options holders have taken up any entitled Rights Shares and before any conversion of the LCS (Note 1)		Assuming all the Shareholders and Share Options holders have taken up all the entitled Rights Shares and the LCS are converted in full		Assuming none of the Shareholders and Share Options holders have taken up any entitled Rights Shares and the LCS are converted in full (Note 1)	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Controlling Shareholder												
Forever Top (Asia) Limited	2,682,362,480	43.2%	2,682,362,480	42.3%	4,694,134,340	42.3%	2,682,362,480	42.3%	6,174,134,340	49.1%	7,962,362,480	68.5%
Share Options holders												
Tan Sri Dato' David Chiu	—	0.0%	31,000,000	0.5%	54,250,000	0.5%	31,000,000	0.5%	54,250,000	0.4%	31,000,000	0.3%
Dr. Cheng Kar-Shun, Henry	—	0.0%	31,000,000	0.5%	54,250,000	0.5%	31,000,000	0.5%	54,250,000	0.4%	31,000,000	0.3%
Mr. Andrew Wah Wai Chiu	—	0.0%	17,750,000	0.3%	31,062,500	0.3%	17,750,000	0.3%	31,062,500	0.2%	17,750,000	0.2%
Dr. Cheng Chi-Kong, Adrian	—	0.0%	10,000,000	0.2%	17,500,000	0.2%	10,000,000	0.2%	17,500,000	0.1%	10,000,000	0.1%
Mr. Tsang On Yip, Patrick	—	0.0%	13,125,000	0.2%	22,968,750	0.2%	13,125,000	0.2%	22,968,750	0.2%	13,125,000	0.1%
Mr. Hoong Cheong Thard	—	0.0%	13,125,000	0.2%	22,968,750	0.2%	13,125,000	0.2%	22,968,750	0.2%	13,125,000	0.1%
Public												
Other Share Options holders	—	0.0%	23,600,000	0.4%	41,300,000	0.4%	23,600,000	0.4%	41,300,000	0.3%	23,600,000	0.2%
Other public Shareholders	3,523,657,676	56.8%	3,523,657,676	55.5%	6,166,400,933	55.5%	3,523,657,676	55.5%	6,166,400,933	49.0%	3,523,657,676	30.3%
Total	6,206,020,156	100.0%	6,345,620,156	100.0%	11,104,835,273	100.0%	6,345,620,156	100.0%	12,584,835,273	100.0%	11,625,620,156	100.0%

Notes:

- (1) In the event that the Rights Issue does not proceed, the shareholding structure impact to the Company caused by the Subscription shall be the same as if none of the Shareholders and the Share Options holders have taken up any entitled Rights Shares prior to or after the LCS are converted in full.
- (2) The sum of the shareholding percentages of the Shareholders and the Share Options holders in the table above may not add up to 100.0% due to rounding adjustments.

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FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Save for the 2018 Proposed Rights Issue announced on 9 November 2018 but not approved by the Independent Shareholders in the general meeting held on 9 January 2019, the Company had not conducted any completed fund raising activities involving issue of securities in the twelve months before the date of this circular.

REASONS FOR THE RIGHTS ISSUE AND THE SUBSCRIPTION

The Group is an integrated communication services provider in Hong Kong, commanding a large television viewer and communications services user base in town. It owns and operates a near universal wireline telecommunications network in Hong Kong to provide television, internet and multimedia services to over two million households. It is also one of the producers of television and multimedia content based in Hong Kong for distribution over conventional and new media, with a particular focus on news, information, sports and entertainment.

The Group had been loss-making in the recent years. Since Forever Top (Asia) Limited became the Controlling Shareholder in 2017 as a result of being the underwriter of the 2017 Open Offer of the Company, the Company has been formulating an organisational restructuring which included, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability as well as the financial performance of the Group. As part of a strategic review, the Group is evaluating forming partnership or disposing its loss-making operations to reduce the cash drain on the business. Although early discussions are being held, there is no certainty that these may lead to any satisfactory conclusion. To enable the Group to have sufficient funds to operate, the Company entered into the Loan Agreement with the Controlling Shareholder pursuant to which the Controlling Shareholder agreed to provide the Loan Facility in the principal amount of up to HK\$200 million to the Company for the general working capital requirements of the Group. Further details of the Loan Agreement are set out in the section headed "Grant of Loan Facility by the Controlling Shareholder". Since the Loan Facility is for the general working capital requirements of the Group and on a short-term basis, the Board is of the view that the Rights Issue and the Subscription are necessary to recapitalise the business to allow sufficient time for the restructuring initiatives to be implemented. In the event that the Rights Issue and the LCS Subscription Agreement are not approved by the Independent Shareholders, the Company will continue to seek other possible external financing solutions to support the Group's operation, including the repayment of the Loan Facility.

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The Group made the 2017 Open Offer to raise additional capital for the Group's development. As at the Latest Practicable Date, proceeds from the 2017 Open Offer have been substantially utilised. The proceeds from the 2017 Open Offer were utilised in the following manner:

Intended use of net proceeds as disclosed in the circular and the prospectus of the 2017 Open Offer	Actual use of net proceeds up to 31 December 2018 used as originally intended	The amount of the unutilised proceeds from the 2017 Open Offer which has been reallocated as operating funds	Intended use of unutilised net proceeds from the 2017 Open Offer as at 31 December 2018 and expected timeline
Approximately HK\$170 million for investments in network related capital expenditure;	Approximately HK\$120 million utilised on enhancement of the Group's telecommunications network and roll out of GPON high speed internet broadband services	Approximately HK\$44 million	Approximately HK\$6 million* to be utilised within 3 years from the completion of the 2017 Open Offer
Approximately HK\$160 million for investments in television capital expenditure;	Approximately HK\$58 million utilised on (i) upgrade of Pay TV set top box to FANhub set top box; (ii) completing the upgrade of news platform with high definition capabilities; (iii) set up of FTV; and (iv) purchase of other equipment to support the television services	Approximately HK\$94 million	Approximately HK\$8 million* to be utilised within 3 years from the completion of the 2017 Open Offer

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Intended use of net proceeds as disclosed in the circular and the prospectus of the 2017 Open Offer	Actual use of net proceeds up to 31 December 2018 used as originally intended	The amount of the unutilised proceeds from the 2017 Open Offer which has been reallocated as operating funds	Intended use of unutilised net proceeds from the 2017 Open Offer as at 31 December 2018 and expected timeline
Approximately HK\$90 million for investments in other capital expenditure; and	Approximately HK\$80 million utilised on (i) materials and related manpower required to installation and connection services in support of the Pay TV, internet and telephone services; (ii) cable modems for internet customers; (iii) data processing equipment for system development; and (iv) leasehold improvement and other office equipment	Approximately HK\$10 million	Nil

* Amount of the unutilised proceeds from the 2017 Open Offer which will be used as originally intended.

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Intended use of net proceeds as disclosed in the circular and the prospectus of the 2017 Open Offer	Actual use of net proceeds up to 31 December 2018 used as originally intended	The amount of the unutilised proceeds from the 2017 Open Offer which has been reallocated as operating funds	Intended use of unutilised net proceeds from the 2017 Open Offer as at 31 December 2018 and expected timeline
Approximately HK\$267 million (including the difference between the actual net proceeds of approximately HK\$687 million and the estimated net proceeds of approximately HK\$669 million as disclosed in the circular and prospectus of the 2017 Open Offer) as funding required net of cash received from operations (including subscription, service and related fees for television, internet and telephone services, advertising income, channel service and distribution fees, programme licensing income, film exhibition and distribution income and network maintenance income) for the Company's operating requirements (including the fulfilment of the relevant funding commitments to the Pay TV Licence and Free TV Licence)	Approximately HK\$410 million utilised on (i) covering programme cost to maintain programming library which includes development of in-house contents, presentation rights for commissioned or acquisition of programmes for broadcasting on the Group's television channels, and commissioned programmes and film for licensing; (ii) covering network expenses; and (iii) covering selling expenses, general and administrative expenses and other operating expenses.	Not applicable. An aggregate of approximately HK\$148 million was reallocated from the above intended uses	Approximately HK\$5 million to be utilised in 2019. As at the Latest Practicable Date, the entire amount of approximately HK\$5 million has been utilised for the payment of rental and utilities.

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As a result of (i) the contraction of customer base experienced in the earlier months of the first half of 2018; and (ii) the decline of pay television advertising revenue was mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media; the funding required to finance the Group's daily operation was more than expected.

In order to fund the additional required cash flow for operation due to the decline in operating cash inflow as a result of the abovementioned factors, the Company has re-allocated some proceeds from the 2017 Open Offer to finance the Group's operating cash flow requirement.

Given that the substantial amount of proceeds from the 2017 Open Offer, which was intended to be applied towards capital expenditure investment of the Group, had to be reallocated to accommodate the Group's operating cash flow requirement, additional funding is required to accommodate the Group's on-going expenditure requirement. Accordingly, the Company proposed the 2018 Proposed Rights Issue in late 2018 in order to raise new funding from the Shareholders. However, the 2018 Proposed Rights Issue was not approved by the Shareholders. Based on certain verbal feedback from the Independent Shareholders during and after the general meeting of the Company for approving, among other things, the 2018 Proposed Rights Issue held on 9 January 2019, the Board noted that, while the Independent Shareholders were aware of the deteriorating financial position of the Group and the need for additional funding, some Independent Shareholders expressed the view that the equity call on them and the potential dilution through the 2018 Proposed Rights Issue was too heavy.

In view of the above, the maximum call on the Independent Shareholders under the Rights Issue has been reduced to respond to the Independent Shareholders' concern on this matter. The offer ratio of the Rights Issue has been reduced from 100% (offer ratio of the 2018 Proposed Rights Issue) to 75%, to raise a maximum of HK\$475.9 million, as compared to HK\$677 million under the 2018 Proposed Rights Issue. Moreover, the issue price for the Rights Issue has been reduced to HK\$0.100, which is more attractive for the Independent Shareholders as compared to HK\$0.109 for the 2018 Proposed Rights Issue. Furthermore, less dilution for the Independent Shareholders would be resulted as the Rights Issue will proceed on a non-underwritten basis and the Controlling Shareholder has undertaken to take up its entitlement on the basis that its application will be scaled down to the extent that its percentage shareholding in the Company will be the same immediately before and after completion of the Rights Issue.

The issue of the LCS provides further protection to the Independent Shareholders from immediate dilution while guaranteeing fund raising of a maximum of approximately HK\$660 million. As the LCS does not carry any voting or dividend rights, there is no immediate dilution for the Independent Shareholders. The LCS has a long-term maturity (10 years). If the LCS is finally converted, it will be converted at HK\$0.125 per Share, a 25% premium over the Subscription Price of HK\$0.100 per Share for the Rights Issue.

Other fund-raising methods including debt financing and equity placement have been considered by the Board. However, commercial debt financing (even if available) will put further pressure on the already weak financial position of the Group. Because of the weak

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financial performance of the Group and the market, an equity placement to Independent Third Parties may require a higher discount on issue price and result in more dilution for the Shareholders.

Having considered the above factors, the Board considers that revised fund raising structure by way of a combination of the Rights Issue and the Subscription is a well balanced option for the Company, improving the liquidity and capital base of the Group while mitigating dilution of the Independent Shareholders. On this basis, the Directors are of the view that the Rights Issue and the Subscription are in the interests of the Company and the Shareholders as a whole and the terms of the Rights Issue and the Subscription are fair and reasonable. They also consider that the Rights Issue and the Subscription will strengthen the Group's capital base, provide additional funding for the Group's capital expenditure, meet the cash flow needs of the Group and provide additional funding to fulfil the investment requirements under the television licenses of the Group in the medium to long term as the business of the Group undergoes restructuring in order to turnaround the operations.

PROPOSED USE OF PROCEEDS

The Loan in the principal amount of up to HK\$200 million will be used by the Company for its general working capital requirements including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses.

The estimated maximum net proceeds from the Rights Issue and the Subscription (after deducting the expenses) are approximately HK\$652.0 million. With the aforesaid net proceeds taken into account, the Company will have sufficient working capital in the next 12 months and the Company intends to apply the net proceeds from the Rights Issue and the Subscription as to:

- (i) the full repayment of the outstanding balance of the Loan, including the interest thereon, owed by the Company to the Controlling Shareholder. The net proceeds from the Rights Issue and the Subscription will be firstly applied towards the full repayment of the outstanding balance, including the interest thereon, of the Loan.
- (ii) approximately HK\$140 million for investments in capital expenditure including but not limited to the following in the 18 months following the completion of the Rights Issue and the Subscription:
 - Enhancement of network infrastructure amounting to approximately HK\$41.0 million;
 - Upgrade broadcasting equipment amounting to approximately HK\$20.0 million;
 - Upgrade converters and modems amounting to approximately HK\$36.0 million; and
 - Leasehold improvement, furniture and fixture, and office equipment amounting to approximately HK\$43.0 million.

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The reasons for incurring such capital expenditure are including but not limited to (a) enhancement of the Group's overall competitiveness in the market; (b) enhancement of network infrastructure/upgrade converters and modems as customers are constantly demanding for better quality and higher-speed internet services which enable subscribers to enjoy more stable and faster internet access. The upgrade can also enhance content viewing features so as to facilitate the acquisition and retention of television subscription customers; and (c) broadcasting equipment is upgraded to improve the video and transmission quality of television programmes, and the viewing experience, which in turn could enhance the operating efficiency of the Company.

(iii) approximately HK\$350 million for acquisition of programmes from Independent Third Parties and programme production including but not limited to the following in the 18 months following the completion of the Rights Issue and the Subscription:

- Acquired channels (including channels committed amounting to approximately HK\$148 million and new or other channels yet to be committed amounting to approximately HK\$13 million);
- Live programmes, movies and dramas, and other entertainment programs amounting to approximately HK\$100 million; and
- Self-produced programmes amounting to approximately HK\$89 million.

The Group would acquire rights for channels and/or programmes and produce programmes for broadcasting on the Group's pay television channels and providing the domestic free television programme service (as respectively required under the Pay TV Licence and the Free TV Licence) from time to time. The programming content includes news, finance, sports, lifestyle, documentary, children, movies, dramas and general entertainment. It is expected that payment for the committed acquired channel will be amounting to approximately HK\$75 million during the first 6 months after the completion of the Rights Issue and the Subscription and approximately HK\$73 million will be paid between the 7 to 12 months the after completion of the Rights Issue and the Subscription.

Save as certain programming commitments, mainly acquired channels, the Company has not yet identified any other acquisition or investment opportunities regarding the acquisition of programmes from Independent Third Parties. Despite the Group had yet to identify any acquisition or investment opportunities regarding the acquisition of programmes, to continue to update the Group's program library, sourcing for new programmes have been on-going on a continuing basis, with sufficient funding on hand, the Group will be able to commit to ideal programmes once they are identified. Acquired channels committed by the Group included a variety of the programmes such as world-class sports, entertainment, lifestyle and news contents.

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Set out below are the investment requirements under the television licences of the Group:

Pay TV Licence

Upon acceptance of the renewal of the Pay TV Licence of HKCTV for the period of 12 years from 1 June 2017 to 31 May 2029, HKCTV will be subject to a commitment of a six-year investment plan of HK\$3,447 million from 2017 to 2023, comprising HK\$251 million of capital investment and HK\$3,196 million of programming investment in content including in-house channels containing self-produced or acquired programs as well as in acquired channels.

Free TV Licence

Established in 2009, Fantastic Television Limited is a commercial free-to-air television broadcasting company in Hong Kong. FTV has obtained a 12-year domestic free television programme service licence from the Hong Kong Government since 31 May 2016. FTV commenced operating two channels, namely Fantastic TV (奇妙電視) since 14 May 2017 (later known as Hong Kong Open TV), and Hong Kong International Business Channel since 30 July 2018.

FTV is a consolidated structured entity of the Company with 14.9% of its issued shares (comprising 14.89% voting and 0.01% non-voting) owned and it is consolidated into the Group's financials in accordance with HKFRSs and the significant accounting policies adopted by the Group on the basis that the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity including, but not limited to: (i) the Company's nominated directors to the board of FTV pursuant to the right attached to the class "A" ordinary shares of FTV held by the Company provided in the articles of association of FTV; (ii) the requirement of the presence of the Company as a quorum in any general meeting of FTV pursuant to the articles of association of FTV; and (iii) veto rights over certain matters attached to class "A" ordinary shares requiring the prior approval of all holders thereof of FTV such as, the modification of any of the rights attached to any of the shares of FTV, alteration to the articles of association of FTV and the nature of the business of FTV, commencement of new business or activity by FTV, or making of any capital commitment by FTV. The 14.9% shareholding in FTV of which the Company owns comprises one non-voting preference share (the "**Preference Share**") and 1,489 class "A" ordinary shares pursuant to which only the Preference Share holder (and the Company being the only Preference Share holder) is entitled to receive the first HK\$1 billion profits generated in any financial year and the ordinary shareholders of FTV shall be entitled to receive any surplus dividends exceeding such amount of the same financial year on a pro rata basis. For the year ended 31 December 2018, no non-controlling interests is recognised as the entities' distributable profits did not surpass the threshold for other shareholders. In light of the control and the preferential rights in profit sharing the Company has over FTV, the Company is of

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the view that the commitment of investment requirements borne by the Company under the Free TV License of FTV to be fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

In accordance with the terms of the Free TV Licence, FTV has issued a performance bond in favour of the Hong Kong Government in the sum of HK\$20 million. Under the terms of the performance bond, unless the Communications Authority otherwise approves or determines:

- within 18 months from the commencement date of the Free TV Licence (being 31 May 2016) (the “**Free TV Commencement Date**”), FTV shall incur not less than HK\$168 million as the capital and programming expenditure for providing the domestic free television programme service;
 - within 30 months from the Free TV Commencement Date, FTV shall incur not less than HK\$336 million as the cumulative capital and programming expenditure for providing the domestic free television programme service; and
 - within 42 months from the Free TV Commencement Date, FTV shall incur not less than HK\$504 million as the cumulative capital and programming expenditure for providing the domestic free television programme service.
- (iv) up to HK\$162.0 million for general working capital including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses, for the Group in the 12 months following the completion of the Rights Issue and the Subscription.

In the event that the proceeds from the Rights Issue and the Subscription are reduced by the repayment of the outstanding balance, including the interest thereon, of the Loan as described in paragraph (i) above, the remaining balance of the aforesaid proceeds to be applied to the three proposed usages mentioned above (i.e. capital expenditure, acquisition of programmes and general working capital) will be reduced proportionately.

The estimated expenses of the Rights Issue and the Subscription (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) are estimated to be approximately HK\$8 million and will be payable by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares and the net price per Conversion Share (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) are expected to be approximately HK\$0.099 and HK\$0.123 respectively.

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

The Rights Issue is subject to certain conditions including but not limited to the approval of the Rights Issue by the Independent Shareholders at the GM. It is expected that Shares will be dealt with on an ex-rights basis from Monday, 29 April 2019. The

LETTER FROM THE BOARD

Rights Shares will be dealt with in their nil-paid form from Tuesday, 14 May 2019 to Tuesday, 21 May 2019. If the approval of the Rights Issue by the Independent Shareholders at the GM is not obtained, the Rights Issue will not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or Rights Shares. Any person 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). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

INFORMATION ON THE CONTROLLING SHAREHOLDER

Forever Top (Asia) Limited, a company incorporated in Hong Kong with limited liability on 9 January 2015 whose principal business is investment holding. As at the Latest Practicable Date, the Controlling Shareholder is held by Tan Sri Dato' David Chiu (as to 24.5%), Dr. Cheng Kar-Shun, Henry (through Celestial Pioneer Limited, his wholly owned company, as to 31.5%), Chow Tai Fook Enterprises Limited (through Celestial Channel Limited, a company wholly owned by Chow Tai Fook Enterprises Limited, as to 14.0%), Mr. John Huan Zhao (through Hony Communications Limited, his wholly owned company as sole general partner of Expand Ocean L.P., as to 14.0%) and Mr. Li Sze Lim (through Profit Surge Investments Limited, his wholly owned company, as to 16.0%).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 April 2019 to Thursday, 25 April 2019 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the GM and from Thursday, 2 May 2019 to Wednesday, 8 May 2019 (both days inclusive) for determining the entitlements under the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

In order to be registered as members of the Company in its register of members in Hong Kong on the Record Date, Qualifying Shareholders must lodge any transfer of Shares (with the relevant title documents) for registration with the Registrar by 4:30 p.m. on Tuesday, 30 April 2019.

LISTING RULES IMPLICATIONS

In compliance with Rule 7.19A(1) of the Listing Rules, the Rights Issue will be made conditional on approval by the Independent Shareholders by way of poll at the GM and any controlling Shareholder and their associates or where there is no controlling Shareholder, the Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Controlling Shareholder is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares and is a substantial Shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the LCS Subscription Agreement (including the grant of the Specific Mandate) constitutes a connected transaction of the Company under the Listing Rules and the LCS Subscription Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Controlling Shareholder, who is interested in 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares as at the Latest Practicable Date, and its associates shall abstain from voting in respect of the resolutions relating to the Rights Issue and the LCS Subscription Agreement. As at the Latest Practicable Date, none of the associates of the Controlling Shareholder hold any Shares of the Company.

The entering into of the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since (i) based on the advice from the Independent Financial Adviser, the Board considers that the Loan Agreement has been entered into after arm's length negotiation between the Controlling Shareholder and the Company and is conducted on normal commercial terms or better; and (ii) the Loan is not secured by any asset of the Group, the entering into of the Loan Agreement is fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF THE SHARE OPTIONS

Adjustments to the exercise price and number of the outstanding Share Options may be required under the relevant terms of the instrument constituting the Share Option Scheme. Further announcement(s) will be made by the Company in this regard.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are trading on the Stock Exchange in board lot of 10,000 Shares. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 3 July 2018, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the closing price of HK\$0.115 per Share (equivalent to a theoretical ex-rights price of approximately HK\$0.109 per Share and assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) as at the Last Trading Day, upon the allotment and issue of the Rights Shares, the value of each board lot of 10,000 Shares is estimated to be HK\$1,090 (based on a theoretical ex-rights price of HK\$0.109 per Share as at the Last Trading Day). It is proposed that subject to the Rights Issue becoming effective, the board lot size of the Shares shall be changed from 10,000 Shares to 20,000 Shares so that the estimated market value per board lot of the Shares will be approximately HK\$2,180 (based on a theoretical ex-rights price of HK\$0.109 per Share as at the Last Trading Day and assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) that is higher than HK\$2,000. The Board considers that the Change in Board Lot Size will increase the value of

LETTER FROM THE BOARD

each board lot of the Shares, as well as reduce transaction and registration costs incurred by the Shareholders and investors of the Company and may increase liquidity of the Shares and therefore attract more investors and extend the base of the Shareholders. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole.

All existing share certificates in board lot of 10,000 Shares will continue to be good evidence of legal title to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 10,000 Shares to new share certificates in board lot size of 20,000 Shares is necessary.

Except for the proposed Rights Issue, the Subscription and the Change in Board Lot Size from 10,000 Shares to 20,000 Shares as mentioned in this circular, the Board currently does not have any intention or plan, or otherwise foresee to undertake in the next 12 months any (a) equity fundraising; or (b) other corporate action or arrangement that may affect the trading arrangement in shares (including share consolidation or subdivision or change in board lot size).

Should the conditions of the Rights Issue not be satisfied on or before the Long Stop Date and the Rights Issue be terminated, the Company will not proceed with the Change in Board Lot Size.

ODD LOT ARRANGEMENT

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue and the Change in Board Lot Size, a designated broker, Halcyon Securities 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 for the period from Monday, 3 June 2019 to Monday, 24 June 2019 (both days inclusive). Holders of the Shares in odd lots represented by the existing 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 new board lot, may directly or through their broker, contact Mr. Gilbert Lam at (852) 3970 0990 or Mr. Terence Chung at (852) 3970 0963 of Halcyon Securities Limited or by facsimile at (852) 3970 0998 during such period. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the LCS Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote at the GM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue and the LCS Subscription Agreement.

Upon the approval by the Independent Shareholders of the proposed resolution for the Rights Issue at the GM having been obtained and subject to the fulfilment of a number of conditions precedent under the Rights Issue, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable. The Overseas Letter and the Prospectus, without the Provisional Allotment Letter, will be sent to the Non-Qualifying Shareholders (if any) for their information only.

Yours faithfully,
For and on behalf of the Board
i-CABLE COMMUNICATIONS LIMITED
Tan Sri Dato' David Chiu
Chairman



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

8 April 2019

To the Independent Shareholders:

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4)
EXISTING SHARES AT HK\$0.100 PER RIGHTS SHARE; AND**

**(II) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF UNLISTED LONG-TERM CONVERTIBLE
SECURITIES UNDER SPECIFIC MANDATE TO
FOREVER TOP (ASIA) LIMITED**

We refer to the circular dated 8 April 2019 issued by the Company to its Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the Rights Issue and entering into the LCS Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Independent Board Committee have any direct or indirect interest in the Rights Issue and the LCS Subscription Agreement and the transactions contemplated thereunder.

In addition, Able Capital Partners Limited has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Rights Issue and the LCS Subscription Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 64 to 110 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 18 to 61 of the Circular and the general information set out in the Circular. Having considered the terms of the Rights Issue and the LCS Subscription Agreement and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the LCS Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE
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Shareholders as a whole, although are not in the ordinary or usual course of business of the Company due to the nature of such transaction. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Rights Issue and the LCS Subscription Agreement and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Lam Kin-Fung, Jeffrey

Hu Shao Ming Herman

Luk Koon Hoo, Roger

Tang Sing Ming Sherman

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

**ABLE CAPITAL
PARTNERS**

ABLE CAPITAL PARTNERS LIMITED
Unit 2201, 22nd Floor
Cosco Tower
183 Queen's Road Central
Hong Kong

8 April 2019

*To the Independent Board Committee and the Independent Shareholders of
i-CABLE Communications Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4)
EXISTING SHARES AT HK\$0.100 PER RIGHTS SHARE;
AND
CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF UNLISTED LONG-TERM CONVERTIBLE
SECURITIES UNDER SPECIFIC MANDATE TO
FOREVER TOP (ASIA) LIMITED**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Subscription and the arrangements contemplated thereunder (together the "Transactions"), details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular dated 8 April 2019 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Unless otherwise stated, terms used in this letter shall have the same meanings as those defined in the Circular.

1. The Rights Issue

On 25 January 2019, the Company published an announcement that it proposed to raise not more than approximately HK\$465.5 million before expenses by way of the Rights Issue to the Shareholders, which is not underwritten and involves the issue of up to 4,654,515,117 Rights Shares (on the basis that no new Shares are issued and no repurchase of Shares on or before the Record Date) at the Subscription Price of HK\$0.100 per Rights Share on the basis of three (3) Rights Shares for every four (4) existing Shares in issue on the Record Date.

The Controlling Shareholder, as at the Latest Practicable Date, is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares. The Controlling Shareholder has irrevocably undertaken to the Company that, among others, it will accept or procure the acceptance of the Rights Shares to be provisionally allotted to it under the Rights Issue of up to a maximum of 2,011,771,860 Rights Shares (being all of the assured entitlement of the Controlling

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholder under the Rights Issue based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the Latest Practicable Date up to and including the Record Date) provided that the total number of Rights Shares to be subscribed by the Controlling Shareholder under the Rights Issue will be scaled down to the extent that its percentage of shareholding in the Company will be the same immediately before and after completion of the Rights Issue. Consequently, the Controlling Shareholder will not trigger a general offer obligation under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules and no Whitewash Waiver will be applied for.

In compliance with Rule 7.19A(1) of the Listing Rules, the Rights Issue is made conditional on approval by the Independent Shareholders by way of poll at the GM and any controlling Shareholder and their associates or where there is no controlling Shareholder, the Directors (other than independent non-executive Directors), the chief executives of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. Accordingly, the Controlling Shareholder and its associates shall abstain from voting in respect of the resolutions relating to the Rights Issue.

2. The Subscription

On 25 January 2019, the Company entered into the LCS Subscription Agreement with the Controlling Shareholder, pursuant to which the Company has conditionally agreed to issue, and the Controlling Shareholder has conditionally agreed to subscribe for the LCS. Under the LCS Subscription Agreement, the Company will procure the Controlling Shareholder to subscribe for the LCS (i) in the event that the Rights Issue is not approved by the Independent Shareholders, at the later of: (1) the fifth Business Day after the GM; and (2) the fifth Business Day after the last of the conditions in the LCS Subscription Agreement is fulfilled or waived; or (ii) in the event that the Rights Issue is approved by the Independent Shareholders but does not become unconditional by the latest time for the Rights Issue to become unconditional, at the later of: (1) the fifth Business Day after the latest time for the Rights Issue to become unconditional; and (2) the fifth Business Day after the last of the conditions in the LCS Subscription Agreement is fulfilled or waived; or (iii) in the event that the Rights Issue is approved by the Independent Shareholders and becomes unconditional by the latest time for the Rights Issue to become unconditional, on the date of completion of the Rights Issue. The principal amount for the Subscription will be the difference between HK\$660 million and the aggregate gross proceeds raised in the Rights Issue, and will be between HK\$185 million and HK\$660 million.

As at the Latest Practicable Date, the Controlling Shareholder is a substantial Shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the LCS Subscription Agreement (including the grant of the Specific Mandate) constitutes a connected transaction of the Company under the Listing Rules and the LCS Subscription Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. The Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the LCS Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote at the GM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

One of our directors, Mr. Hui Chiu Chung, Stephen (“Mr. Hui”), is currently serving as an independent non-executive director of FSE Services Group Limited (“FSE”), a listed public company in Hong Kong. Dr. Cheng Kar-Shun, Henry (“Dr. Cheng”), a non-executive director of the Company and an ultimate beneficial owner of the Controlling Shareholder, which in turn is a shareholder of the Company, is the non-executive chairman of FSE. Apart from the fact that Mr. Hui and Dr. Cheng both serve on the board of FSE, there is no significant connection, financial or otherwise, between Dr. Cheng and/or his family members and Mr. Hui of a kind reasonably likely to create, or to create the perception of a conflict of interest or reasonably likely to affect the objectivity of the our advice.

Save for the aforementioned common directorship between Mr. Hui and Dr. Cheng, Henry in FSE, as at the Latest Practicable Date, we are not associated or connected with the Company, the Controlling Shareholder or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are considered independent and eligible to give objective advice on the terms of the Rights Issue and the LCS Subscription Agreement to the Independent Board Committee.

Apart from normal professional fee paid or payable to us in connection with this appointment, no arrangements exists whereby we will receive any fees or benefits from the Company, the Controlling Shareholder or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates. For the last two years up to the Latest Practicable Date, save for the 2018 Proposed Rights Issue (as defined in the Circular) and the Loan Agreement, we have not acted as an independent financial adviser to the Group in relation to other transactions.

II. BASIS OF AND EXECUTIVE SUMMARY OF OUR ADVICE

1. Basis of our advice

In formulating our advice and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the latest published consolidated financial statements of the Company for the year ended 31 December 2018 (the “2018 Annual Results”); (iii) other information provided by the Directors and/or the senior management of the Company (the “Management”); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all the information provided and representations made and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted or withheld from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors, for which they are solely and wholly responsible, are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. The Company will notify the Shareholders of any material changes as soon as possible subsequent to the Latest Practicable Date and up to the completion of the Rights Issue and the Subscription. If we shall become aware of any such material change, we will notify the Independent Shareholders of the potential impact, if any, on our opinion and/or recommendation set out in this letter as soon as possible. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have reviewed sufficient information currently available to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group.

This letter is issued for advising the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and the Subscription 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.

Shareholders should note that none of the information contained in the Circular should be construed as an assurance or forecast of the future performance of the Group.

2. Executive summary of our advice

As further elaborated in the analysis set out below in reaching our view that the terms of the Transactions are fair and reasonable, we consider that the Transactions to be in the interests of the Company and the Shareholders as a whole. In summary, the Transactions, which the Board considers to be the only practical and tangible funding solution presently available to the Group, and if approved by the Independent Shareholders, would:

- recapitalise the Company's balance sheet and substantially improve the Group's financial position which is critical for the continuing development of the Group's businesses;
- provide an integrated financing package that can be executed independently or in tandem with each other, and capable of providing the Group with the much-needed long term funding to meet its working capital and investment requirements; and
- allow Shareholders to participate in the Rights Issue at a competitive price level against the Closing Price, which was designed to address the concerns on value and shareholding dilution as expressed by certain Independent Shareholders.

We would stress that the implementation of the Transactions is subject to the approval by the Independent Shareholders. It is therefore important that the Independent Shareholders to exercise their rights to vote at the GM to be convened for considering the Transactions, irrespective of whether or not they may subscribe for the Rights Shares.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

1. Recent background and developments of the Group

(a) Industry background

The Group is an integrated communication services provider in Hong Kong, commanding a large and influential television viewer and communications services user base in the territory. It owns and operates a near universal wireline telecommunications network in Hong Kong to provide television, internet and multimedia services to over two million households. It is also one of the producers of television and multimedia contents based in Hong Kong for distribution over conventional and new media channels, with a particular focus on news, information, sports and entertainment.

The Group's revenue is mainly derived from two segments, namely (a) television and (b) internet and multimedia. The television segment includes operations related to the television subscription business, domestic free television programme services, advertising, channel carriage, television relay services, programme licensing, network maintenance, and other television related businesses. The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services as well as other internet access related businesses.

Television broadcast market

For the domestic subscription television business and based on the information extracted from the 2017/18 annual report of the Communications Authority, the number of subscribers of pay television services recorded a gradual drop since 2014 from approximately 2.45 million subscribers to approximately 2.15 million subscribers in 2017 and 2018, with the household penetration rate of pay television services in 2018 was around 85%. Following the withdrawal of TVB Network Vision Limited from providing domestic pay television services from June 2017, this has left the Company and PCCW Media Limited as the only two service providers in pay television services in Hong Kong with PCCW Media Limited holding the largest subscriber base.

In respect of domestic free television business, there are currently three service licensees, namely Fantastic Television Limited ("FTV", a consolidated structured entity of the Company which launched its service in June 2017), HK Television Entertainment Company Limited and Television Broadcasts Limited.

The television segment of the Group is experiencing intense competition in a crowded marketplace with a super dominant operator and changing user behaviour. The proliferation and abundance of a wide range of online contents available on new media platforms and various mobile devices, allowing users to select and view anytime and anywhere, also present competition with the Group's subscription contents. At the same time, the increasingly keen competition for contents has raised acquisition costs, and the entire internet and multimedia segment has to cope with fast technology changes and customers demand for better quality and higher-speed internet service.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Against the backdrop of the withdrawal of TVB Network Vision Limited in 2017 which commanded a market share of 28% share of the total subscribers base of the domestic television programme services in 2016, the Group has been engaging in intense and continuing efforts to restructure its business, judicial investments in broadening its products offerings and contents enrichment, hardware and infrastructure upgrades to improve its competitiveness. The Board considers that the outlook of the Group's businesses is positive but remains challenging.

Broadband market

Hong Kong has a high internet penetration and according to the website of the Communications Authority (<https://www.coms-auth.hk>), there were 251 internet service providers licensed to provide broadband services up to February 2019. In October 2018, there were about 2.69 million registered customers using broadband services in Hong Kong with a household penetration rate of around 92.8%.

The Group's internet and multimedia segment returns approximately 27.5% of the Group's revenue for the year ended 31 December 2018. The Group provides its internet broadband services through the backbone of the Group's domestic television broadcasting infrastructure, which provides the Group with a substantial catchment base of user-customers. Despite a highly matured market, internet broadband users are sensitive to the speed and quality of services of broadband services providers and technological innovations. In order to improve business competitiveness, it is essential for the Group to continue investment in network and upgrade converters and modems, and to actively seek collaborative opportunities with leading technology and communication providers to deliver first-in-class services and solutions to its customers.

(b) Historical losses of the Group and ownership transition in 2017

The Company has been loss making for many years and its last profitable year was in 2007. In 2017, Forever Top (Asia) Limited, through the implementation of a series of transactions (including the 2017 Open Offer and the loan capitalisation) as referred to in the Company's announcement dated 20 April 2017, became the Controlling Shareholder in September 2017.

The Board and the Management recognized the mounting challenges in the businesses that they had assumed, and concluded that major restructuring and transformation of the Group's businesses are necessary for the Company to return to its path of recovery. These restructuring measures include costs rationalisation and streamlining, re-assessments of the Group's legacy business and contractual commitments (including the investment requirements under the Group's television licences) and formulating new investment strategies with the view to enhance the Group's competitiveness and to raise the appeal of the Group's products and services offerings to users and customers. Both the Board and the Management accept the immense challenges, and recognize that perseverance and dedication of the staff and the Management are crucial, and that it would take time to manifest the results of their efforts. Above all, the support of Shareholders are paramount for the Group to achieve the common goal in the long-term success of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to raise the much-needed additional long-term financing, the Company proposed and announced the 2018 Proposed Rights Issue on 9 November 2018, which was fully underwritten by the Controlling Shareholder. As discussed later on in this letter, the terms of the 2018 Proposed Rights Issue was pitched on more favourable terms than the terms of the 2017 Open Offer, and the proposed subscription price was pitched at a level intended to encourage the independent shareholders to participate. The 2018 Proposed Rights Issue was voted on by a low turnout of 2.3% of all the independent shareholders eligible to take part, and it was disapproved by 58.1% of the votes casted by the independent shareholders.

(c) Grant of Loan Facility by the Controlling Shareholder

Shareholders' attention is drawn to the liquidity position of the Group as at 31 December 2018 in the Company's 2018 Annual Results. The Group's liquidity has been deteriorated from the net cash position of approximately HK\$90 million as at 31 December 2017 to a net debt position of approximately HK\$299 million as at 31 December 2018. Of the totalling interest-bearing borrowings of HK\$495 million as at 31 December 2018, HK\$395 million are bank borrowings repayable on demand, and the balance of HK\$100 million is due for repayment to Wharf Finance Limited on 31 December 2019. As at 31 December 2018, the committed borrowing facilities available to the Group but not drawn was HK\$5 million.

As mentioned in the circular of the Company dated 20 December 2018 (the "2018 Proposed Rights Issue Circular") (paragraph 4.3 of page 79), the Board remains of the view that there are no other financing alternatives available to the Group in the immediate term under current circumstances. Furthermore, we were advised by the Management that the Company is now facing difficulties when trying to obtain further debt financing due to the fact that the Group has been suffering from operating losses for years and hence additional asset pledge is required by the banks or financial institutions before they consider the possibility of borrowings in addition to the existing banking facilities available to the Group (which have been substantially utilised as at the Latest Practicable Date). In order to assist the Group to cover its foreseeable funding needs, and as referred to in the Announcement, the Controlling Shareholder agreed to grant the Loan Facility with the principal amount of up to HK\$200 million to the Company at the interest rate of 3-month HIBOR per annum to cover its general working requirements. The loan is repayable at the earlier of (a) 18-months from the date of the Loan Agreement and (b) five (5) Business Days following the completion of last fund raising activity of the Company (including issuance of equity or debt or convertible securities) from the date of the Loan Agreement with an aggregate amount of gross proceeds received by the Company being not less than HK\$600 million.

The Board is of the view that the Loan Facility provides a valuable bridging financing to allow the Company to seek and implement a longer-term financing solution and allows the Company to carry on its operating activities on a going concern basis. As at the Latest Practicable Date, the Loan Facility has not been drawn down by the Company, and the Company expects to draw down the Loan Facility for general working capital as and when required.

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2. Financial information of the Group

Set out below is the summary of the consolidated statement of profit or loss of the Group for the years ended 31 December 2018 and 2017 as extracted from the 2018 Annual Results:

	For the year ended 31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Television	813,226	905,157
Internet and multimedia	320,478	321,086
Others	29,606	32,187
Revenue	1,163,310	1,258,430
Cost of services		
— Programming costs	(868,610)	(939,579)
— Network expenses	(334,679)	(361,481)
— Cost of sales	(86,941)	(79,014)
Selling, general and administrative and other operating expenses	(362,307)	(322,297)
Operating costs	(1,652,537)	(1,702,371)
Loss from operations	(489,227)	(443,941)
Interest income	2,327	776
Finance costs	(10,238)	(9,315)
Non-operating income	42,373	86,268
Loss before taxation	(454,765)	(366,212)
Income tax (expense)/credit	(823)	3,385
Loss for the year attributable to equity shareholders of the Company	(455,588)	(362,827)

The revenue of the Group for the year ended 31 December 2018 (“FY2018”) decreased by approximately HK\$95 million or 8% to approximately HK\$1,163 million (2017: HK\$1,258 million). As stated in the 2018 Annual Results, the decline in revenue was primarily attributable to the lower subscription and advertising revenue due to the contraction of customer base and the intensifying competition from free television, digital and over-the-top platforms. The operating costs of the Group decreased by approximately HK\$50 million to approximately HK\$1,652 million for FY2018 (2017: HK\$1,702 million), resulting in the higher loss from operations of approximately HK\$489 million (2017: HK\$444 million). The Group recorded gains on the disposal of a property holding subsidiary and real properties of approximately HK\$43 million during FY2018 (2017: HK\$83 million). As a result, the net loss of the Group for FY2018 was approximately HK\$456 million, representing an increase of 26% as compared with the net loss of HK\$363 million for the year ended 31 December 2017.

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Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2018 and 2017 as extracted from the 2018 Annual Results:

	As at 31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Total assets	1,677,595	2,064,782
— Restricted bank balances	18,320	16,710
— Cash and bank balances	<u>177,815</u>	<u>568,034</u>
 (a) Total bank deposits and cash	 196,135	 584,744
Total liabilities	954,055	934,935
— Interest-bearing borrowings (current portion)	495,000	395,000
— Interest-bearing borrowings (non-current portion)	<u>—</u>	<u>100,000</u>
 (b) Total interest-bearing borrowings	 495,000	 495,000
(c) Net current liabilities	(590,082)	(129,767)
(d) Net assets	723,540	1,129,847
(e) Net (debt) cash ((a) less (b))	(298,865)	89,744
(f) Gearing ratio ((b) divided by (d))	68.4%	43.8%

During 2017 and as a result of the introduction of Forever Top (Asia) Limited as the new controlling shareholder of the Company and the related implementation of financing exercises (being the 2017 Open Offer and the loan capitalisation which were both completed in September 2017), the Group's financial position was considerably strengthened. Under the new management led by Forever Top (Asia) Limited, the Group has been undergoing significant business and organisational changes.

As set out in the above table and referred to in the section III.1(c) of this letter, the Group's liquidity position has been deteriorated from the net cash position of approximately HK\$90 million as at 31 December 2017 to a net debt position of approximately HK\$299 million as at 31 December 2018. Of the totalling interest-bearing borrowings of HK\$495 million as at 31 December 2018, HK\$395 million are bank borrowings repayable on demand, and the balance of HK\$100 million is due for repayment to Wharf Finance Limited on 31 December 2019. As at 31 December 2018, the committed borrowing facilities available to the Group but not drawn was HK\$5 million.

We have also reviewed the working capital forecast of the Group prepared by the Management for the period covering at least 12 months from the Latest Practicable Date as discussed in the section III.5, and understand that the Group can only satisfy the expected funding needs in the next 12 months after taking into account the combined net proceeds from the Rights Issue and the Subscription.

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Given the history of losses incurred by the Group in recent years, and the continuing business and organisation restructuring in the quest to improve profitability and to turn around loss-making performance of the Group, we concur with the Board's view that it is in the interests of the Company and the Shareholders as a whole to raise new long-term financing to address the future cash flow requirements of the Group in the medium to long term and to improve the Group's financial and liquidity position.

3. Rationales behind and intended benefits of the Transactions

(a) Feedback from the independent shareholders and rationales of the Transactions

As disclosed in the Announcement, the Board is mindful of the verbal feedback during and after the general meeting of the Company convened for the 2018 Proposed Rights Issue on 9 January 2019. The Board noted that while the independent shareholders were aware of the weak financial position of the Group and the need of financing, some of the independent shareholders expressed their view that the equity call on them and the potential dilution through the 2018 Proposed Rights Issue were too heavy.

After reviewing the results of the above-mentioned general meeting and the comments made and having considered the unresolved funding needs of the Group, the Board has revised the previous proposals to try, as far as possible, to balance the undoubted need of long-term financing with the concerns of the independent shareholders, and yet achieving the size of fund raising that was intended to raise under the 2018 Proposed Rights Issue.

The following summarizes the rationales behind the structuring and architecture of the Transactions, comprising the Rights Issue and the Subscription.

The Rights Issue

Taken into consideration of the expressed concerns of the independent shareholders on value and shareholding dilution, the Board has set the terms of the Rights Issue, which is not underwritten and to be priced closer to the then prevailing market price of the Shares. Accordingly, the monetary size and the basis of assured entitlement have also been significantly reduced to the maximum amount of approximately HK\$475.9 million (HK\$691.7 million under the 2018 Proposed Rights Issue) and entitlement ratio of 3 for 4 (1 for 1 under the 2018 Proposed Rights Issue). To the extent that Independent Shareholders do wish to maintain or to increase their shareholding in the Company at a price below the closing price of the Shares on the Last Trading Day (the "Closing Price") and the theoretical ex-rights price of the Shares based on the Closing Price (the "TERP"), the Rights Issue would provide them with an opportunity to do so.

As a result, the Rights Issue was priced at the respective smaller discounts to the 2018 Proposed Rights Issue with the Subscription Price (of HK\$0.100 per Rights Share) representing (a) approximately a 13.0% discount to the Closing Price (38.4% under the 2018 Proposed Rights Issue), and (b) approximately a 8.3% discount to the TERP (23.8% under the 2018 Proposed Rights Issue). Trading in the renounceable rights under the Rights Issue ('nil-paid rights') shall be allowed for Shareholders who do not wish to take up their rights entitlements under the Rights Issue. The Controlling Shareholder has undertaken to maintain

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its present level of shareholding of 43.2% and will take up the appropriate amount of subscription to maintain this shareholding level upon the close of the Rights Issue.

The Subscription

Under the terms of the LCS, it seeks to provide long-term finance of an initial size of approximately HK\$185 million with a callable option to upsize the issue to the maximum of HK\$660 million. This is so structured to cover the Group's funding needs as envisaged in the 2018 Proposed Rights Issue Circular, and the final amount of the LCS to be issued shall depend on the subscription result of the Rights Issue. The LCS shall be unsecured and unlisted. The Board considers that the LCS underscores the long-term commitment of the Controlling Shareholder to the Company and given the Group's present financial circumstances and the inability to secure additional financing or equity funding as explained in the 2018 Proposed Rights Issue Circular, the Subscription represents the only tangible fall back funding solution presently available to the Group.

(b) Relationship between the implementation of the Rights Issue and the Subscription

Shareholders should note that the issue of the Rights Issue and the Subscription are both subject to their respective approval by the Independent Shareholders. The Transactions are intended to raise (on their own or in tandem with each other) the overall funding target of HK\$660 million, and the completion of the Subscription is not conditional upon the completion of the Rights Issue, and vice versa. Accordingly, the Transactions offer (subject to the approval of the Independent Shareholders) a package that is designed to provide assured availability of funding, whilst at the same time, it provides an opportunity for the Independent Shareholders to maintain their shareholdings in the Company by participating in the Rights Issue. In other words, the Subscription is designed to underpin the availability of the above-mentioned revised funding of HK\$660 million in the event that the Rights Issue is not approved, or if approved, is not fully taken up by the Independent Shareholders, subject to the resolution in respect of the Subscription being passed at the GM.

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As advised by the Management, the Company has assessed the other financing methods as mentioned in the 2018 Proposed Rights Issue Circular (paragraph 4.3 of page 79), including debt financing and equity placement. However, commercial debt financing (even if available) will put further pressure on the already weak financial position of the Group, and an equity placement to Independent Third Parties may require a higher discount on issue price and result in more dilution for the Shareholders due to the deteriorating financial performance of the Group. Moreover, as discussed earlier, the Group's current liquidity position is relatively weak, which had interest-bearing borrowings of HK\$495 million repayable within one year or on demand with a net debt position of approximately HK\$299 million as at 31 December 2018, it would be beneficial to the Company to secure a long-term financing from the Controlling Shareholder and alleviate its repayment pressure. Having considered (i) the feedback from the Shareholders on 9 January 2019 in respect of the 2018 Proposed Rights Issue; (ii) the urgent funding needs of the Group; (iii) the lengthy negotiation process is required to seek for other financing alternatives, we concur with the view of the Board that the revised fund raising structure by way of the Rights Issue and the Subscription is the only practical and tangible funding solution presently available to the Group.

Independent Shareholders should also note that no underwriting fee is payable under the Rights Issue (an underwriting commission of 1.75% was chargeable under the 2018 Proposed Rights Issue), and no placing fee shall be payable under the LCS Subscription Agreement.

The Transactions provide a renewed opportunity for the Group to cover the Company's funding needs and to substantially improve its liquidity position. The Board noted the low level of voting participation in the 2018 Proposed Rights Issue with only approximately 2.3% of all independent shareholders eligible that had casted their votes. As the outcome of the Transaction would have significant implication to the Group's future, the Board considers that it is in the interests of both the Company and all Shareholders that the Independent Shareholders should cast their votes on the Transactions at the GM to be convened in order to achieve a broad consensus of the Independent Shareholders on the Transactions.

Accordingly, the Board is of the view that it is imperative that all the Independent Shareholders should exercise their voting rights at the GM to form a collective decision on the merits of the Transactions, irrespective of whether they wish to participate in the Rights Issue. We concur with the Board on their view.

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4. Terms of the Transactions and our analysis

Set out in the following are the principal terms of the Rights Issue and the LCS Subscription Agreement:

(a) *The Rights Issue*

(i) *Issue statistics*

Basis of the Rights Issue	:	Three (3) Rights Shares for every four (4) existing Shares (i.e. in the ratio of 0.75 Rights Share for every 1 existing Share) held on the Record Date. For example, if a Shareholder holds 7 existing Shares, this Shareholder will be entitled to receive 5 Rights Shares (based on the aforesaid ratio and rounded down to the nearest whole number)
Subscription Price	:	HK\$0.100 per Rights Share
Number of the existing Shares in issue as at the Latest Practicable Date	:	6,206,020,156 Shares
Number of Rights Shares	:	Up to 4,654,515,117 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date); or up to 4,759,215,117 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date) (i.e. 6,206,020,156 Shares plus the outstanding exercisable Share Options carrying the right to subscribe for a total number of 139,600,000 Shares as at the Latest Practicable Date)
Enlarged issued share capital upon completion of the Rights Issue	:	10,860,535,273 Shares (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue); or 11,104,835,273 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)

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<p>Maximum proceeds to be raised under the Rights Issue</p>	<p>:</p>	<p>Approximately HK\$465.5 million (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date); or</p> <p>approximately HK\$475.9 million (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date)</p>
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As at the date of the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 279,200,000 Shares at an exercise price of HK\$0.210 per Share, of which options for 139,600,000 Shares are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive) and options for 139,600,000 Shares are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 4,654,515,117 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 75.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 42.9% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 4,759,215,117 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 76.7% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 42.9% of the total number of the issued Shares as enlarged by the allotment and issue of all the Rights Shares immediately upon completion of the Rights Issue.

(ii) Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to the Controlling Shareholder for which subscription of Rights Shares will be subject to the Undertaking as set out in the section III.4. (a)(iii) in this letter, will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain 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 is no minimum amount to be raised under the Rights Issue. The legal adviser of

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the Company has confirmed that there are no statutory requirements under applicable Hong Kong law regarding minimum subscription levels in respect of the Rights Issue.

(iii) Undertaking by the Controlling Shareholder

As at the Latest Practicable Date, the Controlling Shareholder is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares. The Controlling Shareholder has irrevocably undertaken to the Company that, among others, it will accept or procure the acceptance of the Rights Shares to be provisionally allotted to it under the Rights Issue of up to a maximum of 2,011,771,860 Rights Shares (being all of the assured entitlement of the Controlling Shareholder under the Rights Issue based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the Latest Practicable Date up to and including the Record Date) provided that the total number of Rights Shares to be subscribed by the Controlling Shareholder under the Rights Issue will be scaled down to the extent that its percentage of shareholding in the Company will be the same immediately before and after the completion of the Rights Issue. Consequently, the Controlling Shareholder will not trigger a general offer obligation in accordance to the note to Rule 7.19(5)(b) of the Listing Rules and no Whitewash Waiver will be applied for.

On this basis, the number of Rights Shares to be allotted and issued to the Controlling Shareholder shall be determined by the following formula, being:

$Y = N \times (A/B)$, where

Y = the total number of the Rights Shares to be allotted and issued to the Controlling Shareholder (rounded down to the nearest whole number)

N = the total number of Rights Shares validly applied by the Shareholders (other than the Controlling Shareholder) and investors and accepted by the Company

A = the total number of Shares held by the Controlling Shareholder immediately before completion of the Rights Issue

B = the total issued Shares immediately before completion of the Rights Issue minus A

(b) Our assessment of the terms of the Rights Issue

(i) Subscription Price

The subscription price of HK\$0.100 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

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The Subscription Price represents:

- (i) a discount of approximately 3.8% to the closing price of HK\$0.104 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.0% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 13.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.115;
- (iv) a discount of approximately 13.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.115;
- (v) a discount of approximately 8.3% to the theoretical ex-rights price of approximately HK\$0.109 per Share based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 14.5% to the consolidated net asset value attributable to the Shareholders as at 31 December 2018 as extracted from the 2018 Annual Results of approximately HK\$0.117 per Share; and
- (vii) a dilution effect of approximately 5.2% to the existing Shareholders if they elect not to/cannot participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$0.109 per Share (taking into account the closing price of the Last Trading Day of HK\$0.115 per Share) and the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and excluding the Last Trading Day of approximately HK\$0.115.

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. Shareholders should note that the 2018 Proposed Rights Issue was set on terms that was less dilutive to the 2017 Open Offer in terms of discount to market price and shareholding. In order to address the concerns expressed by certain shareholders expressed in the general meeting held on 9 January 2019 in respect of the 2018 Proposed Rights Issue that was disapproved by the independent shareholders, the terms of the Rights Issue are set on terms that are less dilutive to the 2018 Proposed Rights Issue. By doing so, the Board is cognizant of the position of certain independent shareholders that whilst they appreciate the need for capitalisation of the Company, a rights issue would necessarily result in dilution in their interest. The Board therefore strived to reach a balance and to mitigate the dilution effect as far as possible.

Set out in the following table is a comparison of the terms between the 2017 Open Offer, the 2018 Proposed Rights Issue and the Rights Issue.

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Table A: Comparison of the terms of the 2017 Open Offer, the 2018 Proposed Rights Issue and the Rights Issue

Date of announcement	Maximum gross proceeds raised <i>HK\$ million</i>	Basis of entitlement (maximum dilution effect)	Discount of subscription price to closing price on the last trading day %	Discount of subscription price to theoretical ex-rights price %	Theoretical dilution effect on share price %	Underwriting commission %	Whitewash waiver application <i>Yes/No</i>
2017 Open Offer							
20 April 2017	704.0	5 for 3 (62.5%)	65.6%	41.7%	41.0%	2.0%	Yes
2018 Proposed Rights Issue							
9 November 2018	691.7	1 for 1 (50.0%)	38.4%	23.8%	19.2%	1.75%	Yes
Rights Issue							
25 January 2019	475.9	3 for 4 (42.9%)	13.0%	8.3%	5.2%	Not applicable (non-underwritten)	No

The above table demonstrates that the terms of the Rights Issue would result in reduced dilution in shareholdings for the Independent Shareholders who do not wish to take up their entitlements. The relevant discounts to the closing price to the last trading day and theoretical ex-rights price and the theoretical dilution effect on share price are being significantly reduced under the Rights Issue with the view to mitigate any loss in value of the Shares held by the non-participating Independent Shareholders.

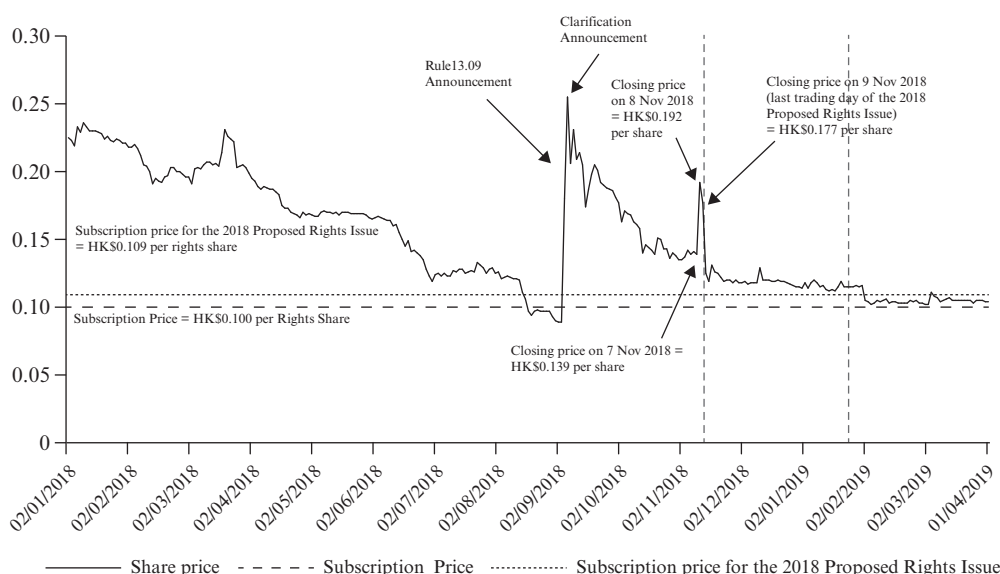
As the Rights Issue is non-underwritten, no underwriting commission is payable by the Company although by virtue of the option for increasing the principal amount of the LCS to up to HK\$660 million to cover the non-occurrence or any under-subscription of the Rights Issue, the Company would, subject to the fulfilment of the conditions of the issuance of LCS, be assured to raise the total funding intended to raise under both the Rights Issue and the Subscription.

(ii) Historical share price performance and trading volume of the Shares

In addition to the above analysis, we have also reviewed the daily closing prices of the Shares on the Stock Exchange for the period from 2 January 2018 (being approximately twelve-month period prior to the Last Trading Day, being 25 January 2019), up to and including the Latest Practicable Date (the “Review Period”). We consider that a period of approximately twelve months prior to the Latest Practicable Date, is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Subscription Price.

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Graph 1: Daily closing price of the Shares during the Review Period



Source: the website of the Stock Exchange

As shown in the graph above, the closing price of the Shares showed a general decreasing trend from January 2018 to the lowest of HK\$0.089 per Share on 31 August 2018 and then surged to HK\$0.255 per Share on 4 September 2018. As announced by the Company on 3 September 2018 (“Rule 13.09 Announcement” dated 2 September 2018), i-CABLE Telecom Limited, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with China Mobile Hong Kong Company Limited to express their intention to negotiate a binding agreement for certain commercial arrangements. Subsequent to the date of the Rule 13.09 Announcement, the closing price of the Shares surged and closed at HK\$0.255 per Share on 4 September 2018, representing an increase of approximately 186.5% from the closing price of HK\$0.089 per Share on 31 August 2018, being the last trading day prior to the Rule 13.09 Announcement. The Company issued a clarification announcement on 4 September 2018 and stated that save as to the information set out in the Rule 13.09 Announcement and certain news articles regarding the remarks by the Chairman of the Company on his view and expectation on the funding need of the Company, the Directors are not aware of any reasons for the price and trading volume movements. Following the issue of the above-mentioned clarification announcement, the closing price of the Shares gradually declined to HK\$0.139 per Share on 7 November 2018. On 8 November 2018, the closing price of the Shares increased to HK\$0.192 per Share and, on the following day (i.e. the last trading day before the announcement of the 2018 Proposed Rights Issue), decreased to HK\$0.177 per Share. Since then, the closing price of the Shares continued with an overall downward trend and fluctuated between HK\$0.112 and HK\$0.131 per Share and closed at HK\$0.115 per Share on the Last Trading Day.

Apart from the daily closing price of the Shares, we have also reviewed the average daily trading volume per month of the Shares for the period from 2 January 2018 up to and including the Last Trading Day as set out in the following Table B.

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Table B: Average daily trading volume of the Shares

Month	Number of trading day(s) during the month/period	Average daily trading volume of the Shares during the month/period	Percentage of average daily trading volume to total number of Shares in issue	Percentage of average daily trading volume to total number of Shares in issue (Note)
2018				
January	22	9,929,368	0.16%	0.28%
February	18	6,035,588	0.10%	0.17%
March	21	12,000,982	0.19%	0.34%
April	19	4,847,041	0.08%	0.14%
May	21	2,045,025	0.03%	0.06%
June	20	3,721,117	0.06%	0.11%
July	21	2,418,354	0.04%	0.07%
August	23	4,082,307	0.07%	0.12%
September	19	187,481,832	3.02%	5.32%
October	21	10,347,036	0.17%	0.29%
November	22	45,337,144	0.73%	1.29%
December	19	12,534,041	0.20%	0.36%
2019				
January (up to and including the Last Trading Day)	18	13,682,211	0.22%	0.39%

Source: the website of the Stock Exchange

Note: The calculation is based on 3,523,657,676 Shares in issue held by public Shareholders as at the end of each respective month.

As shown in the Table B above, the highest average daily trading volume to total number of Shares in issue held by public Shareholders of 5.32% appeared in September 2018, of which 4 out of 19 trading days was over 5.0% of the total number of Shares in issue held by public Shareholders and we believe that such sudden increase in trading volume was likely due to the market reaction to the publication of the Rule 13.09 Announcement on 2 September 2018 and the above-mentioned clarification announcement on 4 September 2018. The average daily trading volume to total number of Shares in issue held by public Shareholders of 1.29% in November 2018 was likely due to the market reaction to the publication of the announcement of the 2018 Proposed Rights Issue. Excluding the months of September and November 2018, the average daily trading volume of Shares in each month/period as a percentage of the total number of Shares in issue held by public Shareholders ranged from approximately 0.06% to approximately 0.39% with an average of approximately 0.21%, which indicates a relatively thin trading liquidity of the Shares.

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Given the relatively thin trading liquidity of the Shares, it would be difficult for the Shareholders to acquire the Shares in the open market without creating an upward pressure on the price of the Shares. Accordingly, and taking note of the concerns expressed by Shareholders on the perceived dilution burden in the 2018 Proposed Rights Issue, the Board considers that it is reasonable for the Subscription Price to be set at a smaller discount to the prevailing historical closing prices of the Shares (versus the discount benchmarks of the 2017 Open Offer and the 2018 Proposed Rights Issue) in order to mitigate the dilution impact on the Qualifying Shareholders, and to facilitate the Independent Shareholders to maintain or increase their shareholdings in the Company at an assured discount price to the closing price of the Shares on the Last Trading Day.

(iii) Comparison with other rights issues

We have compared the terms of the Rights Issue to other rights issues conducted by other Hong Kong publicly listed companies. We have identified an exhaustive list of 13 comparable rights issue conducted by other companies listed on the Stock Exchange (the “Comparables”) as set out in Table C below covering approximately a twelve-month period immediately before the date of the Last Trading Day (i.e. 25 January 2018 up to the Last Trading Day).

We note that none of the Comparables had the same subscription ratio as to the Rights Issue (that is, three rights shares for every four existing shares) with maximum dilution effect of 42.9%. In the interest of having sufficient number of samples with similar fund raising size and announced over a reasonable period for comparison, we have selected the Comparables based on the selection criteria of (a) rights issues announced in the last 12 months prior to the date of the Announcement and if required, approved by independent shareholders; (b) amount of gross proceeds raised of less than HK\$1 billion; and (c) dilution effects on existing shareholders of not less than 33.3% (i.e. 1 rights share for every 2 existing shares) and not more than 66.7% (i.e. 2 rights shares for every 1 existing share). We consider that the above-mentioned review period is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the date of the Announcement; and (ii) we were able to identify sufficient samples for comparison within such period. This is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues. Although the businesses, operations, financial positions and prospects of the Company may not be the same as those of the subject companies of the Comparables, the Comparables can still demonstrate the recent market practices of rights issue transactions in the market conducted by Hong Kong listed companies. Shareholders should note that we have not conducted any independent verification with regard to the businesses and operations of the subject companies of the Comparables.

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Table C: Comparison of issue statistics

Date of announcement	Company (stock code)	Principal businesses	Basis of entitlement	Premium/ (Discount) of the subscription price over/to the closing price on the last trading day (i) Approximate %	Premium/ (Discount) of the subscription price over/to the theoretical ex-rights price, based on the last trading day (ii) Approximate %	Premium/ (Discount) of the subscription price over/to the consolidated net asset value per share (iii) Approximate %	Maximum dilution on the shareholding (iv) Approximate %	Underwriting commission %
13-Nov-18	Sunway International Holdings Limited (58) (Note 3)	Manufacturing and sale of high-strength concrete piles	1 for 2	(17.7)	(12.8)	(84.2)	33.3	2.5
08-Nov-18	TSC Group Holdings Limited (206)	Oilfield engineering-related businesses	1 for 1	(6.3)	(4.3)	55.2	50.0	0.8
16-Aug-18	Chong Hing Bank Limited (1111)	Provision of banking and financial services	1 for 2	(3.0)	(1.8)	(39.7)	33.3	Non-underwritten
25-Jun-18	Hao Tian International Construction Investment Group Limited (1341)	Construction machinery related businesses	1 for 2	(29.6)	(21.9)	2.0	33.3	0
28-Jun-18	Sunway International Holdings Limited (58) (Note 3)	Manufacturing and sale of high-strength concrete piles	1 for 2	(12.2)	(8.3)	(77.2)	33.3	0
13-Jun-18	Shougang Concord Grand (Group) Limited (730)	Finance leasing businesses	1 for 2	(2.1)	(1.4)	(61.0)	33.3	3.5
08-Jun-18	IDT International Limited (167) (Note 3)	Electronic products businesses	1 for 2	(9.4)	(6.5)	122.8 (Note 2)	33.3	0
30-May-18	Champion Technology Holdings Limited (92)	Trading of cultural products	1 for 2	(43.7)	(34.1)	(48.2)	33.3	2.5
19-Apr-18	China Star Entertainment Limited (326)	Media and entertainment	2 for 1	(36.7)	(16.1)	(93.1)	66.7	0
11-Apr-18	PPS International (Holdings) Limited (8201)	Provision of environmental and cleaning services	1 for 1	(32.1)	(19.3)	(67.6)	50.0	0
08-Feb-18	Century Ginwa Retail Holdings Limited (162) (Note 3)	Store operation	1 for 1	26.7	15.2	(91.4)	50.0	5
25-Jan-18	China Agroforestry Low-Carbon Holdings Limited (1069)	Biomass fuel business	3 for 2	(29.7)	(14.8)	(35.0)	60.0	1.0 (for connected person) to 2.5
25-Jan-18	LongiTech Smart Energy Holding Limited (1281)	Primary land development and public infrastructure construction business	1 for 2	(41.5)	(32.2)	81.8	33.3	0
	Maximum (Note 4)			(46.3)	(34.1)	(93.1)	66.7	
	Minimum (Note 4)			26.7	15.2	81.8	33.3	
	Average			(18.3)	(12.2)	(38.2)	41.8	
	The Company	Communications, media and entertainment business	3 for 4	(13.0)	(8.3)	(14.5)	42.9	Non-underwritten

Source: the website of the Stock Exchange

Notes:

1. Maximum dilution on the shareholding of each of the Comparables is calculated as: ((number of rights shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares to be issued under the basis of entitlement) x

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100%), e.g. for an rights issue with basis of three (3) rights shares for every four (4) existing shares, the maximum dilution effect is calculated as $(3/(3+4) \times 100\%) = 42.9\%$.

2. The net asset value attributable to owners of the company per share of IDT International Limited (stock code: 167.HK) is excluded from our analysis as it appears to be an extreme outlier as compared to the rest of the Comparables, thus does not provide a meaningful analysis.
3. The rights issues of Sunway International Holdings Limited (stock code: 58.HK), IDT International Limited (stock code: 167.HK) and Century Ginwa Retail Holdings Limited (stock code: 162.HK) were terminated following the termination of the underwriting agreements which were mutually agreed by the respective companies and underwriters. Despite the terminations as stated above and for completeness, we have included these four samples to be the Comparables as, similar to the other Comparables under review, they were all entered into by the parties after arm's length negotiations and the subscription prices were determined based on the then prevailing market conditions.
4. Maximum represents the highest discount of subscription price to the referenced parameters in (i), (ii) and (iii) of Table C and the highest maximum dilution on the shareholding as per (iv) of Table C amongst the Comparables. Minimum represents the highest premium of subscription price over the referenced parameters in (i), (ii) and (iii) of Table C and the lowest maximum dilution on the shareholding as per (iv) of Table C amongst the Comparables.

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Based on the above table, we noted that:

- (i) the subscription prices to the closing prices on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a premium of approximately 26.7% to a discount of approximately 46.3% (the “Comparable LTD Range”), with an average discount of approximately 18.3% (the “Comparable LTD Average”). The discount of approximately 13.0% to the closing price per Share on the Last Trading Day as represented by the Subscription Price (the “LTD Discount”) is within the Comparable LTD Range and lower than the Comparable LTD Average;
- (ii) the subscription prices to the theoretical ex-rights prices per share based on the last trading day prior to the rights issue announcements of the Comparables ranged from a premium of approximately 15.2% to a discount of approximately 34.1% (the “Comparable TERP Range”), with an average discount of approximately 12.2% (the “Comparable TERP Average”). The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share (the “TERP Discount”) is approximately 8.3%, which is within the TERP Range and lower than the Comparable TERP Average; and
- (iii) the subscription prices to the consolidated net asset value (the “NAV”) per share ranged from a discount of approximately 93.1% to a premium of approximately 81.8% (the “Comparable Price-to-NAV Range”), with an average discount of approximately 38.2% (the “Comparable Price-to-NAV Average”). The Subscription Price as compared to the NAV per Share (the “Price-to-NAV Discount”) as at 31 December 2018 is at a discount of approximately 14.5%, which is within the Comparable Price-to-NAV Range and lower than the Comparable Price-to-NAV Average.

We also observed that, each of the LTD Discount, the TERP Discount and Price-to-NAV Discount under the Rights Issue is within the Comparable LTD Range, the Comparable TERP Range and the Comparable Price-to-NAV Range of the Comparables.

Furthermore, and as shown in the Table C above, the subscription prices of 12 out of 13 Comparables were priced at a discount to the respective closing prices of their shares on the last trading day prior to the release of their respective rights issue announcements. Thus, it is a common market practice that the subscription price of a rights issue normally represents a discount to the prevailing historical market prices of the relevant shares with a view to enhancing the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue.

In terms of the Comparable Price-to-NAV Range, the Comparables cover a wide range from a discount of 93.1% to a premium of 81.8%. As each of the Comparables is engaging in different businesses with their own characteristics and prospects, any comparisons drawn can only be of general reference value. In the interest of narrowing down the population and addressing the extreme outlier samples in calculating the maximum, minimum and average numbers, we have excluded IDT International Limited which was priced at the premium of 122.8%. Excluding it, the applicable discount for the Rights Issue of 14.5% is

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lower than the Comparable Price-to-NAV Average of 38.2%. Shareholders are reminded of the fact that approximately 79.6% of the Group's total assets as disclosed in the 2018 Annual Results are long-term assets such as property, plant and equipment, programming library and deferred tax assets, which are primary assets deployed by the Group's core business in Hong Kong and are fairly illiquid with limited marketability. In conclusion, we are of the view that the aforementioned discount percentage in relation to the Company's net asset value per Share is fair and reasonable.

Based on the above analyses, we consider that the Subscription Price to be within the range of the Comparables and on relatively better terms than the 2017 Open Offer and the 2018 Proposed Rights Issue and accordingly, we are of the view that the Subscription Price is fair and reasonable.

(c) *The LCS*

Set out below are the principal terms of the LCS Subscription Agreement:

- Date : 25 January 2019
- Issuer : The Company
- Subscriber : The Controlling Shareholder
- Principal amount : HK\$185 million, subject to increase to up to HK\$660 million (being: (a) in the event that the Rights Issue is approved by the Independent Shareholders but does not become unconditional or is not approved by the Independent Shareholders, the principal amount shall be HK\$660,000,000; and (b) in the event that the Rights Issue is approved by the Independent Shareholders and becomes unconditional, the principal amount shall be an amount equal to HK\$660,000,000 minus the amount of the gross proceeds from the Rights Issue (as determined by the Company), rounded up to the nearest million), but shall not in any event exceed HK\$660,000,000.
- Conversion Price : The initial Conversion Price (subject to adjustments as set out in the paragraph "Adjustments to the Conversion Price" below) shall be HK\$0.125 per Conversion Share, which represents:
- (i) a premium of approximately 25.0% over the Subscription Price;
 - (ii) a premium of approximately 20.2% over the closing price of HK\$0.104 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (iii) a premium of approximately 8.7% over the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iv) a premium of approximately 8.7% over the average closing price of approximately HK\$0.115 per Share as quoted on the Stock Exchange over the 5 consecutive trading days ending on and including the Last Trading Day;
- (v) a premium of approximately 8.7% over the average closing price of approximately HK\$0.115 per Share as quoted on the Stock Exchange over the 10 consecutive trading days ending on and including the Last Trading Day;
- (vi) a premium of approximately 14.7% over the theoretical ex-entitlement price of HK\$0.109 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 6.8% over the consolidated net asset value attributable to the Shareholders as at 31 December 2018 as extracted from the 2018 Annual Results of approximately HK\$0.117 per Share as at 31 December 2018.

Based on the initial Conversion Price, the LCS is convertible into (i) a minimum of 1,480,000,000 Conversion Shares, representing approximately 23.8% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 11.8% of the total number of issued Shares as enlarged by the issue of the Conversion Shares in full (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options and all Shareholders and Share Options holders have taken up all the entitled Rights Shares under the Rights Issue, but otherwise no other Shares are issued and no repurchase of Shares by the Company on or before the conversion of the LCS); and (ii) a maximum of 5,280,000,000 Conversion Shares, representing approximately 85.1% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 46.0% of the total number of issued Share as enlarged by the issue of the Conversion Shares in full (assuming that no further Shares will be issued or repurchased by the Company on or before the conversion of the LCS). The Conversion Price was determined based on, among others, the prevailing market prices of the Shares, the Subscription Price and the premium of the conversion price of convertible bonds with maturity of not less than five years as announced by companies listed on the Main Board of the Stock Exchange within six months prior to the Last Trading Day.

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- Adjustments to the Conversion Price : The initial Conversion Price will be subject to adjustment for share consolidations, share subdivisions, re-classification of share into other securities (upon which the Conversion Price will be adjusted proportionately such that holders would receive the number of Shares and/or such other securities which they would have been entitled to had they been converted before the re-classification), capitalisation issues, capital distributions, rights issues, and certain other market standard dilutive events, provided that there shall be no adjustment to the Conversion Price as a result of the Rights Issue. For details of adjustment mechanism of Conversion Price pursuant to the LCS Instrument, please refer to Appendix III to the Circular.
- Coupon rate/ Interest : 2.0% per annum, payable quarterly.
- Maturity date : The end of tenth (10th) year from date of the issue of the LCS. On the maturity date, all of the remaining outstanding LCS will be redeemed by the Company at 100% of the outstanding principal amount of the LCS together with any interest accrued but unpaid thereon.
- Redemption upon events of default: : Please refer to the section headed “Issue of unlisted long-term convertible securities” in the Letter from the Board for details.
- Mandatory redemption : The holder(s) of LCS will have the right at its option to require the Company to redeem all, but not some only, of such LCS on the relevant event redemption date at the Redemption Amount upon occurrence of the following:
- (A) the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 10 consecutive trading days on the Stock Exchange; or
 - (B) there is a change in control of the Company.
- Conversion : Convertible into ordinary Shares at any time during the period from the date of the issue of the LCS up to the close of business on the maturity date at an integral multiple of HK\$1 million, subject to the conversion restrictions.
- Conversion restrictions : The holder(s) of LCS may exercise a conversion right only if such conversion:
- (A) (where applicable) has been approved or consented to by the Communications Authority; and

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(B) will not cause the Company to be unable to meet the minimum public float requirement under the Listing Rules.

- Voting : The holders of the LCS shall not be entitled to receive notices of, attend or vote at any general meetings of the Company or any meetings of any class of Shares, by reason only of it being a holder of the LCS.
- Listing : The LCS will not be listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the LCS on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the LCS in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the LCS. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attached to the LCS.
- Transferability : The LCS is transferable to other Independent Third Parties except that the transfer shall not result in the Company being obliged to comply with the obligations prescribed under the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to issue of prospectus or initial public offering of securities or (where applicable) a grant by the Communications Authority of the requisite notice of waiver(s) as a result of such transfer of LCS has not been obtained.
- Ranking of the Conversion Shares : The Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Conversion Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of conversion of the Conversion Shares on the Company's register of members (after issue of the Conversion Shares upon conversion of the LCS) respectively and shall accordingly entitle the holders thereof to participate in full in all future dividends or other distributions the record date for which falls on a date on or after the relevant conversion date.

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(d) Our assessment of the terms of the LCS Subscription Agreement

As stated in the Letter from the Board, the terms of the LCS Subscription Agreement were determined with reference to the other convertible bonds with maturity of not less than five years as announced by companies listed on the Main Board of the Stock Exchange within six months prior to the Last Trading Day. In assessing terms of the LCS Subscription Agreement, we have compared the terms of the LCS with a number of the long-term (that is, 5 years and longer) convertible securities issued by companies listed on the Main Board of the Stock Exchange, which have raised funding in convertible securities with principal amounts equal to or less than HK\$1,000.0 million in aggregate during the twelve-month period immediately before the date of the Last Trading Day (i.e. 25 January 2018 up to the Last Trading Day) (“CS Comparables”). Similar to the LCS, the CS Comparables are all unlisted, carrying no voting rights before conversion and are unsecured on the assets of the relevant issuers.

We have identified an exhaustive list of 12 CS Comparables using these selection parameters which are set out in Table D below.

Table D: List of CS Comparables

	Date of announcement	Company (stock code)	Market capitalisation as at Latest Practicable Date HK\$'million	Principal amount HK\$'million	Coupon rate % p.a.	Redemption value	Tenor Years	Conversion premium/ (discount) over/(to) the closing price before date of announcement %	Net profit/(loss) attributable to the shareholders in the last three financial years 2017/18 HK\$'million	2016/17 HK\$'million	2015/16 HK\$'million
1	11-Jan-19	TUS International Limited (872)	1,336.4	89.9	0.0%	At par	6	(14.3)%	(75.3)	(30.6)	(144.7)
2	21-Dec-18	Hospital Corporation of China Limited (3869)	1,918.1	800.0	6.0%	At premium	5	13.1%	(15.6)	27.4	57.9
3	13-Dec-18	Concord New Energy Group Limited (182)	3,405.1	235.5	2% for 3 years, 5% thereafter	At premium	5	63.9%, 80.3%, 96.7% respectively for 3 tranches	227.3	520.2	463.7
4	12-Dec-18	China Oceanwide Holdings Limited (715)	6,699.2	600.0	6.0%	At par	5	86.8%	70.4	136.2	122.5
5	26-Oct-18	Huajun International Group Limited (377)	669.8	1,000.0	1.5%	At par	5	100.0%	(1,058.0)	25.8	30.8
6	21-Sep-18	Huajun International Group Limited (377)	669.8	205.2	1.5%	At par	5	72.7%	(1,058.0)	25.8	30.8
7	18-Sep-18	Sunshine 100 China Holdings Ltd (2608)	3,969.9	750.0	4.8%	At par	5	18.7%	673.9	221.6	683.0
8	16-Sep-18	LVGEM (China) Real Estate Investment Company Limited (95)	11,120.0	392.5	5.0%	At premium	5	29.8%	1,176.6	911.7	474.8
9	19-Jul-18	Ko Yo Chemical (Group) Limited (827)	846.7	270.0	4.0%	At par	5	(21.2)%	(516.3)	(462.7)	(120.1)
10	29-May-18	Hospital Corporation of China Limited (3869)	1,918.1	773.9	0.0%	At par	5	(0.5)%	(15.6)	27.4	57.9
11	25-Apr-18	South Sea Petroleum Holdings Limited (76)	334.4	600.0	0.0%	At par	10	25.0%	(54.2)	(247.5)	(60.2)
12	17-Apr-18	TUS International Limited (872)	1,336.4	53.7	0.0%	At par	5	(12.0)%	(75.3)	(30.6)	(144.7)
25-Jan-19		The Company	645.4	660.0	2.0%	At par	10	8.7%	(362.8)	(312.8)	(233.1)
		Maximum	11,120.0	1,000.0	6.0%		10	100.0%			
		Minimum	334.4	53.7	0.0%		5	(20.0)%			
		Average	2,852.0	480.9	2.6%			30.0%			

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Based on Table D, we note that the coupon rate of the CS Comparables ranged from nil to 6.0% per annum with an average of approximately 2.6% per annum. The coupon rate of the LCS, being 2.0% per annum, falls within the range of the coupon rate of the CS Comparables and is lower than the average coupon rate of the CS Comparables. In connection with the premium/(discount) over/to the closing price per share before the announcement of the issues, we note a range from a discount of 20.0% to a premium of 100.0%, with an average of premium of approximately 30.0%. The conversion premium of the LCS, being 8.7%, also falls within the range of the CS Comparables and is lower than the average conversion premium of the CS Comparables. In terms of the maturity of the CS Comparables, we note that only South Sea Petroleum Holdings Limited (“SSPL”) has a tenor of 10 years. Having regard to the decade long loss-making history of the Company, it is uncertain as when for it to return to profitability. Overall, and based on the information in Table D, the above analysis illustrates that the Conversion Price and the tenor of the LCS fall within the range of issue statistics of the CS Comparables.

We have also observed that for the CS Comparables that were priced with a conversion premium, they tend to be companies that returned a profitable track record for each of the last three years. For those issues with a prolonged track record of losses, their conversion prices were priced at their respective discount to the relevant closing price per share before the announcement of the issues.

Given that the Company has been loss making for years, we therefore consider it more appropriate to compare the LCS with the issuers with a prolonged history of losses comprising the issues that are numbered 1, 9, 11 and 12 set out in Table D above, which are set out below in Table E for easy reference:

Table E: List of CS Comparables with loss-making

#	Date of announcement	Company (stock code)	Market capitalisation as at Latest Practicable Date HK\$ million	Principal amount HK\$ million	Coupon rate % p.a.	Redemption value	Tenor Years	Conversion premium/ (discount) over/(to) the closing price before date of announcement %	Net profit/(loss) attributable to the shareholders in the last three financial years		
									2017/18 HK\$ million	2016/17 HK\$ million	2015/16 HK\$ million
1	11-Jan-19	TUS International Limited (872)	1,336.4	89.9	0.0%	At par	6	(14.3)%	(75.3)	(30.6)	(144.7)
9	19-Jul-18	Ko Yo Chemical (Group) Limited (827)	846.7	270.0	4.0%	At par	5	(21.2)%	(516.3)	(462.7)	(120.1)
11	25-Apr-18	South Sea Petroleum Holdings Limited (76)	334.4	600.0	0.0%	At par	10	25.0%	(54.2)	(247.5)	(60.2)
12	17-Apr-18	TUS International Limited (872)	1,336.4	53.7	0.0%	At par	5	(12.0)%	(75.3)	(30.6)	(144.7)

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Of the above, we note that with the exception of SSPL, the respective conversion price of the other three issues were all set at the respective discount to the relevant closing price per share prior to the date of announcement, with an interest rate of 4.0% for Ko Yo Chemical (Group) Limited and zero coupon for the other three issues.

For SSPL which has the smallest current capitalisation of approximately HK\$334.4 million, the issue was priced at a conversion premium of 25.0% to the closing price per share prior to the date of announcement. SSPL is engaged in the production and trading of minerals, primarily graphite and the proceeds of the issue is to upgrade the company's graphite production line in Madagascar. The entire issue is taken up by an investor in mineral exploration. In the SSPL issue, there was a restriction on conversion to the effect that none of the convertible securities holders shall be allowed to own 5.0% of the shares of the company from time to time under any circumstances.

In view of (a) SSPL's unique conversion restriction feature which is not comparable to other issues in the CS Comparables, (b) it has the smallest market capitalisation of all the companies of the issues under review, and (c) the principal amount of its convertible issue (of HK\$600.0 million) is significant higher than its market capitalisation, we consider that the SSPL issue is not suitable for our comparative analysis.

In summary, we note that the LCS has the conversion price which represents a premium over the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, while the conversion price of all the other three comparables with a prolonged loss-making record represented a discount to the respective closing price per share before the announcement of the issues, we consider that the Conversion Price to be more favourable to the Company as compared to those offered by the other three comparables, which is in the interests of the Company and the Shareholders as a whole.

Having considered (i) the terms of the LCS fall within the range of the CS Comparables and are in line with the recent market practice; (ii) the deteriorating financial position and financing needs of the Group as discussed earlier; and (iii) the Conversion Price appears to be more favourable to the Company as it represents a premium rather than a discount as in the case of the other three peer comparables as explained above, we are of the view that the terms of the LCS Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

5. Use of Proceeds under the Loan and the Rights Issue and/or the Subscription

As stated in the Letter from the Board, the Loan in the principal amount of up to HK\$200.0 million will be used by the Company for its general working capital requirements including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses.

The estimated maximum net proceeds from the Rights Issue and the Subscription (after deducting the expenses) are approximately HK\$652.0 million. With the aforesaid net proceeds taken into account, the Company will have sufficient working capital in the next 12 months and the Company intends to apply the net proceeds from the Rights Issue and the Subscription as to:

- (i) the full repayment of the outstanding balance of the Loan, including the interest thereon, owed by the Company to the Controlling Shareholder. The net proceeds from the Rights Issue and the Subscription will be firstly applied towards the full repayment of the outstanding balance, including the interest thereon, of the Loan.
- (ii) approximately HK\$140.0 million for investments in capital expenditure including but not limited to the following in the 18 months following the completion of the Rights Issue and the Subscription:
 - Enhancement of network infrastructure amounting to approximately HK\$41.0 million;
 - Upgrade broadcasting equipment amounting to approximately HK\$20.0 million;
 - Upgrade converters and modems amounting to approximately HK\$36.0 million; and
 - Leasehold improvement, furniture and fixture, and office equipment amounting to approximately HK\$43.0 million.

We understand from the Management that the above-mentioned capital expenditure requirements are necessary in order to (a) enhance the Group's overall competitiveness in the market; (b) improve the network infrastructure/upgrade converters and modems as customers are constantly demanding for better quality and higher-speed internet services, which would in turn enable subscribers to enjoy more stable and faster internet access and the infrastructure upgrade can also enhance content viewing features and would help facilitating the acquisition and retention of television subscription customers; and (c) upgrade broadcasting equipment, which would lead to an improvement in the video and transmission quality of television programmes and the viewing experience of customers and general enhancement of the appeal of the Group's service offerings in the market.

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(iii) approximately HK\$350.0 million for acquisition of programmes from Independent Third Parties and programme production including but not limited to the following in the 18 months following the completion of the Rights Issue and the Subscription:

- Acquired channels (including channels committed amounting to approximately HK\$148.0 million and new or other channels yet to be committed amounting to approximately HK\$13.0 million);
- Live programmes, movies and dramas, and other entertainment programs amounting to approximately HK\$100.0 million; and
- Self-produced programmes amounting to approximately HK\$89.0 million.

The Group intends to acquire rights for channels and/or programmes and produce programmes for broadcasting on the Group's pay television channels and providing the domestic free television programme service (as respectively required under the Pay TV Licence and the Free TV Licence) from time to time. The programming content includes news, finance, sports, lifestyle, documentary, children, movies, dramas and general entertainment. It is expected that payment for the committed acquired channel will be amounting to approximately HK\$75.0 million during the first 6 months after the completion of the Rights Issue and the Subscription and approximately HK\$73.0 million will be paid between the 7 to 12 months the after completion of the Rights Issue and the Subscription.

Save as certain programming commitments, mainly acquired channels, the Company has not yet identified any other acquisition or investment opportunities regarding the acquisition of programmes from Independent Third Parties. Despite the Group had yet to identify any acquisition or investment opportunities regarding the acquisition of programmes, to continue to update the Group's program library, sourcing for new programmes have been on-going on a continuing basis, with sufficient funding on hand, the Group will be able to commit to ideal programmes once they are identified. Acquired channels committed by the Group included a variety of the programmes such as world-class sports, entertainment, lifestyle and news contents.

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Set out below are the investment requirements under the television licences of the Group:

Pay TV Licence

Upon acceptance of the renewal of the Pay TV Licence of HKCTV for the period of 12 years from 1 June 2017 to 31 May 2029, HKCTV will be subject to a commitment of a six-year investment plan of HK\$3,447 million from 2017 to 2023, comprising HK\$251 million of capital investment and HK\$3,196 million of programming investment in content including in-house channels containing self-produced or acquired programs as well as in acquired channels.

Free TV Licence

In accordance with the terms of the Free TV Licence, FTV has issued a performance bond in favour of the Hong Kong Government in the sum of HK\$20 million. Under the terms of the performance bond, unless the Communications Authority otherwise approves or determines:

- within 18 months from the commencement date of the Free TV Licence (being 31 May 2016) (the “Free TV Commencement Date”), FTV shall incur not less than HK\$168 million as the capital and programming expenditure for providing the domestic free television programme service;
 - within 30 months from the Free TV Commencement Date, FTV shall incur not less than HK\$336 million as the cumulative capital and programming expenditure for providing the domestic free television programme service; and
 - within 42 months from the Free TV Commencement Date, FTV shall incur not less than HK\$504 million as the cumulative capital and programming expenditure for providing the domestic free television programme service.
- (iv) up to HK\$162.0 million for general working capital including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses, for the Group in the 12 months following the completion of the Rights Issue and the Subscription.

As stated in the Letter from the Board, in the event that the proceeds from the Rights Issue and the Subscription are reduced by the repayment of the outstanding balance, including the interest thereon, of the Loan as described in paragraph (i) above, the remaining balance of the aforesaid proceeds to be applied to the three proposed usages mentioned above (i.e. capital expenditure, acquisition of programmes and general working capital) will be reduced proportionately.

We have reviewed the working capital forecast of the Group prepared by the Management for the period covering at least 12 months from the Latest Practicable Date, and discussed the said forecast and its underlying bases and assumptions with the Management. We note that in preparation of the Group’s working capital forecast, the Management has taken into account, amongst other items (i) the schedule of repayment of the Group’s existing debt in the next twelve months; (ii) the operation needs of the Group in the next twelve months; (iii) the recent strategic plan of the Group to invest in television and network related businesses; and (iv) the current level of cash and bank balances. We further understand that the Group can only satisfy the aforementioned

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funding needs in the next 12 months after taking into account the combined net proceeds from the Rights Issue and the Subscription. We have also discussed with the Management and understand that the proposed use of proceeds is in line with the investment requirements under the television licences rights secured by the Group as described above.

Having regard to the Group's commitment to investment requirements under its television licences and the ongoing working capital requirements for the Group's operations, we concur with the view of the Board that the intended use of proceeds as outlined above is fair and reasonable and would serve the interests of the Company as well as the Shareholders as a whole.

6. Procedures in respect of Rights Shares not subscribed and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent places for the benefit of 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.

The Company therefore appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Bookrunner will on a best effort basis, procure, by not later than 6:00 p.m., on Thursday, 30 May 2019, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- A. where the nil-paid rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (C) below);
- B. where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (C) below);
- C. if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

The Company and the Bookrunner have entered into the Placing Agreement, setting out the key terms as summarised below of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares:

Date : 8 April 2019

Bookrunner : China Galaxy International Securities (Hong Kong) Co., Limited was appointed as a bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.

The Bookrunner confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company.

Fees and expenses : The higher of HK\$200,000 or 1.75% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and reimbursed for the expenses in relation to the placing (including but not limited to legal expenses, roadshows expenses, marketing expenses and traveling expenses for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by the Bookrunner to the Company at completion.

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- Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be) : The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be) shall be at least equal to the total of:
- (a) the Subscription Price; and
 - (b) the estimated expenses per Unsubscribed Rights Share and/or NQS Unsold Rights Share (as the case may be)
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties.
- Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares then in issue.
- Condition precedent : The completion of the Placing Agreement is conditional upon the fulfillment of all the conditions precedent of the Rights Issue.
- Completion : Subject to the fulfillment of the condition precedent set out above on or before 31 December 2019, completion shall take place on the date of allotment and issue of Rights Shares or such later date as may be mutually agreed by the Bookrunner and the Company.

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Termination : The engagement of the Bookrunner may be terminated by mutual written agreement of the Company and the Bookrunner in case of force majeure resulting in the Company and the Bookrunner being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Bookrunner's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Bookrunner, may make it inadvisable to continue the engagement or, where applicable, may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant governmental bodies and/or regulatory authorities, the Bookrunner shall have the right to terminate the engagement by written notice to the Company with immediate effect. In such event, the Bookrunner has the right to collect no more than HK\$200,000 from the Company. In addition, the Company will proceed with the Rights Issue only if comparable Compensatory Arrangements can be secured with another placing agent that will be made available to the No Action Shareholders and the Non-Qualifying Shareholders.

The engagement between the Company and the Bookrunner for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Bookrunner and the Company and the placing fee charged is the same as the placing fee in the placing agreement under the 2018 Proposed Rights Issue. We have performed a research on non-underwritten share placing transaction precedents conducted by other companies listed on the Main Board of the Stock Exchange as published on the Stock Exchange website since 25 July 2018 up to the date of the Announcement and we identified a total of 30 precedents during this period. We note that the placing commission rate of these transaction precedents ranged from 0.45% to 3.50% with an average of approximately 1.93%, and that it is a normal practice that a placing agent to charge a fixed retainer to cover the minimum costs incurred for placing. As the fee charged by the Bookrunner of 1.75% is within the placing commission range of the said transaction precedents and is lower than the above-mentioned average placing commission of approximately 1.93%, and the minimum fixed fee of HK\$200,000 is comparable to the other placing case with a minimum fixed charge, we concur with the view of the Directors that the expenses are typical and ordinary in the marketing of securities and the terms of the Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms, and the placing fee is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event the Placing Agreement is terminated by the Bookrunner, the Company will proceed with the Rights Issue only when arrangements that are comparable to the Compensatory Arrangements can be secured with another placing agent that will be made available to the No Action Shareholders and the Non-Qualifying Shareholders. On this basis, we consider that the Company has sufficient measures in place to ensure the provision of the Compensatory Arrangements to the No Action Shareholders and the Non-Qualifying Shareholders.

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We consider the terms of the Placing Agreement with the Bookrunner is consistent with market practice, and in particular the fees and expenses payable to the Bookrunner is comparable to those under a non-underwritten placing for publicly listed securities in Hong Kong. We also consider that the aforementioned arrangements governing the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares complies with the spirit of Rule 7.21(1) of the Listing Rules. Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders, we are of the view that the Compensatory Arrangements are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and are intended to protect the interest of the Independent Shareholders.

7. Effect of the Rights Issue and the Subscription on the shareholding interests of the existing public Shareholders

(a) Assuming no exercise of the exercisable Share Options on or before the Record Date

Set out below in Table F are the shareholding of the Company as at the Latest Practicable Date and as a result of sequential completions of each of the following events: (i) the Rights Issue (assuming all or none of the Shareholders to take up their respective the Rights Shares entitlements); and (ii) upon conversion of the LCS in full (pursuant to which the principal amount of the LCS is dependent on the acceptance level of the Rights Issue by the Shareholders).

Table F: Assuming no exercise of the exercisable Share Options

	(A)		(B)		(C)		(D)		(E)	
	As at the Latest Practicable Date		Assuming all the Shareholders have taken up all the entitled Rights Shares and before any conversion of the LCS		Assuming none of the Shareholders has taken up any entitled Rights Shares and before any conversion of the LCS (Note)		Assuming all Shareholders have taken up all entitled Rights Shares and the LCS are converted in full		Assuming none of the Shareholders have taken up any entitled Rights Shares and the LCS are converted in full (Note)	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Controlling Shareholder										
Forever Top (Asia) Limited	2,682,362,480	43.2	4,694,134,340	43.2	2,682,362,480	43.2	6,254,134,340	50.4	7,962,362,480	69.3
Public										
Other public Shareholders	3,523,657,676	56.8	6,166,400,933	56.8	3,523,657,676	56.8	6,166,400,933	49.6	3,523,657,676	30.7
Total	<u>6,206,020,156</u>	<u>100.0</u>	<u>10,860,535,273</u>	<u>100.0</u>	<u>6,206,020,156</u>	<u>100.0</u>	<u>12,420,535,273</u>	<u>100.0</u>	<u>11,486,020,156</u>	<u>100.0</u>
Dilution impact on the Independent Shareholders (based on column (A))				0.0		0.0		7.2		26.1

Note: In the event that the Rights Issue does not proceed, the shareholding structure impact to the Company caused by the Subscription shall be the same as if none of the Shareholders have taken up any entitled Rights Shares prior to or after the LCS are converted in full.

(b) Assuming full exercise of the exercisable Share Options on or before the Record Date

Set out below in Table G are the shareholding of the Company as at the Latest Practicable Date and as a result of sequential completions of each of the following events: (i) full exercise of exercisable Share Options on or before the Record Date; (ii) the Rights Issue (assuming all or none of the Shareholders to take up their respective the Rights Shares entitlements); and (iii) upon conversion of the LCS in full (pursuant to which the principal amount of the LCS is dependent on the acceptance level of the Rights Issue by the Shareholders).

Table G: Assuming full exercise of the exercisable Share Options

	(A)	(B)	(C)	(D)	(E)	(F)
	As at the Latest Practicable Date	Assuming full exercise of exercisable Share Options on or before the Record Date	Assuming all the Shareholders and Share Options holders have taken up all the entitled Rights Shares and before any conversion of the LCS	Assuming none of the Shareholders and Share Options holders have taken up any entitled Rights Shares and before any conversion of the LCS (Note 1)	Assuming all the Shareholders and Share Options holders have taken up all the entitled Rights Shares and the LCS are converted in full	Assuming none of the Shareholders and Share Options holders have taken up any entitled Rights Shares and the LCS are converted in full (Note 1)
	Number of issued Shares	Number of issued Shares	Number of issued Shares	Number of issued Shares	Number of issued Shares	Number of issued Shares
	%	%	%	%	%	%
Controlling Shareholder						
Forever Top (Asia) Limited	2,682,362,480	2,682,362,480	42.3	2,682,362,480	42.3	2,682,362,480
Share Option holders						
— Tan Sri Dato' David Chiu	—	31,000,000	0.5	31,000,000	0.5	31,000,000
— Dr. Cheng Kar-Shun, Henry	—	31,000,000	0.5	31,000,000	0.5	31,000,000
— Mr. Andrew Wah Wai Chiu	—	17,750,000	0.3	17,750,000	0.3	17,750,000
— Dr. Cheng Chi-Kong, Adrian	—	10,000,000	0.2	10,000,000	0.2	10,000,000
— Mr. Tang On Yip, Patrick	—	13,125,000	0.2	13,125,000	0.2	13,125,000
— Mr. Hoong Cheong Thard	—	13,125,000	0.2	13,125,000	0.2	13,125,000
Public						
Other Share Option holders	—	23,600,000	0.4	23,600,000	0.4	23,600,000
Other public Shareholders	3,523,657,676	3,523,657,676	55.5	3,523,657,676	55.5	3,523,657,676
Total	6,206,020,156	6,345,620,156	100.0	6,345,620,156	100.0	11,625,620,156
Dilution impact on the Independent Shareholders (based on column (B))			0.0		0.0	
					6.6	25.4

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Notes:

1. In the event that the Rights Issue does not proceed, the shareholding structure impact to the Company caused by the Subscription shall be the same as if none of the Shareholders and the Share Options holders have taken up any entitled Rights Shares prior to or after the LCS are converted in full.
2. The sum of the shareholding percentages of the Shareholders and the Share Options holders in the table above may not add up to 100.0% due to rounding adjustments.

Set out below in Table H are the shareholding of the Company as at the Latest Practicable Date and the effect on the shareholding of the Company assuming full exercise of the exercisable Share Options, the Rights Issue is not implemented and the maximum LCS issuable are converted in full.

Table H: Assuming full exercise of the exercisable Share Options, the LCS are converted in full and the Rights Issue is not implemented

	(A) Assuming full exercise of exercisable Share Options on or before the Record Date <i>Number of issued Shares</i>		(B) Assuming the Rights Issue is not implemented and the maximum LCS issuable are converted in full <i>Number of issued Shares</i>	
		%		%
Controlling Shareholder				
Forever Top (Asia) Limited	2,682,362,480		2,682,362,480	
— Through conversion of the LCS	—		5,280,000,000	
Share Option holders				
— Tan Sri Dato' David Chiu	31,000,000		31,000,000	
— Dr. Cheng Kar-Shun, Henry	31,000,000		31,000,000	
— Mr. Andrew Wah Wai Chiu	17,750,000		17,750,000	
— Dr. Cheng Chi-Kong, Adrian	10,000,000		10,000,000	
— Mr. Tsang On Yip, Patrick	13,125,000		13,125,000	
— Mr. Hoong Cheong Thard	13,125,000		13,125,000	
	2,798,362,480	44.1	8,078,362,480	69.5
Public				
Other Share Option holders	23,600,000		23,600,000	
Other public Shareholders	3,523,657,676		3,523,657,676	
	3,547,257,676	55.9	3,547,257,676	30.5
	6,345,620,156	100.0	11,625,620,156	100.0
Dilution impact on the Independent Shareholders (based on column (A))				25.4

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In terms of the Rights Issue, the Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). 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.

In assessing the above-mentioned potential dilution effects, we consider that they should be considered in conjunction with the following factors:

- (i) Independent Shareholders are given the chances to express their views on the terms of the Rights Issue through their votes at the GM;
- (ii) Qualifying Shareholders have the choice of whether to accept the Rights Issue or not;
- (iii) Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- (iv) the Rights Issue offers the Qualifying Shareholders a chance 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 and prevailing market prices of the Shares;
- (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue albeit as shown under column (D) of Table F above, the overall shareholding of the public Shareholders would be reduced from 56.8% to 49.6% when the LCS are converted in full;
- (vi) those No Action Shareholders and the Non-Qualifying Shareholders can enjoy the Net Gain (if any) realised from the Compensatory Arrangements; and
- (vii) the maximum dilution effect under the Transactions is less than that of the 2018 Proposed Rights Issue and the 2017 Open Offer.

As discussed earlier in this letter, the Rights Issue, together with the LCS, form an integral financing solution to capitalise the Company which is critically and urgently in need of long-term funding. As such, the Board considers them to be the only practical and tangible financing solution available to the Company, and their implementation would be critical for the future of the Company, and as pointed out in the 2018 Annual Results, their implementation forms part of the Directors' decision to prepare the consolidated financial statements of the Group on a going concern basis. In arriving at the terms of the Transactions, the Board has also taken on board the concerns over dilution as expressed by certain Shareholders.

As typically in all rights issues that are priced at a discount to their respective market prices, shareholders who do not participate would be affected by dilution, either in terms of the value of their shareholding or their shareholding percentage in the issuer concerned. Under the Transactions and as calculated in far right columns of Table F, G and H above, the respective maximum dilution effects (based on the

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potential decrease in the resultant shareholding of the Independent Shareholders) are approximately 26.1%, 25.4% and 25.4%, all assuming that none of the Independent Shareholders would take up any entitled Rights Shares or that the Right Issue is not implemented. These maximum dilution impacts are lower than the maximum dilution effects under the 2017 Open Offer of 44.9% and the 2018 Proposed Rights Issue of 28.4% as disclosed in the circular of the Company dated 12 May 2017 and the 2018 Proposed Rights Issue Circular, respectively. To address this, the Company has sought to provide all practical protective measures to mitigate the above-mentioned dilution effects, including (a) a lower rights issue subscription ratio (compared with the 2017 Open Offer and the 2018 Proposed Rights Issue), (b) a subscription price that was pitched at a moderate discount to the closing price of the Shares on the Last Trading Day, and (c) the implementation of the Compensatory Arrangements.

Taking the above into account, we are of the view that the level of potential dilution effects under the Transactions is acceptable.

8. Possible financial effects of the Transactions

(a) Assuming no exercise of the exercisable Share Options on or before the Record Date, all the Shareholders have taken up all the entitled Rights Shares and HK\$195.0 million of the LCS is issued but before any conversion

(i) Effect on net tangible assets

Details of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “Pro Forma Statement”) are set out in Appendix II to the Circular. As at 31 December 2018, the consolidated net tangible assets per Share was approximately HK\$0.091 per Share, which is calculated based on the total audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2018 of approximately HK\$567.8 million divided by the total number of 6,206,020,156 issued Shares.

The LCS is separated into the liability component and the equity component on initial recognition according to HKAS 32 “Financial Instruments — Presentation” and HKFRS 9 “Financial Instruments”. According to the Pro Forma Statement, the liability component amounting to approximately HK\$124.6 million is based on the valuation performed by an independent professional valuer as if the issue of the LCS had taken place on 31 December 2018. The equity component of approximately HK\$70.4 million arising from the embedded option to convert the liability into equity of the Company is calculated by deducting the liability component from the fair value of the whole LCS.

Upon the completion of the Transactions, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “Adjusted NTAV”) would become approximately HK\$1,095.6 million, representing an increase of 93.0%, and the Adjusted NTAV per Share would be HK\$0.101 (based on the above-mentioned Adjusted NTAV of approximately HK\$1,095.6 million divided by the total number of 10,860,535,273 issued Shares as enlarged by the issue of 4,654,515,117 Rights Shares), representing an increase of 11.0% from the consolidated net tangible assets per Share of HK\$0.091 per Share prior to the Rights Issue.

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On the other hand, it is expected that the net tangible assets of the Company would be increased further upon conversion of the LCS by the holders into Conversion Shares as a result of the decrease in liabilities and increase in equity.

(ii) Effect on liquidity and working capital

The current ratio (being current assets divided by current liabilities) of the Group was approximately 36.7% as at 31 December 2018. The estimated net proceeds from the Transactions are expected to increase both the cash and bank balances and total liabilities of the Group. Given that certain portions of the LCS would be classified as non-current liabilities and allocated to the equity component of the LCS, it is expected that the current ratio of the Group would be increased. As such, the working capital position of the Group would be improved upon completion of the Transactions.

(iii) Effect on gearing ratio

The gearing ratio of the Group was approximately 68.4% as at 31 December 2018. Upon completion of the Transactions, it is expected that the interest-bearing borrowings of the Group would be increased by the liability component of the LCS of approximately HK\$124.6 million and the consolidated net assets of the Group attributable to the owners of the Company would be increased to approximately HK\$1,251.4 million. Accordingly, the gearing ratio (being total interest-bearing borrowings divided by net assets) of the Group would be decreased to 49.5% upon completion of the Transactions, and the Group is expected to turn its net debt position into net cash position.

(b) Assuming no exercise of the exercisable Share Options on or before the Record Date, none of the Shareholders has taken up any entitled Rights Shares and HK\$660.0 million of the LCS is issued but before any conversion

(i) Effect on net tangible assets

According to the Pro Forma Statement, as at 31 December 2018, the consolidated net tangible assets per Share was approximately HK\$0.091 per Share, which is calculated based on the total audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2018 of approximately HK\$567.8 million divided by the total number of 6,206,020,156 issued Shares.

The LCS is separated into the liability component and the equity component as mentioned in the section 8. (a)(i) above. The liability component based on the valuation performed by an independent professional valuer as if the issue of the LCS had taken place on 31 December 2018 would be approximately HK\$421.8 million. The equity component would be approximately HK\$238.2 million. The unaudited pro forma adjusted consolidated net tangible assets would be approximately HK\$806.0 million. The unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.130 and is arrived on the basis that 6,206,020,156 Shares were in issue assuming no Rights Shares are issued on 31 December 2018.

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On the other hand, it is expected that the net tangible assets of the Company would be increased further upon conversion of the LCS by the holders into Conversion Shares as a result of the decrease in liabilities and increase in equity.

(ii) Effect on liquidity and working capital

The current ratio of the Group was approximately 36.7% as at 31 December 2018. The estimated net proceeds from the Subscription are expected to increase both the cash and bank balances and total liabilities of the Group. Given that certain portions of the LCS would be classified as non-current liabilities, it is expected that the current ratio of the Group would be increased. As such, the working capital position of the Group would be improved upon completion of the Transactions.

(iii) Effect on gearing ratio

The gearing ratio of the Group was approximately 68.4% as at 31 December 2018. Upon completion of the Transactions, it is expected that the interest-bearing borrowings of the Group would be increased by the liability component of the LCS of approximately HK\$421.8 million and the consolidated net assets of the Group attributable to the owners of the Company would be increased to approximately HK\$961.7 million. Accordingly, the gearing ratio of the Group would be increased to 95.3% upon completion of the Transactions, and the Group is expected to reduce its net debt position.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon completion of the Transactions.

In assessing the overall possible financial effects as explained above, we have considered the benefits of the Transactions, including the expected enhancement to the net tangible assets position, the improvement in liquidity and working capital position, the potential improvement in gearing position upon completion of the Rights Issue, and the assurance of the necessary funding that is crucial for the continuing development of the Group's business. We conclude that the above-mentioned benefits to be compatible with the overall interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. OUR ADVICE

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Rights Issue and the LCS Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue and the Subscription are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the GM to approve the Rights Issue and the Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

In making this recommendation, we also note that the outcome of the Transactions would have significant implication to the Group's future, we therefore encourage that all the Independent Shareholders should exercise their voting rights at the GM to form a collective decision on the merits of the Transactions, irrespective of whether or not they wish to participate in the Rights Issue.

Yours faithfully,
For and on behalf of
Able Capital Partners Limited
Ambrose Lam
Director

Mr. Ambrose Lam is a licensed person registered with the SFC and a responsible officer of Able Capital Partners Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong). He has over 30 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND FOR EACH OF THE FOUR YEARS ENDED 31 DECEMBER 2015, 2016, 2017 AND 2018

Financial information of the Group for the six months ended 30 June 2018 and for each of the four years ended 31 December 2015, 2016, 2017 and 2018 is set out in the following documents which are also available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.i-cablecomm.com>):

- (i) pages 13 to 29 of the final results announcement for the year ended 31 December 2018 of the Company published on 29 March 2019
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0329/LTN20190329689.pdf>)
- (ii) pages 18 to 44 of the interim report for the six months ended 30 June 2018 of the Company published on 13 September 2018
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0913/LTN20180913469.pdf>)
- (iii) pages 57 to 123 of the annual report for the year ended 31 December 2017 of the Company published on 19 April 2018
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0419/LTN201804191333.pdf>)
- (iv) pages 40 to 91 of the annual report for the year ended 31 December 2016 of the Company published on 22 March 2017
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0322/LTN20170322225.pdf>)
- (v) pages 35 to 83 of the annual report for the year ended 31 December 2015 of the Company published on 22 March 2016
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0322/LTN20160322178.pdf>)

2. BUSINESS TREND AND TRADING AND FINANCIAL PROSPECT

Throughout the year ended 31 December 2017 to 31 December 2018, the Company has been continued to be presented with a considerably uncertain operating environment. On the subscription business front, the customer base contracted in earlier months of 2018 as compared to 2017. Number of subscribers has demonstrated improvement following the introduction of new contents and channels during the year. The Group had also experienced a decline of Pay TV advertising revenue which was mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media. The decline of Pay TV advertising revenue was offset by the increase in free television advertising revenue as the business started ramping up. TV segment EBITDA increased from a loss of approximately HK\$270 million in 2017 to a loss of approximately HK\$302 million in 2018 due to a decrease in revenue and the start-up costs associated with introduction of free TV channel, while the internet and multimedia segment EBITDA remained at approximately HK\$117 million for both 2018 and 2017.

The Group had been in a state of loss-making in the recent years. Since Forever Top (Asia) Limited became the Controlling Shareholder in 2017 as a result of being the underwriter of the 2017 Open Offer, the Company has been focusing on formulating an organisational restructuring which included, among other things, (i) cost saving initiative, including a reduction of workforce of over 100 employees in March 2019; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability, as well as the financial performance of the Group. As part of a strategic review, (i) the Group formed partnership with CMHK and on 5 December 2018, iNOL, an indirect wholly-owned subsidiary of the Company, entered into the Network Development Agreement with CMHK. Pursuant to the Network Development Agreement, iNOL and CMHK agreed to, among other things, the following non-exclusive commercial arrangements: (1) (a) the use of certain parts of the spare network resources on the Group's network on rental basis and related services by CMHK and the grant of programming licence to CMHK, and (b) the provision of initial network and system setup services by iNOL to CMHK within the scope of work agreed between CMHK and iNOL; (2) the entrustment by CMHK to iNOL to construct certain infrastructure for the telecommunication network of CMHK (the **"CMHK Newly Built Network"**), in connection with which CMHK shall also pay to iNOL a project management fee based on a percentage of the construction costs of the CMHK Newly Built Network; and (3) the provision of operation and maintenance services by iNOL to CMHK at a fee based on a percentage of the accumulated construction costs of the CMHK Newly Built Network. The Network Development Agreement has a period of twenty years with an option to renew for five years by CMHK. CMHK may also terminate the Network Development Agreement at any time after the tenth year by giving not less than 12 months' written notice to iNOL; and (ii) the Group has also been exploring prospective business opportunities as well as disposing its-loss making operations to reduce the cash drain on the business.

The Group operates TV business including operations under Pay TV and Free TV licences, advertising under TV platforms and other media platforms. In the second half of 2018, the Group launched their free English TV Channel and rebranded its' free Cantonese TV Channel by officially renaming the Group's Free Television Channel 77 as Hong Kong Open TV. In such respect, the Group also recorded certain start-up cost in association with the launching of free TV Channel.

In terms of challenges, the Group continued to face competition in the market from existing TV operators, other platforms and digital media and for the Group's Internet and multimedia business, the Group has continued to face constant demand for better quality and higher-speed internet services which enable subscribers to enjoy more stable and faster internet access.

As a result of (i) the contraction of customer base experienced in the year ended 31 December 2018; and (ii) the decline of pay television advertising revenue which was mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media; the funding required to finance the Group's daily operation was more than expected and hence the Group continued to record a decrease in cash and cash equivalent balances in the year ended 31 December 2018.

With the Group focusing on formulating organisational restructuring, the Group is aiming to improve its business performance.

3. MATERIAL ADVERSE CHANGE

As disclosed in the section headed “Business trend and trading and financial prospect” in this circular, the business development of the Group including, among other things, (i) the decline of Pay TV advertising revenue while offset by the increase in free television advertising revenue; (ii) the record of start-up cost in association with the introduction of free TV; (iii) the strategic review on the possible restructuring of the Group’s business portfolio as a result of the contraction of customer base experienced in the year ended 31 December 2018; (iv) the decline of pay television advertising revenue was mainly due to the intensifying competition from OTT (over-the-top) platforms and other digital media; and (v) the funding required to finance the Group’s daily operation was more than expected. Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

Taking into account the net proceeds from the Rights Issue and the Subscription, its presently available financial resources, including internally generated funds from operations and available financial facilities of the Group, the Directors after due and careful enquiry are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

5. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of HK\$495 million, which carries interest at variable rates, of which HK\$395 million was unsecured bank borrowing and repayable on demand and unsecured borrowing of HK\$100 million would become due on 31 December 2019. The borrowings were guaranteed by the Company. The committed borrowing facilities available to the Group from a bank and the Controlling Shareholder but not drawn as at the Latest Practicable Date amounted to HK\$5 million and HK\$200 million respectively.

Performance Bonds

As at the close of business on 28 February 2019, the Group has made arrangements with a bank to provide two separate performance bonds to the counterparties (which include the Government of Hong Kong and a public company in Hong Kong) amounting to approximately HK\$41.6 million, of which approximately HK\$11.6 million was secured by bank deposits. The performance bonds are to guarantee in favour of the counterparties

(which include the Government of Hong Kong and a public company in Hong Kong) the Group's performance in fulfilling the obligations under a contract and the capital and programming expenditure requirement for providing the domestic free television program service under the Free TV Licence.

Contingent Liabilities

As at the close of business on 28 February 2019, the Group did not have any contingent liabilities.

Lease Liabilities

The Group has adopted HKFRS 16 — Leases for accounting period beginning on or after 1 January 2019 using the simplified transition approach without restating the comparative amounts for the year prior to first adoption. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) of the same amount in the Group's consolidated statements of financial position for accounting period beginning on or after 1 January 2019. As at 28 February 2019, the Group has current and non-current lease liabilities amounted to HK\$40 million and HK\$158 million, respectively.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 28 February 2019, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances or acceptances credits or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
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A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2018 (the “Unaudited Pro Forma Financial Information”) which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Rights Issue and the issue of the LCS on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue and the issue of the LCS had taken place on 31 December 2018.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018, as extracted from the published final results announcement of the Company for the year ended 31 December 2018 (the “Final Results Announcement”), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue and the issue of the LCS been completed as at 31 December 2018 or at any future date.

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Principal amount received from the issue of the LCS <i>HK\$'000</i> <i>(Note 3)</i>	Liability recognised from the issue of the LCS <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after completion of the Rights Issue and issue of the LCS <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after completion of the Rights Issue and issue of the LCS <i>HK\$</i> <i>(Note 4)</i>
Based on 4,654,515,117 Rights Shares at Subscription Price of HK\$0.100 per Rights Share and principal amount of the LCS of HK\$195 million	567,761	457,452	195,000	(124,625)	1,095,588
	0.101				

Notes:

- The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 of approximately HK\$567.8 million is extracted from the audited consolidated statement of financial position of the Group as at 31 December 2018 as set out in the Final Results Announcement.

The programming library of the Group as at 31 December 2018 of approximately HK\$115.5 million represents intangible assets which consists of presentation rights for commissioned and acquired programmes for broadcasting on the Group's television channels, commissioned programmes, films for licensing purposes, live programmes, in-house developed programmes, film rights and perpetual film rights and films in progress. Other intangible assets of the Group as at 31 December 2018 of approximately HK\$39.1 million represents contract acquisition costs and HK\$1.2 million represents club debentures. These numbers are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2018 as set out in the Final Results Announcement and are excluded from the calculation of the consolidated net tangible assets for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2018 of the Group as set out in this appendix.

2. The amount of estimated net proceeds from the Rights Issue is based on a total of 4,654,515,117 Rights Shares (assuming no new Shares are issued and no repurchase of shares on or before the Record Date) to be issued at the Subscription Price of HK\$0.1 per Rights Share and after deducting estimated related expenses of approximately HK\$8.0 million. The Rights Issue will proceed on a non-underwritten basis. The Controlling Shareholder has irrevocably undertaken to the Company that, among others, it will accept or procure the acceptance of the Rights Shares to be provisionally allotted to it under the Rights Issue of up to a maximum of 2,011,771,860 Rights Shares (being all of the assured entitlement of the Controlling Shareholder under the Rights Issue based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the Latest Practicable Date up to and including the Record Date) provided that the total number of Rights Shares to be subscribed by the Controlling Shareholder under the Rights Issue will be scaled down to the extent that its percentage of shareholding in the Company will be the same immediately before and after the completion of the Rights Issue.
3. The principal amount from the issue of the LCS to the Controlling Shareholder amounted to HK\$195.0 million (assuming no new Shares are issued and no repurchase of shares on or before the Record Date and 4,654,515,117 Rights Shares are issued at the Subscription Price of HK\$0.1 per Rights Share). The LCS is separated into the liability component and the equity component on initial recognition according to HKAS 32 "Financial Instruments — Presentation" and HKFRS 9 "Financial Instruments". The liability component amounting to HK\$124.6 million is based on the valuation performed by an independent professional valuer as if the issue of the LCS had taken place on 31 December 2018. The equity component of HK\$70.4 million arising from the embedded option to convert the liability into equity of the Company is calculated by deducting the liability component from the fair value of the whole LCS. As the subscription agreement of the LCS was entered into on 25 January 2019 and the LCS was not issued on the same day, a derivative arose between these two dates and its fair value varied based on the share prices of the Company on these two dates. The change in the fair value of the derivative is recognised in profit or loss. For the purpose of this unaudited pro forma statement, the value of the derivative is assumed to be nil.

In the event that no Rights Shares are issued, the principal amount from the issue of the LCS will amount to HK\$660 million. The liability component based on the valuation performed by an independent professional valuer as if the issue of the LCS had taken place on 31 December 2018 will be HK\$421.8 million. The equity component will be HK\$238.2 million. The unaudited pro forma adjusted consolidated net tangible assets will be approximately HK\$806.0 million. The unaudited pro forma adjusted consolidated net tangible assets per Share will be HK\$0.130 and is arrived on the basis that 6,206,020,156 Shares were in issue assuming no Rights Shares are issued on 31 December 2018.

The principal amount of the LCS is dependent on the acceptance level of the Rights Issue by the Shareholders and will be the difference between HK\$660 million and the aggregate gross proceeds raised in the Rights Issue.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 December 2018 is calculated by having the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 divided by the number of Shares of 10,860,535,273 as if the Rights Issue of 4,654,515,117 Shares was completed on 31 December 2018.
5. Assuming full exercise of the subscription rights attaching to the outstanding exercisable Share Options as of 31 December 2018, in addition to the adjustments reflected in Note 1 and Note 2, the unaudited pro forma adjusted consolidated net tangible assets including proceeds from (i) full exercise of subscription rights attaching to these Share Options of HK\$29.3 million (being 139,600,000 Share Options at subscription price of HK\$0.21 per Share), (ii) additional proceeds from the Rights Issue for the Rights Shares issued for these exercised Share Options of HK\$10.5 million (being 104,700,000 Shares at subscription price of HK\$0.1 per Share) and (iii) principal amount from the issue of LCS of HK\$185 million less the related liability component, will be approximately HK\$1,131.8 million. The unaudited pro forma adjusted consolidated net tangible assets per Share will be HK\$0.102 and is arrived on the basis that 11,104,835,273 Shares were in issue assuming the Rights Issue had been completed on 31 December 2018.
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible net assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of i-CABLE Communications Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of i-CABLE Communications Limited (the “**Company**”), its subsidiaries and consolidated structured entities of the Company (collectively 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 net tangible assets of the Group as at 31 December 2018, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s circular dated 8 April 2019 (the “**Circular**”), in connection with the proposed rights issue and the proposed issue of unlisted long-term convertible securities of the Company. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 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 and the proposed issue of unlisted long-term convertible securities on the Group’s financial position as at 31 December 2018 as if the proposed rights issue and the proposed issue of unlisted long-term convertible securities had taken place at 31 December 2018. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s published annual results announcement for the year ended 31 December 2018.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**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 (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and 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 4.29(7) of the 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 Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the 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 a circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions 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 proposed rights issue and proposed issue of unlisted long-term convertible securities at 31 December 2018 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

of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related 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 accountant's understanding of the nature of the company, 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 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 April 2019

The adjustment mechanism of the Conversion Price pursuant to the LCS Instrument is set out below:

(A) Consolidation, Subdivision or Reclassification

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

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

where:

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

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

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

(B) Capitalisation of Profits or Reserves

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

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

where:

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

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

- (2) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined below) of such Shares exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

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

where:

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

OR by making such other adjustment as an Expert (as defined below) shall certify to the holders of the LCS is fair and reasonable.

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

(3) Capital Distribution

If and whenever the Company shall pay or make any Capital Distribution (including, for the avoidance of doubt, an Extraordinary Dividend (as defined below)) to the Shareholders (except where the Conversion Price falls to be adjusted under paragraph (B) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

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

where:

- A is the Current Market Price of one Share on the last Trading Day (as defined below) preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value (as defined below) on the date of such announcement, as determined in good faith by an Expert, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

When the Capital Distribution is by means of distribution of an Extraordinary Dividend, only such portion of distribution which constitutes the Extraordinary Dividend shall be regarded as a Capital Distribution and only the Extraordinary Dividend shall be taken into account in the determination of the Fair Market Value of the portion of the Capital Distribution attributable to one Share.

(4) Rights Issues of Shares or Options over Shares

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80 per cent. of the Current Market Price per Share on the Trading Day last preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

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

Notwithstanding the foregoing, there shall be no adjustment to the Conversion Price as a result of the Rights Issue.

(5) Rights Issues of Other Securities

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

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

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Expert, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

(6) Issues at less than Current Market Price

If and whenever the Company shall issue (otherwise than as mentioned in paragraph (B)(4) above) wholly for cash any Shares (other than Shares issued on the exercise of the conversion rights attached to the LCS or on the exercise of any other existing rights of conversion into, or exchange or subscription for, Shares) or if and whenever the Company shall issue or grant (otherwise as mentioned in paragraph (B)(4) above) options, warrants or other rights to subscribe or purchase Shares, in each case at a price per Share which is less than 80 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

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

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

(7) Other Issues at less than Current Market Price

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph (B)(7), in the event of the issue wholly for cash by the Company or any subsidiary (otherwise than as mentioned in paragraphs (B)(4), (B)(5) or (B)(6) above) or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) by any other company, person or entity of any securities (other than the LCS) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 80 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

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

(8) Modification of Rights of Conversion etc.

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (B)(7) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 80 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Expert, selected by the Company and approved in writing by the holder(s) of the LCS, considers appropriate (if at all) for any previous adjustment under this paragraph (B)(8) or paragraph (B)(7) above.

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

(9) Other Offers to Shareholders

If *and* whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary or such other company, person or entity pursuant to an offer in which the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (B)(4), (B)(5), (B)(6) or (B)(7) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Expert, selected by the Company and approved in writing by the holder(s) of the LCS, of the portion of the rights attributable to one Share.

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

(10) Other Events

If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this paragraph (B) or paragraph (A) above, the Company shall at its own expense request an Expert to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination **PROVIDED THAT** where the circumstances giving rise to any adjustment pursuant to this paragraph (B) and/or paragraph (A) above have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this paragraph (B) and/or paragraph

(A) above as may be advised by an Expert, selected by the Company and approved in writing by the holder(s) of the LCS, to be in their opinion appropriate to give the intended result.

(11) If the Company determines that a downward adjustment should not be made to the Conversion Price, or that the effective date for the relevant adjustment should be a date other than mentioned in the preceding paragraphs, the Company shall, at its own cost and expense, consult an Expert to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and is appropriate to give the result which the Expert considers in good faith to reflect the intentions of the provisions of this paragraph (B) and/or paragraph (A) above; and (ii) the date on which such adjustment should take effect; and upon such determination by the Expert such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this paragraph (B) and/or paragraph (A) above have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this paragraph (B) and/or paragraph (A) above as may be advised by the Expert to be in their opinion appropriate to give the intended result.

For the purposes of this Appendix III:

“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“Capital Distribution” means:

- (i) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and
- (ii) any cash dividend or distribution of any kind by the Company for any financial period (whenever paid and however described) which is an Extraordinary Dividend.

“Closing Price” for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

“**Current Market Price**” means, in respect of a Share at a particular time on a particular date, the average of the closing prices quoted by the Stock Exchange or as the case may be, by the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the fifteen (15) consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 15 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;
- (iii) and provided further that if the Shares on each of the said fifteen (15) Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share,

and provided further that:

- (1) if such closing prices are not available on each of the fifteen (15) Trading Days during the relevant period, then the arithmetic mean of such closing prices which are available in the relevant period shall be used (subject to a minimum of two such closing prices); and
- (2) if only one or no such closing price is available in the relevant period, then the Current Market Price shall be determined in good faith by an Expert.

“**Dividend**” means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid up) provided that:

- (i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question shall be treated as a Dividend of (a) the cash Dividend so announced or (b) the Current Market Price on the date of announcement of such Dividend, of such Shares or the Fair Market Value of other property or assets to be issued or delivered in

satisfaction of such Dividend (or which would be issued if all holders of Shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such Shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and

(ii) any issue of Shares falling within paragraph (B) above shall be disregarded.

“**Expert**” means an independent bank of international repute (acting as an expert), selected by the Company and approved in writing by the holder(s) of the LCS.

“**Extraordinary Dividend**” occurs if, at the relevant date of determination, the total amount of:

- (i) any cash dividends paid or declared by the Company on the Shares; and
- (ii) all other cash dividends paid or declared on the Shares in the period beginning on the day immediately after the prior anniversary of the relevant date of determination (other than any cash dividend or portion thereof previously deemed to be an Extraordinary Dividend in respect of which an adjustment had already been made to the Conversion Price) (the “**previous dividends**”), except that where the date of announcement or payment for cash dividends for two different fiscal years has occurred in such period, such cash dividends relating to the earlier fiscal year will be disregarded for the purpose of determining the previous dividends exceeds on a per Share basis 2.0 per cent. of the Average Closing Price (as defined below) of the Shares during the Relevant Period (as defined below). For the avoidance of doubt, all amounts are on a per Share basis. For the purposes of paragraphs (A) and (B) above, “**Average Closing Price**” means the arithmetic mean of the closing price per Share for each Trading Day during the Relevant Period.

“**Fair Market Value**” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Expert; provided that: (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) the fair market value of any other cash amount shall be the amount of such cash; (iii) where securities, spin-off securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Expert) the fair market value of such securities, spin-off securities, options, warrants or other rights shall equal the average of the closing price for each such securities, spin-off securities, option, warrant or other rights during the period of five (5) Trading Days on the relevant market commencing on the first such Trading Day such securities, spin-off securities, options, warrants or other rights are publicly traded; and (iv) where securities, spin-off securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the fair market value of such securities, spin-off securities, options, warrants or other rights shall be determined by an Expert, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate,

including the market price per Share, the dividend yield of a Share, the volatility of such market price, prevailing interest rates and the terms of such securities, spin-off securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into Hong Kong Dollar (if declared or paid or payable in a currency other than the Hong Kong Dollar) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash dividend in the Hong Kong Dollar; and in any other case, shall be translated into the Hong Kong Dollar (if expressed in a currency other than the Hong Kong Dollar) at the Fixed Exchange Rate. In addition, in the case of (i) and (ii) above, the fair market value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

“Relevant Period” means the period beginning on the 30th Trading Day prior to the Trading Day (the **“relevant Trading Day”**) immediately preceding the date on which the Shares are quoted ex-dividend on the Stock Exchange in respect of the cash dividend which caused the adjustment to the Conversion Price pursuant to paragraph (B)(3) above and ending on the relevant Trading Day.

“Trading Day” means a day when the Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

(1) RESPONSIBILITY STATEMENT

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

(2) SHARE CAPITAL

The Company does not have any authorised share capital nor any nominal value in its Shares.

The number of issued Shares (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Rights Issue in various scenarios are set out as follow:

(i) As at the Latest Practicable Date

Type	Number	Status
Existing Shares	6,206,020,156	Issued and fully paid-up

(ii) Immediately after the completion of the Rights Issue (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue and all the Shareholders have taken up all the entitled Rights Shares) and the full conversion of the LCS based on the initial Conversion Price (assuming the principal amount of the LCS is HK\$195 million)

Type	Number	Status
Existing Shares	6,206,020,156	Issued and fully paid-up
Rights Shares	4,654,515,117	Issued and fully paid-up
Conversion Shares	<u>1,560,000,000</u>	Issued and fully paid-up
Total	<u><u>12,420,535,273</u></u>	Issued and fully paid-up

- (iii) Immediately after the completion of the Rights Issue (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue and none of the Shareholders has taken up any entitled Rights Shares) and the full conversion of the LCS based on the initial Conversion Price (assuming the principal amount of the LCS is HK\$660 million)

Type	Number	Status
Existing Shares	6,206,020,156	Issued and fully paid-up
Conversion Shares	<u>5,280,000,000</u>	Issued and fully paid-up
Total	<u><u>11,486,020,156</u></u>	Issued and fully paid-up

- (iv) Immediately after the completion of the Rights Issue (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue and all the Shareholders have taken up all the entitled Rights Shares) and the full conversion of the LCS based on the initial Conversion Price (assuming the principal amount of the LCS is HK\$185 million)

Type	Number	Status
Existing Shares	6,206,020,156	Issued and fully paid-up
Shares to be issued pursuant to the full exercise of all outstanding exercisable Share Options	139,600,000	Issued and fully paid-up
Rights Shares	4,759,215,117	Issued and fully paid-up
Conversion Shares	<u>1,480,000,000</u>	Issued and fully paid-up
Total	<u><u>12,584,835,273</u></u>	Issued and fully paid-up

- (v) Immediately after the completion of the Rights Issue (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue and none of the Shareholders has taken up any entitled Rights Shares) and the full conversion of the LCS based on the initial Conversion Price (assuming the principal amount of the LCS is HK\$660 million)

Type	Number	Status
Existing ordinary shares	6,206,020,156	Issued and fully paid-up
Shares to be issued pursuant to the full exercise of all outstanding exercisable Share Options	139,600,000	Issued and fully paid-up
Conversion Shares	<u>5,280,000,000</u>	Issued and fully paid-up
Total	<u><u>11,625,620,156</u></u>	Issued and fully paid-up

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects, including the rights to dividends, voting and return of capitals 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 Conversion Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of conversion of the Conversion Shares on the Company's register of members (after issue of the Conversion Shares upon conversion of the LCS) respectively and shall accordingly entitle the holders thereof to participate in full in all future dividends or other distributions the record date for which falls on a date on or after the relevant conversion date.

No Shares have been issued since 31 December 2018, being the date on which the latest audited financial statements of the Group were made up.

Save for the Share Options, the Company has no other outstanding options, warrants, derivatives or other convertible securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

(3) DISCLOSURE OF INTERESTS**(a) Interests of Directors**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or 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 Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

Long positions in underlying Shares — share options

Name of Director	Date of grant	Exercisable period	Number of Shares issuable under the share options granted	
			Balance as at the Latest Practicable Date	Exercise price per Share HK\$
Tan Sri Dato’ David Chiu	15 June 2018	(Note 1)	62,000,000	0.210
Dr. Cheng Kar-Shun, Henry	15 June 2018	(Note 1)	62,000,000	0.210
Dr. Cheng Chi-Kong, Adrian	15 June 2018	(Note 1)	20,000,000	0.210
Mr. Tsang On Yip, Patrick	15 June 2018	(Note 1)	26,250,000	0.210
Mr. Hoong Cheong Thard	15 June 2018	(Note 1)	26,250,000	0.210
Mr. Andrew Wah Wai Chiu	15 June 2018	(Note 1)	35,500,000	0.210
			<u>232,000,000</u>	

Note: 50% of the share options are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive); and 50% of the share options are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive).

(b) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long position in the Shares

Name of shareholder	Beneficial owner	Spouse interest	Number of Shares Interest of a controlled corporation	Other interest	Total	Approximate percentage of the number of issued Shares
Forever Top (Asia) Limited	7,962,362,480 (Note 1)	—	—	—	7,962,362,480	128.30%
HSBC Trustee (C.I.) Limited	—	—	—	618,953,533 (Note 2)	618,953,533	9.97%
Ng Hung Sang	106,504,000	54,870,000 (Note 3)	212,942,000 (Note 4)	—	374,316,000	6.03%
Ng Lai King Pamela	54,870,000	319,446,000 (Note 5)	—	—	374,316,000	6.03%

Notes:

- These 7,962,362,480 Shares represent 2,682,362,480 Shares owned by Forever Top (Asia) Limited as at the Latest Practicable Date and 5,280,000,000 Conversion Shares to be issued by the Company upon exercise of the conversion rights under the LCS pursuant to the LCS Subscription Agreement.
- HSBC Trustee (C.I.) Limited was deemed to be interested in 618,953,333 Shares by virtue of being the trustee of a discretionary trust.
- Ng Hung Sang, the spouse of Ng Lai King Pamela, was deemed to be interested in 54,870,000 Shares which Ng Lai King Pamela is interested in under the SFO.
- Ng Hung Sang was deemed to be interested in 212,942,000 Shares which his controlled corporations are interested in under the SFO. South China Finance and Management Limited directly held 212,942,000 Shares. South China Financial Holdings Limited held 100% control in South China Finance and Management Limited. Ng Hung Sang, through his 100% controlled corporations, held 25.66% control in South China Financial Holdings Limited.
- Ng Lai King Pamela, the spouse of Ng Hung Sang, was deemed to be interested in 319,446,000 Shares which Ng Hung Sang is interested in under the SFO.

(4) OTHER DIRECTORS' INTERESTS**(a) Interests in competing business**

As at the Latest Practicable Date, none of the Directors nor their respective associates had any material interest in any business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any material direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Group was made up).

(c) Interests in contract or arrangement

As at the Latest Practicable Date, save for the LCS Subscription Agreement, none of the Directors is materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

(d) Directors' service contracts

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

(5) DIRECTORS**Non-executive Directors**

Tan Sri Dato' David Chiu, aged 64, was appointed as the chairman of the Board and a non-executive director of the Company in September 2017. He is also the chairman and a member of the nomination committee of the Company and a member of the compensation committee of the Company.

Tan Sri Dato' David Chiu holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He is a prominent businessman with over 30 years' experience in the property development and extensive experience in the hotel development. Since 1978, Tan Sri Dato' David Chiu had been the managing director of Far East Consortium Limited, the predecessor of Far East Consortium International Limited ("FECIL"), which is mainly engaged in property development and investment, hotel operation and management, car park operation as well as property management services, adopting geographical diversification and "Chinese Wallet" strategy, with business covering Hong Kong, Mainland China, Australia, Malaysia, Singapore, the United Kingdom and New Zealand. He was appointed as the deputy chairman and chief executive officer of FECIL on 8 December 1994 and 8 October

1997 respectively. On 8 September 2011, Tan Sri Dato' David Chiu has been appointed as the chairman of FECIL. He was formerly a non-executive director (up to the withdrawal of listing) and is currently a director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited, a subsidiary of FECIL, which withdrew from listing on the Main Board of the Stock Exchange in October 2015). He was the chairman of the board of directors of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until 31 March 2015. He is also a director of Forever Top (Asia) Limited, a controlling shareholder of the Company.

In regard to Tan Sri Dato' David Chiu's devotion to community services in China and Hong Kong, he was appointed as the member of the 13th Chinese People's Political Consultative Conference, the vice chairman of All-China Federation of Industry and Commerce in 2017 and the chairman of Mid-Autumn Festival Celebration-People and Forces' Committee in 2008. Currently, he is a trustee member of The Better Hong Kong Foundation, an honorary chairman of Mid-Autumn Festival Celebration-People and Forces' Committee, a director and a member of Concerted Efforts Resource Centre, a counsellor of China-United States Exchange Foundation, an honorary chairman of Guangdong Chamber of Foreign Investors, a member of Hong Kong General Chamber of Commerce, a member of the Constitutional Reform Synergy, a member of The Real Estate Developers Association of Hong Kong, a member of Friends of Hong Kong Association Limited, a member of Pacific Basin Economic Council and a director of three Ju Ching Chu Schools in Hong Kong. In Malaysia, Tan Sri Dato' David Chiu was awarded an honorary award which carried the title "Dato" and a more senior honorary title of "Tan Sri" by His Majesty, King of Malaysia in 1997 and 2005 respectively. He was also awarded the WCEF Lifetime Achievement Awards by Asian Strategy & Leadership Institute in 2013.

Tan Sri Dato' David Chiu is the father of Mr. Andrew Wah Wai Chiu, an executive director of the Company, and the brother of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

Dr. Cheng Kar-Shun, Henry *GBM, GBS*, aged 72, was appointed as the vice-chairman of the Board and a non-executive director of the Company in September 2017. Dr. Cheng is the chairman and executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited and FSE Services Group Limited, and a non-executive director of SJM Holdings Limited, all of them are listed public companies in Hong Kong. He is the chairman and managing director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August, 2016. He was a non-executive director of Lifestyle International Holdings Limited, a listed public company in Hong Kong, up to his retirement on 4 May 2015, the chairman and executive director of International Entertainment Corporation, a listed public company in Hong Kong, up to his resignation on 10 June 2017, an independent non-executive director of HKR International Limited, a listed public company in Hong Kong, up to his resignation on 31 March 2018, the chairman and non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, up to his resignation on 9 April 2018, and an independent non-executive director of Hang Seng

Bank Limited, a listed public company in Hong Kong, up to his retirement on 10 May 2018. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. Dr. Cheng is also a director of Forever Top (Asia) Limited, a controlling shareholder of the Company.

Dr. Cheng is the chairman of the Advisory Council of The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region.

Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian, a non-executive director of the Company, and the uncle of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

Dr. Cheng Chi-Kong, Adrian JP, aged 39, was appointed as a non-executive director of the Company in September 2017. Dr. Adrian Cheng is the executive vice-chairman and general manager of New World Development Company Limited, an executive director of New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was an executive director of International Entertainment Corporation up to his resignation on 10 June 2017 and a non-executive director and vice chairman of Modern Media Holdings Limited up to his resignation on 26 August 2017, both being listed public companies in Hong Kong. He is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. He is also the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of New World Development Company Limited. Dr. Adrian Cheng worked in a major international bank prior to joining the New World Development Group in September 2006 and has substantial experience in corporate finance.

Dr. Adrian Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He is the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the Honorary chairman of K11 Art Foundation Limited, and was a member of Board of the West Kowloon Cultural District Authority.

He is the son of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company, and the cousin of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

Mr. Tsang On Yip, Patrick, aged 47, was appointed as a non-executive director of the Company in September 2017. He is also a member of the compensation committee of the Company.

Mr. Tsang is the chief executive officer and director of Chow Tai Fook Enterprises Limited. He is also an executive director of Melbourne Enterprises Limited and UMP Healthcare Holdings Limited, and a non-executive director of Greenheart Group Limited and Integrated Waste Solutions Group Holdings Limited, all of which are listed public companies in Hong Kong. Mr. Tsang is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook (Holding) Limited, a governor of Chow Tai Fook Charity Foundation Limited, a member of Hong Kong Chief Executive Election Committee, and a General Committee member of Employers' Federation of Hong Kong. He has been a member of the 12th Henan Provincial Committee of the Chinese People's Political Consultative Conference since 2018. Mr. Tsang obtained a Bachelor of Arts degree in Economics from Columbia College of Columbia University in New York, USA.

Mr. Tsang's spouse is a niece of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company, and a cousin of Dr. Cheng Chi-Kong, Adrian, a non-executive director of the Company.

Mr. Hoong Cheong Thard, aged 50, was appointed as a non-executive director of the Company in September 2017. He is also a member of the audit committee of the Company. He is an executive director of FECIL, a listed public company in Hong Kong, since August 2012. He joined FECIL in September 2008 as the managing director. He is responsible for the formulation and implementation of FECIL's overall strategies for development.

Prior to joining FECIL, Mr. Hoong was the chief executive officer of China LotSynergy Holdings Limited, a listed public company in Hong Kong, where he retired as a non-executive director of the company with effect from 1 June 2017.

Mr. Hoong was an investment banker for over 12 years and had held senior positions at Deutsche Bank and UBS where he was responsible for corporate finance business in Asia. He was formerly a non-executive director (up to the withdrawal of listing) and is currently a director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited and withdrew from listing on the Main Board of the Stock Exchange, a subsidiary of FECIL in October 2015), was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 2017 and is a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. Mr. Hoong is also a director of Forever Top (Asia) Limited, which is a controlling shareholder of the Company.

Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London.

Executive Director

Mr. Andrew Wah Wai Chiu, aged 30, was appointed as an executive director of the Company in September 2017. He is also the authorised representative of the Company and a director of certain subsidiaries of the Company. He is the founder and the executive chairman of Land Pacific Limited, Deacon House International Limited and Ariana Social

Community Limited. Land Pacific Limited was formed in 2013 is a property development company focusing on residential and commercial developments in South East Asia. Deacon House International Limited formed in 2015 is a hotel company based on Chinese contemporary designs and influences, exemplifying Chinese cultures and traditions with a modern twist. Ariana Social Community Limited formed in 2016 is a community based student housing company with its flagship property in Farringdon, London and projects pipelined in England, Australia and North America.

Mr. Chiu started his career with DTZ Hong Kong in 2008, he joined FECIL in 2009 and was appointed as the business development manager of FECIL in 2012. He is responsible for property investment and development for FECIL. From 2015, Mr. Chiu serves as the assistant to the chairman of FECIL. He is also a director of Malaysia Land Properties Sdn Bhd, and a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. He is a member of Hong Kong General Chamber of Commerce and a member of The Real Estate Developers Association of Hong Kong.

Mr. Chiu is the son of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the nephew of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

Independent non-executive Directors

Mr. Lam Kin-Fung, Jeffrey GBS, JP, aged 67, was appointed as an independent non-executive director of the Company in September 2017. He is also the chairman and a member of the compensation committee of the Company and a member of the nomination committee of the Company. Mr. Lam holds a bachelor degree in mechanical engineering from Tufts University in the United States. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, Wynn Macau, Limited, CWT International Limited (formerly known as HNA Holding Group Company Limited) and Wing Tai Properties Limited, all of which are listed public companies in Hong Kong. He was also an independent non-executive director of Bracell Limited until his resignation on 1 November 2016 after its delisting on the Main Board of the Stock Exchange on 24 October 2016.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong, a member of the board of Airport Authority Hong Kong, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, a director of the Hong Kong Mortgage Corporation Limited and a member of the board of directors of Heifer International-Hong Kong.

Dr. Hu Shao Ming Herman SBS, JP, aged 65, has been an independent non-executive director of the Company since April 2012. He is also a member of the compensation committee of the Company. He is the chairman of Ryoden Development Limited. Dr. Hu has been re-elected as a Deputy to the 13th National People's Congress of the People's Republic of China. He is the vice-chairman of the Chinese General Chamber of Commerce, Hong Kong. He is also a general committee member, executive committee member and chairman of Mainland China Committee of the Employers' Federation of Hong Kong, the Vice-President of the Sports Federation & Olympic Committee of Hong Kong, China, an Honorary Court Member of Hong Kong University of Science & Technology, a member of the Election Committee of the Government of the HKSAR and the Vice Patron of The Community Chest of Hong Kong. He was awarded the Honour of Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region of the People's Republic of China on 30 June 2017.

Mr. Luk Koon Hoo, Roger, BBS, JP, aged 67, has been an independent non-executive director of the Company since September 2010. He also serves as the chairman and a member of the Company's Audit Committee and a member of each of the Company's Compensation Committee and Nomination Committee. He has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Mr. Luk is an independent non-executive director of four companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited, Hung Hing Printing Group Limited and Harbour Centre Development Limited, and also an independent non-executive director of Octopus Cards Limited. Mr. Luk was formerly an independent non-executive director of Wheelock Properties Limited, formerly a listed public company until it became a wholly-owned subsidiary of Wheelock and Company Limited in July 2010, from February 2008 to July 2010. He also serves as a council member of The Chinese University of Hong Kong and a non-executive director (non-official) of Urban Renewal Authority. Mr. Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission, the Barristers Disciplinary Tribunal Panel, the Operations Review Committee of ICAC and the Town Planning Board. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council.

Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr. Tang Sing Ming Sherman, aged 62, has been appointed an independent non-executive director of the Company since January 2014. He is also a member of the audit committee of the Company. He holds a Master degree in Electrical Engineering and a degree of Doctor in Medicine from the University of Southern California, the United States of America. Mr. Tang is a seasoned entrepreneur in the hospitality industry and has over 20 years of experience in investment and operation of restaurants, cafes and bars. He is the founder and owner of the Epicurean Group and also served as the chairman and chief executive officer of Epicurean and Company, Limited (now known as New Wisdom Holding Company Limited), a listed public company in Hong Kong, until his resignation in November 2016.

Mr. Tang is the brother of the sister-in-law of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the brother of the aunt of Mr. Andrew Wah Wai Chiu, an executive director of the Company.

(6) SENIOR MANAGEMENT

Ms. Leung Shuk Yee Irene, *Chief Operating Officer*, aged 49, joined i-CABLE Communications Limited ("i-CABLE") as the Chief Operating Officer in February 2018. She is also a director of certain subsidiaries of the Company.

Ms. Leung had established her reputation well in the telecommunications industry in Hong Kong. She was the Executive Vice President of CSL Limited, and was responsible for the leadership and strategic development of the leading mobile operator's multi-brand business which included the world's first commercial launch of 4G mobile service and applications.

Ms. Leung was one of the early advocates of Corporate Social Responsibility in the commercial sector and has led award-winning projects that involved the creative use of Information and Communications Technology (ICT) for social good. In 2012, Ms. Leung devoted herself into the social service sector by joining the Senior Citizen Home Safety Association 長者安居協會, a social enterprise and charitable organization in Hong Kong, as the Chief Executive Officer. During her service and leadership, the Association had gone through a major transformation and is being recognized as a role model of social innovations in the social service sector in Hong Kong.

Ms. Leung is currently the President of Hong Kong IT Federation, and serves as a member of advisory committees of various bureaus of the HKSAR Government.

Mr. Kwok Chi Kin, *Chief Financial Officer and Company Secretary*, aged 42, joined the Group in September 2017 and he is the Chief Financial Officer and the company secretary of the Company. He is also the authorised representative of the Company. He is responsible for the accounting and financial management, company secretarial matters and corporate governance functions of the Group. Mr. Kwok obtained his Bachelor of Business Administration in Finance with First Class Honours from Hong Kong University of Science and Technology. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 20 years of experience in auditing, accounting and financial

management, company secretarial practice, and corporate governance. Prior to joining the Group, he worked for an international accounting firm and was the chief financial officer and the company secretary of International Entertainment Corporation, a company listed on the Main Board of the Stock Exchange, from May 2004 to June 2017.

Mr. Chan Wai Man, *Senior Vice President, Network and Engineering Operations*, aged 53, joined the Group in September 1993 and is Senior Vice President, Network and Engineering Operations. He is also a director of certain subsidiaries of the Company. At the time that he joined the Group in 1993, he was responsible for the operations and technical support of TV broadcasting system. Throughout his career with the Group, he gained extensive experience in TV broadcasting, telecommunication and data communication engineering. He was appointed Vice President, Network Operations in July 2014. In March 2018, Mr. Chan was appointed as Senior Vice President, Network and Engineering Operations, responsible for the development and operation of the Company's TV broadcasting and broadband distribution networks, as well as the New Media and Management Information Systems. Mr. Chan holds a Bachelor of Engineering degree (First Class Honours) and a Master of Science degree in Electronic Engineering.

Ms. Ng Ching Man Carman, *Senior Vice President, Media Business*, aged 48, joined the Group in January 2018 as Senior Vice President, Media Business. She is also a director of certain subsidiaries of the Company. She is responsible for the overall business performance of television and other media advertising business where she leads and formulates strategy to drive for business growth. Ms. Ng has over 20 years of experience in HK's media industry spanning from free-TV to pay-TV, OTT (over-the-top), OOH (out-of-home), digital, social and integrated marketing solutions. Prior to joining the Company, she has held various senior management positions in PCCW Media Group, Le Corporation Limited, RoadShow Media Limited and Sina.com. Ms. Ng holds an EMBA degree of the Chinese University of Hong Kong.

Mr. Fung Tak Hung William, *Executive Director, i-CABLE News*, aged 57, joined the Group in March 2019 as Executive Director, i-CABLE News. He is also a director of i-CABLE News Limited. Mr. Fung has over thirty years' experience in the profession. He first joined Cable News in 1992, and was one of the key members who helped to launch the world's first 24-hour Cantonese language News Channel. He then has also worked for major newspapers, radio and television stations in Hong Kong, leading and masterminding their News operations. Mr. Fung holds a MPhil. Degree in Communication of the Chinese University of Hong Kong.

(7) MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the placing agreement dated 8 April 2019 entered between the Company and the Bookrunner in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner with a commission of the higher of HK\$200,000 or 1.75% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, details of which are set out in the section headed “Procedures in respect of Rights Shares not subscribed and the NQS Unsold Rights Shares and the Compensatory Arrangements — Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares” in the Letter from the Board of this circular;
- (b) the LCS Subscription Agreement, details of which are set out in the section headed “LCS Subscription Agreement” in the Letter from the Board of this circular;
- (c) the placing agreement dated 20 December 2018 entered between the Company and the Bookrunner in relation to the placing of unsubscribed rights shares and unsold rights shares under the 2018 Proposed Rights Issue by the Bookrunner, with the commission of the higher of either HK\$200,000 or 1.75% of the gross proceeds from the subscription of the placing shares successfully placed by the Bookrunner;
- (d) the underwriting agreement dated 9 November 2018 entered into between the Company and the Controlling Shareholder in relation to the underwriting of not less than 3,523,657,676 rights shares and not more than 3,663,257,676 rights shares by the Controlling Shareholder under the 2018 Proposed Rights Issue, with a commission of 1.75% of the sum which is equal to the subscription price multiplied by the number of underwritten shares;
- (e) the 2017 Loan Capitalisation Agreement;
- (f) the 2017 Facility Term Extension Agreement; and
- (g) the underwriting agreement dated 14 April 2017 entered into among the Company, the Controlling Shareholder (as underwriter), Tan Sri Dato’ David Chiu, Dr. Cheng Kar-Shun, Henry, Chow Tai Took Enterprises Limited, Expand Ocean L.P. and Mr. Li Sze Lim in relation to the underwriting of a total of 3,352,520,666 offer shares under the 2017 Open Offer by the Controlling Shareholder with 2% of the total proceeds raised in the 2017 Open Offer payable to the Controlling Shareholder (as underwriter) as commission.

(8) LITIGATION

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

(9) EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Able Capital Partners Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of Able Capital Partners Limited and PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

Each of Able Capital Partners Limited and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it respectively appears.

(10) GENERAL

- (a) The company secretary of the Company is Mr. Kwok Chi Kin, a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is 8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong. The share registrar of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

(11) EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, printing, registration, translation, legal, accounting and documentation charges are estimated to be approximately HK\$8 million, which are payable by the Company.

(12) CORPORATE INFORMATION, PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office	8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong
Company Secretary	Mr. Kwok Chi Kin <i>A fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators</i>
Authorised representatives	Mr. Andrew Wah Wai Chiu Mr. Kwok Chi Kin 8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong
Financial advisers to the Company	Halcyon Capital Limited 11/F, 8 Wyndham Street, Central, Hong Kong Somerley Capital Limited 20/F, China Building, 29 Queen's Road Central, Hong Kong
Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong

Share registrar and transfer office	Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong
Legal advisers to the Company	Simmons & Simmons 30/F, One Taikoo Place, 979 King's Road, Hong Kong
Independent Financial Adviser	Able Capital Partners Limited Unit 2201, 22/F, Cosco Tower, 183 Queen's Road Central, Hong Kong
Bookrunner	China Galaxy International Securities (Hong Kong) Co., Limited 20/F Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong

(13) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong during normal business hours from the date of this circular up to and including the date of the GM:

- (a) the articles of association of the Company;
- (b) the letter from the Board to the Shareholders, the text of which is set out on pages 18 to 61 of this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 62 to 63 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 64 to 110 of this circular;

- (e) the letter from PricewaterhouseCoopers dated 8 April 2019 in respect of the unaudited pro forma financial information on the Group, the text of which is set out in Appendix II to this circular;
- (f) the written consents referred to in the paragraph headed “Expert’s qualification and consent” in this appendix;
- (g) the annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017;
- (h) the interim report of the Company for the six months ended 30 June 2018;
- (i) the final results announcement of the Company for the year ended 31 December 2018 dated 29 March 2019;
- (j) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (k) the Undertaking; and
- (l) this circular.

NOTICE OF GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, 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 notice.



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of i-CABLE Communications Limited (the “**Company**”) will be held at 3:00 p.m. on Thursday, 25 April 2019 at Salon 5–6, JW Marriott Ballroom (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 8 April 2019 (the “**Circular**”)):

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the issue by way of rights of no more than 4,759,215,117 new shares of the Company (“**Rights Shares**”) by way of Rights Issue (the “**Rights Issue**”) at HK\$0.100 per Rights Share on the basis of every three (3) Rights Shares for every four (4) existing shares of the Company (the “**Shares**”) held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on 8 May 2019 (or such other date as may be determined by the directors of the Company (“**Directors**”)) (the “**Record Date**”) other than those shareholders (the “**Non-Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the circular of the Company dated 8 April 2019 (a copy of which marked “A” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and such other

NOTICE OF GENERAL MEETING

terms and conditions as may be determined by the Directors, be and is hereby approved and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document, and the placing agreement dated 8 April 2019 entered into between the Company and the Bookrunner (“**Placing Agreement**”) in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares at the placing price of at least equal to the total of the Subscription Price and the estimated expenses per Unsubscribed Rights Share or NQS Unsold Rights Share on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

- (b) the board of Directors (the “**Board**”) or a committee thereof be and is/are 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 Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; 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 Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

2. “**THAT:**

- a. the Subscription Agreement dated 25 January 2019 entered into between the Company and Forever Top (Asia) Limited (the “**LCS Subscription Agreement**”) pursuant to which Company has conditionally agreed to issue and Forever Top (Asia) Limited has conditionally agreed to subscribe for the unlisted long-term convertible bonds (“**LCS**”) in the principal amount of the difference between HK\$660 million and the aggregate gross proceeds raised in the Rights Issue and, in any event, shall not be more than HK\$660 million subject to the terms and conditions thereof, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the LCS Subscription Agreement be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the LCS Subscription Agreement as it may in its absolute discretion think fit (a

NOTICE OF GENERAL MEETING

copy of the LCS Subscription Agreement marked “C” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification);

- b. the Directors be and are hereby granted a specific mandate to exercise powers of the Company to allot and issue such number of Shares as may be required to be allotted and issued upon exercise of the conversion rights attaching to the LCS; 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 the LCS Subscription Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

By Order of the Board
i-CABLE COMMUNICATIONS LIMITED
Kwok Chi Kin
Company Secretary

Hong Kong, 8 April 2019

Registered office:

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrars of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
- (4) The register of members of the Company will be closed from Wednesday, 17 April 2019 to Thursday, 25 April 2019 (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 April 2019 for registration.

NOTICE OF GENERAL MEETING

- (5) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (6) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the Board comprises ten Directors, namely Tan Sri Dato' David Chiu (Chairman), Dr. Cheng Kar-Shun, Henry (Vice-chairman), Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard as non-executive Directors, Mr. Andrew Wah Wai Chiu as an executive Director, and Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman as independent non-executive Directors.