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If you have sold or transferred all your shares in Asia Television Holdings Limited, you should at once hand this circular and the accompanied proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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



ASIA TELEVISION HOLDINGS LIMITED

亞洲電視控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 707)

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

MESSIS  大有融資

MESSIS CAPITAL LIMITED

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

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser is set out on pages 16 to 37 of this circular. A notice convening the EGM to be held at Studio No. 8, G/F, 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 29 November 2019 at 11:30 a.m., is set out on pages N-1 to N-2 of this circular.

Whether or not you propose to attend the EGM, you are advised to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

11 November 2019

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DEFINITIONS

In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:

“Board”	the board of Directors
“Company”	Asia Television Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 707)
“Completion”	Phase 1 Completion or Phase 2 Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the conversion price of the Convertible Bonds of HK\$0.1 per Conversion Share, subject to adjustments
“Conversion Share(s)”	new Share(s) to be issued upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	convertible bonds in an aggregate principal amount of HK\$400,000,000 to be issued by the Company, and subscribed by the Subscriber, pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee established by the Company comprising all the three independent non-executive Directors to advise the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Messis”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders other than those who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Latest Practicable Date”	7 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	6 December 2019 (or such other date as the Company and the Subscriber may agree)
“Phase 1 Completion”	completion of the subscription of the Convertible Bonds in principal amount of HK\$200,000,000 contemplated under the Subscription Agreement
“Phase 1 Completion Date”	within ten (10) business days after fulfillment of all the conditions precedent set out in the Subscription Agreement (or such other date as may be agreed between the Company and the Subscriber)
“Phase 2 Completion”	completion of the subscription of the Convertible Bonds in principal amount of HK\$200,000,000 contemplated under the Subscription Agreement
“Phase 2 Completion Date”	within three months after fulfillment of all the conditions precedent set out in the Subscription Agreement (or such other date as may be agreed between the Company and the Subscriber)

DEFINITIONS

“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Specific Mandate”	the specific mandate to allot and issue the Conversion Shares to be sought from the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Deng Junjie, the chairman, an executive Director and a substantial shareholder of the Company
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 24 September 2019 (as amended and supplemented by a letter of confirmation dated 7 November 2019) entered into between the Company and the Subscriber in relation to the Subscription
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

Unless specified otherwise, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.1. The exchange rates has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.



ASIA TELEVISION HOLDINGS LIMITED

亞洲電視控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 707)

Executive Directors:

Mr. Deng Junjie (*Chairman*)
Mr. Wang Jiasi (*Chief Executive Officer*)
Mr. Chan Wai Kit
Mr. Sze Siu Bun
Ms. Sun Tingting

Independent non-executive Directors:

Ms. Han Xingxing
Mr. Li Yu
Ms. Wong Chi Yan

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office and Principal Place of

Business in Hong Kong:
33 Dai Shing Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

11 November 2019

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference are made to the announcements of the Company dated 24 September 2019 and 7 November 2019 in relation to the Subscription. On 24 September 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in two phases in an aggregate principal amount of HK\$400,000,000 at the Conversion Price of HK\$0.1 per Conversion Share.

LETTER FROM THE BOARD

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

THE SUBSCRIPTION

The Subscription Agreement

The principal terms of the Subscription Agreement are summarised below:

Date

24 September 2019, as supplemented by a letter of confirmation dated 7 November 2019 (after trading hours)

Parties

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

Subject matter

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in two phases in an aggregate principal amount of HK\$400,000,000 at the Conversion Price of HK\$0.1 per Conversion Share.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions:

- (i) the passing by the Independent Shareholders of an ordinary resolution to approve the Subscription Agreement and the transactions contemplated hereunder, including but not limited to the issue of the Convertible Bonds and the Conversion Shares; and
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of and permission to deal in the Conversion Shares.

If any of the above conditions are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

LETTER FROM THE BOARD

Completion

Subject to fulfilment of the conditions precedent under the Subscription Agreement, the Completion shall take place in two phases:

- (i) Phase 1 Completion shall take place on the Phase 1 Completion Date in respect of the Convertible Bonds in the principal amount of HK\$200,000,000; and
- (ii) Phase 2 Completion shall take place on the Phase 2 Completion Date in respect of the Convertible Bonds in the principal amount of HK\$200,000,000.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised below:

- Issuer : the Company.
- Principal amount : An aggregate of principal amount of HK\$400,000,000 in two phases, comprising of:
- (i) the Convertible Bonds in principal amount of HK\$200,000,000 on Phase 1 Completion; and
 - (ii) the Convertible Bonds in principal amount of HK\$200,000,000 on Phase 2 Completion.
- Issue price : 100% of the principal amount.
- Maturity date : The date falling on the third anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”).
- Interest rate : 6% per annum.
- Conversion Price : Initially HK\$0.10 per Conversion Share.

The Conversion Price will be subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price. Please refer to “Appendix I – Adjustment Mechanism to the Conversion Price of the Convertible Bonds” for more details.

LETTER FROM THE BOARD

Conversion Shares : Based on the initial Conversion Price of HK\$0.1 per Conversion Share, a maximum of 4,000,000,000 Conversion Shares shall be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds.

Conversion rights : The holder of the Convertible Bonds shall have the right to convert the Convertible Bonds into the Conversion Shares at any time after the date of issue of the Convertible Bonds to the Maturity Date (the “**Conversion Rights**”).

The Conversion Rights shall only be exercisable as long as :

- (i) the public float of at least 25 per cent of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; or
- (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the Convertible Bonds and any parties acting in concert with it (as defined under the Takeovers Code).

Early redemption : The Convertible Bonds may be early redeemed at 100% of the outstanding principal amount of the Convertible Bonds (in whole or in part) at any time and from time to time at the option of the Company prior to the Maturity Date. The holder of the Convertible Bonds shall not have any early redemption right.

Redemption : Any unredeemed and unconverted Convertible Bonds shall be redeemed at 100% of the outstanding principal amount on the Maturity Date.

Transferability : The Convertible Bonds is freely transferable, subject to the Convertible Bonds may not be transferred by the holder of the Convertible Bonds to any connected person of the Company without consent of the Company and subject to any conditions, approvals, requirements and any other provisions (including but not limited to Listing Rules requirements).

LETTER FROM THE BOARD

- Voting rights : Holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Ranking : The obligations of the Company arising under the Convertible Bond constitute general and unsecured obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares will in all respects rank *pari passu* with other Shares in issue on the date of allotment and issue of such Conversion Shares.

CONVERSION PRICE AND CONVERSION SHARES

The Conversion Price of HK\$0.1 per Conversion Share represents:

- (i) a premium of approximately 85.19% over the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 72.41% over the average closing price of HK\$0.058 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreement;
- (iii) a premium of approximately 96.08% over the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 63.93% over the unaudited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.061 as at 30 June 2019, calculated based on the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB410,217,000 (equivalent to approximately HK\$451,238,700) as at 30 June 2019 and 7,425,668,000 Shares in issue as at the Latest Practicable Date.

The Conversion Shares have an aggregate nominal value of HK\$400,000,000.

LETTER FROM THE BOARD

The Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to, among other things, the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Assuming all the Conversion Shares are converted in full at the initial Conversion Price of HK\$0.1 per Conversion Shares, an aggregate of 4,000,000,000 Conversion Shares will be issued, which represent (i) approximately 53.87% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 35.01% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Company will seek the Specific Mandate from the Independent Shareholders at the EGM for the allotment and issue of the Conversion Shares.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no other change to the total issued share capital of the Company, set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Phase 1 Completion and assuming full conversion of the Convertible Bonds in principal amount of HK\$200,000,000 at the initial Conversion Price; and (iii) immediately after Phase 1 Completion and Phase 2 Completion and assuming full conversion of the Convertible Bonds in aggregate principal amount of HK\$400,000,000 at the initial Conversion Price:

	As at the Latest Practicable Date		Immediately after Phase 1 Completion and assuming full conversion of the Convertible Bonds in principal amount of HK\$200,000,000 at the initial Conversion Price ²		Immediately after Phase 1 Completion and Phase 2 Completion and assuming full conversion of the Convertible Bonds in aggregate principal amount of HK\$400,000,000 at the initial Conversion Price ²	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>
The Subscriber ¹	1,556,010,000	20.95	3,556,010,000	37.73	5,556,010,000	48.63
Other public Shareholders	5,869,658,000	79.05	5,869,658,000	62.27	5,869,658,000	51.37
Total	7,425,668,000	100.00	9,425,668,000	100.00	11,425,668,000	100.00

LETTER FROM THE BOARD

Notes:

1. The Subscriber holds 20,622,000 Shares. Honghu Capital Co. Ltd holds 1,535,388,000 Shares and is wholly-owned by the Subscriber. Therefore, the Subscriber is beneficially interested in 1,556,010,000 Shares.
2. For illustration purpose only. The conversion rights attaching to the Convertible Bonds shall only be exercisable as long as it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the Convertible Bonds and any parties acting in concert with it (as defined under the Takeovers Code).

EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
30 May 2019 and 28 June 2019	Placing of convertible bonds under general mandate	Approximately HK\$260,275,000	For the general working capital including but not limited to the repayment of debt	The placing has been lapsed on 28 June 2019

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

INFORMATION OF THE SUBSCRIBER

As at the Latest Practicable Date, the Subscriber was the chairman, an executive Director and a substantial shareholder of the Company who was beneficially interested in 1,556,010,000 Shares, representing approximately 20.95% of the total issued share capital of the Company.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in four major business streams including (i) processing, printing and sales of finished fabrics and subcontracting services and the trading of fabric and clothing business; (ii) money lending business; (iii) securities investment and brokerage services business; and (iv) media, cultural and entertainment business.

The gross proceeds and net proceeds (after deducting all relevant expenses) from the Subscription are estimated to be approximately HK\$400 million and HK\$399 million respectively. The Company intends to apply the net proceeds from the Subscription (i) as to approximately HK\$349 million for repayment of the borrowings of the Group and the accrued interest due on or before January 2020; and (ii) as to approximately HK\$50 million for general working capital of the Group.

The Directors consider that the Subscription represents a good opportunity for the Company to raise funds, given that (i) the Subscription can provide immediate funding to repay the Group's short term debt; (ii) the Convertible Bonds will not impose immediate dilution on the shareholding of the existing Shareholders; and (iii) if the conversion rights attaching to the Convertible Bonds are exercised, the Company's capital base will be enlarged and strengthened.

The Company has considered other financing alternatives to raise funds over the Subscription, including but not limited to, bank borrowings and equity financing. However, due to the current financial performance and position of the Group (in particular the net current liabilities position of the Group as at 30 June 2019), it would be difficult for the Group to obtain new bank borrowings. Bank borrowings may also be subject to lengthy due diligence and negotiations with the banks and the requirement to pledge certain assets of the Company acceptable to the banks. The Company proposed a placing of convertible bonds in an aggregate principal amount of HK\$260,275,000 under general mandate on 30 May 2019, however such placing was lapsed on 28 June 2019 (please refer to the announcements of the Company dated 30 May 2019 and 28 June 2019 for more details). Other equity financing such as rights issue and open offer would be more time consuming and costly as compared to the Subscription. As such, the Company considers that the Subscription is the most appropriate means to raise fund at this stage.

Considering that (i) the Company intends to apply as to approximately 87.47% of the net proceeds for repayment of the borrowings of the Group and the accrued interest due in or before January 2020; (ii) the terms of the Convertible Bonds are favourable to the Company, in particular the Conversion Price, which represents a significant premium over the closing price on the date of the Subscription Agreement and a substantial premium over the unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2019 as disclosed in the section headed "CONVERSION PRICE AND CONVERSION SHARES" above; and (iii) balancing (a) the Company's need for repayment of borrowings in the near term; (b) the material subscription amount of the Convertible Bonds with principal amount of HK\$400,000,000; and (c) the current economic uncertainties, the Company considers that it is justifiable to provide a buffer to the Subscriber by two phases. As such, the Directors consider that the issue of Convertible Bonds in two phases are fair and reasonable.

LETTER FROM THE BOARD

Further, as set out in the section headed “3. Material Adverse Change” under Appendix II – General Information of this circular, the Directors are of the opinion that, based on the resources currently available to the Group as at the Latest Practicable Date, in particular the cash position, and the expected net proceeds from the Subscription, the Group may not have sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular considering the general operation cost, borrowings and the accrued interest of the Group. The Company would seek for different ways of financing including but not limited to rights issue, open offer, placing of the new shares and issuance of bonds, etc. in order to meet the Group’s funding needs. However, as at the Latest Practicable Date, save for the Subscription, the Company had yet to reach any concrete plan or timetable for other ways of financing for the working capital of the Group.

Having considered the above, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and the entering into the Subscription Agreement is in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber was the chairman, an executive Director and a substantial Shareholder of the Company who was beneficially interested in 1,556,010,000 Shares, representing approximately 20.95% of the total issued share capital of the Company. The Subscriber was therefore a connected person of the Company and the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders’ approval requirements under the Listing Rules.

The Subscriber is considered to have material interest in the Subscription and the transactions contemplated thereunder and has abstained from voting on the board resolution(s) of the Company to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Han Xingxing, Mr. Li Yu and Ms. Wong Chi Yan has been established by the Company to make a recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate.

Messis has been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM AND PROXY ARRANGEMENT

A notice convening the EGM is set out on pages N-1 to N-2 of this circular. The EGM will be held at Studio No. 8, G/F, 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 29 November 2019 at 11:30 a.m. to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder.

In accordance with Rule 13.39(4) of the Listing Rules, the resolution will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, save for the Subscriber and his associate, who was beneficially interested in 1,556,010,000 Shares (representing approximately 20.95% of the total issued share capital of the Company, no Shareholders are required to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate, and the letter from the Independent Financial Adviser set out on pages 16 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors consider that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of the relevant resolution relating to the Subscription.

ADDITIONAL INFORMATION

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

By order of the Board
Asia Television Holdings Limited
Deng Junjie
Chairman



ASIA TELEVISION HOLDINGS LIMITED

亞洲電視控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 707)

11 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 11 November 2019 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as member to form the Independent Board Committee to consider the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Details of the advice of Messis, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 16 to 37 of this circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 13 of this circular and the additional information set out in the appendices of this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate, and having taken into account the opinion of Messis and, in particular, the factors, reasons and recommendations as set out in the letter from Messis of this circular, we consider that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate are in the interests of the Company and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Ms. Han Xingxing

Mr. Li Yu

Ms. Wong Chi Yan

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



11 November 2019

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

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate. Details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 11 November 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

Reference are made to the announcements of the Company dated 24 September 2019 and 7 November 2019, the Company entered into the Subscription Agreement with Mr. Deng (the “**Subscriber**”), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in two phases in an aggregate principal amount of HK\$400,000,000 at the Conversion Price of HK\$0.1 per Conversion Share (subject to adjustments).

Assuming that the Convertible Bonds are converted in full at the initial Conversion Price and there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion, the Conversion Shares to be issued represent (i) approximately 53.87% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 35.01% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be issued under the Specific Mandate and will rank pari passu with the existing Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Subscriber was the chairman, an executive Director and a substantial Shareholder of the Company who is beneficially interested in 1,556,010,000 Shares, representing approximately 20.95% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company for the purpose of chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Han Xingxing, Mr. Li Yu and Ms. Wong Chi Yan, has been established to advise the Independent Shareholders regarding, among other things, the terms of the Subscription Agreement and transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate. We, Messis Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the management of the Company, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading.

We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Asia Television Holdings Limited or their respective subsidiaries or associates, nor have we carried out any independent verification of the information provided by the Directors and management of the Company. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. It should be noted that subsequent developments including any material change in market and economic conditions may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. This letter, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Subscription Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of the Group and the Subscriber

The Group is principally engaged in (i) processing, printing and sales of finished fabrics and subcontracting services and the trading of fabric and clothing business; (ii) money lending business; (iii) securities investment and brokerage services business; and (iv) media, cultural and entertainment business.

According to the Letter from the Board, the Subscriber, Mr. Deng, is the chairman, an executive Director and a substantial Shareholder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Financial information of the Group

The following tables show the summary of the financial information of the Group for the two years ended/as at 31 December 2017 and 2018 and for the six months ended/as at 30 June 2018 and 2019 as extracted from the annual report (“2018 Annual Report”) of the Company for the year ended 31 December 2018 and the interim report (“2019 Interim Report”) of the Company for the six months ended 30 June 2019, respectively.

	For the year ended		For the six months ended	
	31 December		30 June	
	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	150,748	166,025	75,297	76,428
Gross profit/(loss)	40,272	(97,807)	(25,707)	18,759
Gross profit/(loss) margin	26.7%	(58.9%)	(34.1%)	24.5%
Loss before taxation	(118,911)	(839,756)	(259,325)	(138,160)
Loss after tax	(122,993)	(839,139)	(259,252)	(138,107)
	As at 31 December		As at 30 June	
	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Current assets (extract)				
– Bank balances and cash (<i>Note</i>)	229,914	173,110	147,872	114,066
– Inventories	109,455	91,501	119,939	92,903
– Trade and other receivables, deposits and prepayments	313,474	217,609	177,617	150,756
Current liabilities (extract)				
– Trade and other payables	170,525	367,664	312,342	257,886
Net current assets (liabilities)	489,105	(192,679)	1,419	(302,420)
Gearing ratio	17.3%	117.8%	38.7%	139.0%

Note: Bank balances and cash comprises (i) money deposited by the Group’s clients in segregated accounts in relation to the Group’s brokerage and related services; and (ii) the Group’s bank deposits.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue

The Group's revenue showed an increase from approximately RMB150.7 million in for the year ended 31 December 2017 to approximately RMB166.0 million for the year ended 31 December 2018, representing a year-on-year increase of approximately 10.1%. Based on the 2018 Annual Report, such increase was mainly contributed by the increase in revenue generated from the money lending business, securities brokerage services business and media, cultural and entertainment business. For the six months ended 30 June 2019, based on the 2019 Interim Report, the Group's revenue slightly increased by approximately 1.5% from RMB75.3 million for the six months ended 30 June 2018 to RMB76.4 million for the six months ended 30 June 2019, primarily due to the increase in turnover of money lending business, the fabrics and trading business of approximately RMB4.3 million, partly offsetting by the overall decline in turnover of the securities brokerage business and entertainment and media business.

Gross profit/(loss) margin

For the year ended 31 December 2017, the gross profit margin was approximately 26.7%. However, the Group recorded a negative gross profit margin of approximately 58.9% for the year ended 31 December 2018. According to the 2018 Annual Report, such gross loss was due to unexpected bad performance of media, cultural and entertainment cash generating unit and the Group incurred significant expenses in cost of sales of approximately RMB263,832,000 including amortisation of intangible assets, direct staff costs, net write-down of inventories of approximately RMB56,543,000, RMB59,845,000 and RMB42,597,000 respectively. Hence, there was significant gross loss of approximately RMB97.8 million for the year ended 31 December 2018. Based on the 2019 Interim Report, the Group turned from gross loss margin to a gross profit margin of approximately 24.5% for the six months ended 30 June 2019, mainly due to the adoption of stringent cost control measures.

Loss after tax

The Group's loss after tax also experienced a significant increase, from approximately RMB123.0 million for the year ended 31 December 2017 to approximately RMB839.1 million for the year ended 31 December 2018, due to the aforementioned unexpectedly poor performance of certain business sectors and significant increase in cost of sales. For the six months ended 30 June 2019, based on the 2019 Interim Report, the Group recorded a net loss of approximately RMB138.1 million, slightly improved as compared to the net loss of approximately RMB259.2 million for the six months ended 30 June 2018. The decrease in the net loss was mainly due to an absence of the recognition of impairment loss on goodwill of approximately RMB114.4 million for the acquisition of Asia Television Limited and its subsidiaries as recognised in the same period in 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net current assets

As at 31 December 2017, the net current asset for the Group was approximately RMB489.1 million. However, the Group recorded net current liabilities of approximately RMB192.7 million as at 31 December 2018. Based on the 2018 Annual Report, such decrease was driven by the combined effect of (i) decrease in trade receivables; (ii) increase in trade payables and (iii) significant increase in short-term loans from other financial institutions. Based on the 2019 Interim Report, as at 30 June 2019, the Group recorded net current liabilities of approximately RMB302.4 million, representing an increase in net current liabilities of approximately 57.0% from approximately RMB192.7 million as at 31 December 2018 due to the repayment of loans and decrease in trade receivables during the period.

Gearing ratio

As at 31 December 2018, the gearing ratio of the Company, calculated based on total debt divided by total equity, was approximately 117.8%, representing an approximately 580.9% increase as compared to the gearing ratio of approximately 17.3% as at 31 December 2017. The gearing ratio further increased to 139.0% as at 30 June 2019.

3. Reasons for the Subscription and use of proceeds

As per the 2019 Interim Report and the management of the Group, as at 30 June 2019, the Group's short-term loans from other financial institutions and other borrowings that were repayable on or before January 2020 amounted to approximately RMB415.8 million which carried interest rates ranged from approximately 8% per annum to 30% per annum. As at 30 June 2019, the Group had dispensable cash and cash equivalents (excluding money deposited by its clients in segregated accounts) of approximately RMB28.2 million only, indicating the Group's funding need to repay its liability in the short run. As discussed above, the gearing ratio of the Company spiked up to approximately 139.0% as at 30 June 2019. According to the management of the Company, it would impose undue financial risk to the Group for obtaining further borrowings from banks and/or other financial institutions. As disclosed in the Letter from the Board, the Company intends to apply part of the net proceeds from the Subscription of approximately HK\$349 million for repayment of the borrowings of the Group and the accrued interest due on or before January 2020.

The Directors are of the view that the Subscription represents a good opportunity for the Company to obtain the funding without imposing immediate dilution on the shareholding of the existing Shareholders, or at unfavourable terms given the financial condition of the Group, to enhance its working capital and strengthen its capital base. As per the management of the Group, the Company intends to utilise approximately HK\$50 million of net proceeds, being the remaining proceeds for supplementing general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Subscription can raise immediate funding for the Group to repay its short term debt; (ii) the Subscription also represents a good opportunity for the Company to obtain the funding without imposing immediate dilution on the shareholding of the existing Shareholders, or at unfavourable terms given the financial condition of the Group, to enhance its working capital and strengthen its capital base; (iii) the Convertible Bonds with an interest rate of 6% per annum is an effective financing solution to reduce the Company's interest expenses, compared to the interest rates of the Group's short-term loans from other financial institutions and other borrowings ranged from approximately 8% per annum to 30% per annum; and (iv) the Subscription is an appropriate financing option for the Group under the current circumstances as compared with other financing alternatives (the analysis on other financing alternatives is set out in section headed "5. Other financing alternatives" below), we concur with the Directors' view that the entering into the Subscription Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole although it is not conducted in the Company's ordinary and usual course of business.

4. The Principal terms of the Convertible Bonds

Key terms of the Convertible Bonds

Issuer	:	The Company
Principal amount	:	An aggregate of principal amount of HK\$400,000,000 in two phases, comprising of:- (i) the Convertible Bonds in principal amount of HK\$200,000,000 on Phase 1 Completion; and (ii) the Convertible Bonds in principal amount of HK\$200,000,000 on Phase 2 Completion.
Maturity	:	The date falling on the third anniversary of the date of issue of the Convertible Bonds (the " Maturity Date ").
Interest	:	6% per annum
Conversion Price	:	The initial Conversion Price is HK\$0.10 per Conversion Share, subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price. Please refer to "Appendix I – Adjustment Mechanism to the Conversion Price of the Convertible Bonds" for further details.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conversion Shares : Based on the initial Conversion Price of HK\$0.10 per Conversion Share, a maximum of 4,000,000,000 Conversion Shares will be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds.

Conversion rights : The holder of the Convertible Bonds shall have the right to convert the Convertible Bonds into the Conversion Shares at any time after the date of issue of the Convertible Bonds to the Maturity Date (the “**Conversion Rights**”).

The Conversion Rights shall only be exercisable as long as:

- (i) the public float of at least 25 per cent of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; or
- (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the Convertible Bonds and any parties acting in concert with it (as defined under the Takeovers Code).

Early redemption : The Convertible Bonds may be early redeemed at 100% of the outstanding principal amount of the Convertible Bonds (in whole or in part) at any time and from time to time at the option of the Company prior to the Maturity Date. The holder of the Convertible Bonds shall not have any early redemption right.

Redemption : Any unredeemed and unconverted Convertible Bonds shall be redeemed at 100% of the outstanding principal amount on the Maturity Date.

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Ranking : The obligations of the Company arising under the Convertible Bond constitute general and unsecured obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares will in all respects rank *pari passu* with other Shares in issue on the date of allotment and issue of such Conversion Shares.

For other terms of the Convertible Bonds, please refer to the Letter from the Board.

Conversion Price

The Conversion Price of HK\$0.10 per Conversion Share represents:

- (i) a premium of approximately 85.19% over the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on 24 September 2019, being the date of the Subscription Agreement;
- (ii) a premium of approximately 72.41% over the average closing price of HK\$0.058 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreement;
- (iii) a premium of approximately 72.41% over the average closing price of HK\$0.058 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to date of the Subscription Agreement; and
- (iv) a premium of approximately 63.93% over the unaudited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.061 as at 30 June 2019, calculated based on the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB410,217,000 (equivalent to approximately HK\$451,238,700) as at 30 June 2019 and 7,425,668,000 Shares in issue as at the Latest Practicable Date.

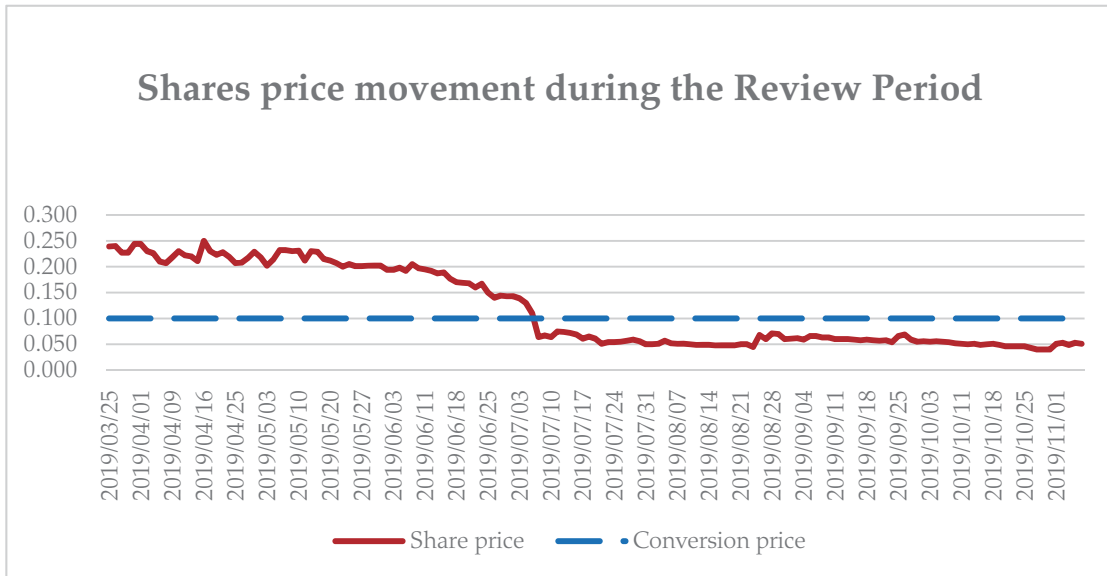
The Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to, among others, the prevailing market price of the Shares. The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the independent financial adviser) consider that the Conversion Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In considering the fairness and reasonableness of the Conversion Price, we have conducted the following analyses:

Historical price of the Shares

To evaluate the fairness and reasonableness of the Conversion Price, we have reviewed the closing price of the Shares for the period from 25 March 2019 up to and including the Latest Practicable Date (the “**Review Period**”), being the approximate six months period immediately preceding the date of the Subscription Agreement to illustrate the recent trading performance of the Shares. In relation to the six months period adopted in our analysis, we note that (i) it represents a reasonable period to provide a general overview of the recent price movement of the Shares which has reflected relevant information of the Group’s performance; (ii) a shorter period (e.g. two months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. twelve months) may have been too distant in time making such historical trend less relevant within the context of the Subscription and with reference to the dynamic financial markets, we consider that the Review Period of six months is fair and reasonable and representable when conducting analyses among the Conversion Price, historical closing prices of the Shares and historical trading volume of the Shares.



Source: website of the Stock Exchange

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During the Review Period, the Share price generally showed a downward trend and the highest closing price was HK\$0.25 on 16 April 2019 while the lowest closing price was HK\$0.040 from 29 to 31 October 2019. The Conversion Price of HK\$0.10 is within the aforementioned range and represents a discount of approximately 60% to the highest closing price and a premium of approximately 150% to the lowest closing price during the Review Period.

From March 2019 to late May 2019, the closing prices of the Shares fluctuated in the range of HK\$0.25 and HK\$0.20 and reached HK\$0.19 on 31 May 2019. Since then, the closing price of the Shares had been on downtrend until reaching HK\$0.045 on 23 August 2019. The closing price of the Shares shot up to HK\$0.071 on 28 August 2019 and decreased gradually to HK\$0.054 on the date of the Subscription Agreement and the lowest level of the Review Period of HK\$0.040 from 29 October 2019 to 31 October 2019. The closing price of the Shares then went up to HK\$0.051 on the Latest Practicable Date. Subsequent to 31 May 2019 and up to the Latest Practicable Date, the Company issued several announcements including but not limited to (i) an announcement in relation to lapse of placing agreement on 28 June 2019; (ii) an announcement regarding a litigation in relation to a loan agreement on 30 July 2019 and relevant update announcements on 1 August 2019 and 2 September 2019 respectively; (iii) an announcement in relation to the expected significant decrease in loss on 26 August 2019; and (iv) the interim results announcement for the six months ended 30 June 2019 on 30 August 2019. According to the Directors, they were not aware of any specific events of the Company during the Review Period that caused the said movement in the Share prices.

Having considered that (i) the Conversion Price is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; (ii) the Conversion Price of HK\$0.10 per Conversion Share represents a premium of approximately 72.41% over the average closing price of HK\$0.058 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreement; and (iii) the Conversion Price of HK\$0.10 per Conversion Share represents a premium of approximately 72.41% over the average closing price of HK\$0.058 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to date of the Subscription Agreement, we consider that the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical trading liquidity of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. The number of trading days, average daily trading volume of the Shares, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are shown as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Note 1) %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date (Note 2) %
2019				
March (Note 3)	5	29,206,400	0.498	0.393
April	19	9,218,700	0.157	0.124
May	21	6,403,333	0.109	0.086
June	19	8,392,261	0.143	0.113
July	22	36,831,613	0.627	0.496
August	22	16,810,560	0.286	0.226
September	21	21,062,952	0.359	0.284
October	21	11,825,619	0.201	0.159
November (Note 4)	5	30,810,400	0.525	0.415
Maximum			0.627%	0.496%
Minimum			0.109%	0.086%

Source: website of the Stock Exchange

Note:

1. Based on 5,869,658,000 Shares held by the public as at the Latest Practicable Date.
2. Based on 7,425,668,000 Shares in issue as at the Latest Practicable Date.
3. Based on the trading volume for the period from 25 March to 31 March 2019.
4. Based on the trading volume for the period from 1 November 2019 to the Latest Practicable Date.

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The above table illustrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0.109% to 0.627% as to the total number of issued Shares held by the public as at the Latest Practicable Date and approximately 0.086% to 0.496% as to the total number of issued Shares as at the Latest Practicable Date. The above statistics revealed that the liquidity of the Shares was relatively low during the Review Period. Such thin trading may indicate difficulty to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/or placing/underwriting fees.

Comparable analysis

We have conducted comparable analysis through identifying 14 companies listed on the Stock Exchange which announced issue of convertible bonds/notes during the from 24 June 2019, being three months immediately preceding the date of the Subscription Agreement, to the Latest Practicable Date (the “**Comparable Issues**”).

Our research covers announced issues of convertible bonds/notes to both connected persons and independent third parties by companies listed on the Stock Exchange during the same period. In order to examine whether the terms of the Convertible Bonds are significantly different from the comparable issues to independent third parties and to assess whether the terms of the Convertible Bonds are relatively more favourable to the connected persons as compared with independent third parties, we do not exclude the announced issues of convertible bonds/notes to independent third parties in our research. In addition, we consider that our comparable analysis would be more comprehensive and could better represent the prevailing overall market sentiments including terms determined with independent third parties.

We consider the premium to the Group’s consolidated net asset value per Shares as reference only, provided that the market price is a more prevailing factor in determining the fairness and reasonableness of the Conversion Price as the market price reflects the fair value of the Shares after taking into account the market conditions and other factors. As such, we consider that using the conversion prices to market prices is a fair and reasonable approach in our analysis.

Although the Comparable Issues may have different scales when compared with the Company, after having considered (i) all of the issuers among the Comparable Issues and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the convertible bonds/notes and we are not aware of any established evidence showing any correlation between scale of the convertible bonds/notes and its underlying principal terms; and (iii) including transactions conducted by issuers with different scales in the Comparable Issues can reflect a more comprehensive overall market sentiment in our comparable analysis, we consider that the Comparable Issues are fair and representative samples.

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Furthermore, although the Comparable Issues represent a wide range of premium and discount of the relevant conversion prices, we consider that the Comparable Issues are fair and representative samples as (i) we have purposely adopted a three-month period for the selection of the Comparable Issues which in our opinion generated a reasonable and meaningful number of samples for the purpose of our analysis; (ii) if a longer period (e.g. 6 months) is used, that would have generated way too many comparables making the analysis less meaningful with an even wider range of premium and discount of the relevant conversion prices under less prevailing market condition; and (iii) the Comparable Issues were included without any artificial selection or filtering on our part so the Comparable Issues represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the terms of the Convertible Bonds. To the best of our knowledge and as far as we are aware of, the Comparable Issues represent all relevant companies fitting our search criterion mentioned above, and we consider that such Comparable Issues can provide a reference on the recent issues of convertible bonds/notes given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies involved in the Comparable Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the issues of convertible bonds/notes may also be different from that of the Company.

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We set out our findings in the table below:

Date of announcement	Stock code	Company name	Principal amounts (HK\$ million)	Issue to connected person(s) (Y/N)	Maturity period (years)	Interest rate per annum (%)	Premium/(discount) of conversion price over/(to)		
							Closing price per share on the last trading day prior to/on the date of the announcement	Average closing price per share for the last five consecutive trading days prior to/on the date of the announcement	Average closing price per share for the last 30 consecutive trading days prior to/on the date of the announcement
24 October 2019	2340	Synergis Holdings Limited	42.0	N	2	7.0	2.0	4.2	4.9
14 October 2019	539	Victory City International Holdings Limited	65.0	N	2	5.0	64.6	65.0	56.3
9 October 2019	1332	China Touyun Tech Group Limited	210.0	N	2	8.0	(7.7)	(2.9)	7.5
16 September 2019	932	Shunten International (Holdings) Limited	200.0	N	2	10.0	2.9	-	(6.3)
10 September 2019	8055	China E-Information Technology Group Limited	120.0	N	2	5.0	44.5	40.0	17.6
19 August 2019	8228	National Arts Entertainment and Culture Group Limited	1,302.0	Y	5	1.0	167.0	171.2	155.9
16 August 2019	377	Huajun International Group Limited	1,000.0	Y	5	1.5	327.0	327.0	338.4
1 August 2019	1826	Dafy Holdings Limited	80.0	N	0.5	8.0	42.9	33.0	31.3
1 August 2019	539	Victory City International Holdings Limited	64.0	N	2	5.0	30.6	29.6	56.9
31 July 2019	756	Summi (Group) Holdings Limited	106.0	Y	3	2.3	16.9	18.4	14.2
19 July 2019	651	China Ocean Industry Group Limited	110.0	N	3	10.0	-	3.9	1.9

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Company name	Principal amounts (HK\$ million)	Issue to connected person(s) (Y/N)	Maturity period (years)	Interest rate per annum (%)	Premium/(discount) of conversion price over/(to)		
							Closing price per share on the last trading day prior to/on the date of the announcement	Average closing price per share for the last five consecutive trading days prior to/on the date of the announcement	Average closing price per share for the last 30 consecutive trading days prior to/on the date of the announcement
12 July 2019	1106	Ming Lam Holdings Limited	298.0	N	1	12.0	212.5	226.8	189.9
11 July 2019	8218	Echo International Holdings Group Limited	9.4	N	5	7.0	2.1	-	(12.3)
10 July 2019	827	Ko Yo Chemical (Group) Limited	987.0	Y	5	5.0	(19.9)	(19.7)	(23.8)
9 July 2019	1041	Lamtex Holdings Limited	80.9	N	3	3.0	2.5	-	-
1 July 2019	821	Value Convergence Holdings Limited	99.0	Y	3	0.0	(18.2)	(16.7)	(20.4)
25 June 2019	351	Asia Energy Logistics Group Limited	60.0	N	3	2.5	5.3	3.5	2.2
Maximum					5	12.0	327.0	327.0	338.4
Minimum					0.5	0.0	(19.9)	(19.7)	(23.8)
Average					2.9	5.4	54.7	63.1	50.9
Maximum (excluding issue to connected person(s))					5.0	12.0	212.5	226.8	189.9
Minimum (excluding issue to connected person(s))					0.5	2.5	(7.7)	0.0	(12.3)
Average (excluding issue to connected person(s))					2.3	6.9	36.6	44.8	31.8
24 September 2019	707	The Group	400.0	Y	3	6.0	85.2	72.4	72.4

Source: website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, we note that the premium/(discount) to the last trading day represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 19.9% to a premium of approximately 327.0%, with an average figure being a premium of approximately 54.7%. The premium of approximately 85.2% represented by the Conversion Price over the closing price of the Shares on the date of the Subscription Agreement, therefore falls within the range of the premium/(discount) to the last trading day of the Comparable Issues and is above the average figure thereof.

We note that the premium/(discount) to average closing price of the last five trading days represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 19.7% to a premium of approximately 327.0%, with an average figure being a premium of approximately 63.1%. The premium of approximately 72.4% represented by the Conversion Price to the average closing price of the Shares of the last five trading days prior to date of the Subscription Agreement, therefore falls within the range of the premium/(discount) to the average closing price of the last five trading days of the Comparable Issues and is above the average figure thereof.

We also note that the premium/(discount) to average closing price of the last 30 trading days represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 23.8% to a premium of approximately 338.4%, with an average figure being a premium of approximately 50.9%. The premium of approximately 72.4% represented by the Conversion Price to the average closing price of the Shares of the last 30 trading days prior to date of the Subscription Agreement, therefore falls within the range of the premium/(discount) to the average closing price of the last 30 trading days of the Comparable Issues and is above the average figure thereof.

We note that the maturity dates in respect of the Comparable Issues ranged from 0.5 year to 5 years, with an average of approximately 2.9 years. The maturity date of the Convertible Bonds, being 3 years, therefore falls within the range of the maturity dates of the Comparable Issues.

We note that the interest rates in respect of the Comparable Issues ranged from nil to 12.0% per annum, with an average of approximately 5.4% per annum. The interest rate of the Convertible Bonds, being 6.0% per annum, therefore falls within the range of the interest rates of the Comparable Issues and is close to the average interest rate of the Comparable Issues.

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As illustrated in the table above, we also conduct an analysis on the terms of the Comparable Issues to independent third parties only and note that there is no material change to the ranges and averages of premium/(discount) of the relevant conversion prices after excluding the Comparable Issues to connected person(s). And we note that the premiums represented by the Conversion Price over (i) the closing price of the Shares on the date of the Subscription Agreement; (ii) average closing price of the last five trading days; and (iii) average closing price of the last 30 trading days fall within the corresponding ranges of the premium/(discount) represented by the conversion prices of the Comparable Issues to independent third parties and are above the relevant average figures thereof. The maturity date of the Convertible Bonds, being 3 years falls within the range of the maturity dates of the Comparable Issues to independent third parties. The interest rate of the Convertible Bonds, being 6.0% per annum falls within the range of the interest rates of the Comparable Issues to independent third parties and is lower than the average interest rate thereof. Therefore, we are of the view that the terms of the Convertible Bonds are generally in line with the terms of the Comparable Issues to independent third parties.

Our view

Based on the totality of all the factors mentioned above and having considered in particular that:

- (a) the premium/(discount) to the closing price of the last trading day, the average closing price of the last five and 30 consecutive days represented by the Conversion Price are within the respective ranges of Comparable Issues and are above the average thereof;
- (b) the maturity period of the Convertible Bonds, being 3 years, falls within the range of the maturity period of the Comparable Issues and is in line with the average maturity period of the Comparable Issues;
- (c) the interest rate of the Convertible Bonds, being 6% per annum, falls within the range of the interest rates of the Comparable Issues and is close to the average interest rate of the Comparable Issues; and

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- (d) the Convertible Bonds bear interest at a rate of 6% per annum on the outstanding principal amount of the Convertible Bonds, which is lower than that of the interest rates ranged from approximately 8% per annum to 30% per annum for the repayment of Group's short-term loans from other financial institutions and other borrowings, and one of the primary purposes of the issue of the Convertible Bonds is for the repayment of the loans as a significant proportion of the net proceeds therefrom will be used to repay the loans. In this sense, we are of the view that the issue of the Convertible Bonds at this interest rate of 6% per annum represents an appropriate opportunity for refinancing,

we are of the view that the Conversion Price and the interest rate of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

Analysis on other terms

Subject to fulfilment of the conditions precedent under the Subscription Agreement, the Completion shall take place in two phases: (i) Phase 1 Completion shall take place on the Phase 1 Completion Date in respect of the Convertible Bonds in the principal amount of HK\$200,000,000; and (ii) Phase 2 Completion shall take place on the Phase 2 Completion Date in respect of the Convertible Bonds in the principal amount of HK\$200,000,000. Phase 1 Completion Date and Phase 2 Completion Date will be within ten business days and within three months respectively after fulfilment of all the conditions precedent set out in the Subscription Agreement or such other date as may be agreed between the Company and the Subscriber.

Based on our research, none of the Comparable Issues has indicated in its announcement regarding bond issue that there was a similar arrangement of issuing the bonds in two phases or more. Given that the principal amount of the Convertible Bonds of HK\$400 million is above the average principal amount of the Comparable Issues of approximately HK\$284 million, we concur the Company's view that it is justifiable to provide a buffer to the Subscriber in two phases. As advised by the Company, the Subscriber will deliver the payment to the Company by way of cashier order or such other method as notified by the Company for 100% of the face value of the Convertible Bonds to be issued on Phase 1 Completion and Phase 2 Completion, respectively, which does not run the risk of non-payment upon the issue of the respective phase of the Convertible Bonds.

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Having considered that (i) it is justifiable to provide a buffer in two phases to the Subscriber for the Subscription given the material subscription amount of HK\$400 million; (ii) the Subscriber will make the payment to the Company for 100% of the face value of the Convertible Bonds simultaneously upon the issue of Convertible Bonds on Phase 1 Completion and Phase 2 Completion, respectively; and (iii) the time difference of three months from the fulfillment of all the conditions precedent to Phase 2 Completion is relatively short considering that the Company intends to apply part of the net proceeds for repayment of the borrowings and accrued interest due on or before January 2020, we are of the view the arrangement of issuing the Convertible Bonds in two phases are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole although it is not in line with the market practice.

Having considered the above analyses, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

5. Other financing alternatives

Set out below are the equity fund raising activities announced by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of net proceeds
30 May 2019 and 28 June 2019	Placing of convertible bonds under general mandate	Approximately HK\$260,275,000	For the general working capital including but not limited to the repayment of debt.	The placing has been lapsed on 28 June 2019

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence purpose, we have enquired and were informed by the Directors that the Company has considered various fund-raising alternatives before resolving to the Subscription, including debt financing and funds raising from capital markets (such as placing of new shares, rights issue and open offer).

In respect of debt financing, the Directors consider that (i) as the Group has recorded a net loss position for year ended 31 December 2018 and the six months ended 30 June 2019 and a net current liabilities position of the Group as at 30 June 2019, it would be difficult for the Group to obtain new borrowings from banks and/or other financial institutions; (ii) the bank loan application may be subject to lengthy due diligence and negotiations with banks; and (iii) given the size of funding needs, debt financing will inevitably incur additional interest expenses which would add burden to the Group's gearing and impose undue financial risk to the Group.

In respect of equity financing, the Company proposed a placing of convertible bonds in an aggregate principal amount of approximately HK\$260,275,000 under general mandate on 30 May 2019, however the placing agreement was lapsed on 28 June 2019. The Directors consider that in view of (i) the lapse of placing agreement on 28 June 2019; (ii) the relative low liquidity of the Shares during the six months preceding the date of the Subscription Agreement; and (iii) the overall downtrend of the Shares price for the six months preceding the date of the Subscription Agreement, it would be difficult for the Group to pursue sizeable equity financing alternatives in the stock market. Alternatively, the Subscription represents immediate funding for the Company without immediate dilution of the shareholding of the existing Shareholders and the Conversion Price represented a premium of approximately 72.41% over the average closing price of HK\$0.058 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to date of the Subscription Agreement.

Based on the above, we concur with the Directors' view that the Subscription is an appropriate mean of financing exercise and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Dilution effect on the shareholding structure

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Phase 1 Completion and the issue and allotment of the Conversion Shares in principal amount of HK\$200,000,000 at the initial Conversion Price; and (iii) immediately after Phase 1 Completion and Phase 2 Completion and the issue and allotment of the Conversion Shares in full as contemplated under the Subscription:

	As at the Latest Practicable Date		Immediately after Phase 1 Completion and assuming full conversion of the Convertible Bonds in principal amount of HK\$200,000,000 at the initial Conversion Price ⁽²⁾		Immediately after Phase 1 Completion and Phase 2 Completion and assuming full conversion of the Convertible Bonds in aggregate principal amount of HK\$400,000,000 at the initial Conversion Price ⁽²⁾	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Subscriber ¹	1,556,010,000	20.95	3,556,010,000	37.73	5,556,010,000	48.63
Other public Shareholders	5,869,658,000	79.05	5,869,658,000	62.27	5,869,658,000	51.37
Total	7,425,668,000	100.00	9,425,668,000	100.00	11,425,668,000	100.00

Notes:

1. The Subscriber holds 20,622,000 Shares. Honghu Capital Co. Ltd holds 1,535,388,000 Shares and is wholly-owned by the Subscriber. Therefore, the Subscriber is beneficially interested in 1,556,010,000 Shares.
2. For illustration purpose only. The conversion rights attaching to the Convertible Bonds shall only be exercisable as long as it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the Convertible Bonds and any parties acting in concert with it (as defined under the Takeovers Code).

As shown in the above table, for illustrative purpose only, assuming there are no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the full conversion of the Convertible Bonds at the initial Conversion Price, the shareholdings of the existing public Shareholders will be diluted from approximately 79.05% of the issued share capital of the Company at the Latest Practicable Date to approximately 51.37% of the enlarged share capital of the Company immediately after the Phase 1 Completion and Phase 2 Completion and assuming the full conversion of the Convertible Bonds at the initial Conversion Price.

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Nevertheless, taking into account (i) the benefits and the potential prospect of the entering into of the Subscription Agreement as discussed in the section headed “3. Reasons for the Subscription and use of proceeds” above; and (ii) that the terms of the Convertible Bonds are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the section headed “4. The Principal terms of the Convertible Bonds” above, we are of the view that the aforesaid dilution effect on the shareholding interests of the existing public Shareholders is justifiable.

7. Financial effects of the Subscription

(i) *Effect on gearing ratio*

As at 30 June 2019, the gearing ratio (as calculated based on borrowings comprising obligation under finance leases, bond payables, short-term bank loans, short term loans from other financial institutions and other borrowings divided by Shareholders’ equity) was approximately 139.0%. Upon the Completion and assuming full conversion of the Convertible Bonds, the Company’s gearing ratio is expected to improve as total debt would be reduced by the amount of the net proceeds to be utilised for repayment of borrowings of the Group.

(ii) *Effect on Liquidity*

As stated in the 2019 Interim Report, the Group had cash and cash equivalents of approximately RMB114.1 million as at 30 June 2019. Immediately upon the Completion, it is expected that the liquidity position of the Group will increase by approximately HK\$400.0 million (equivalent to approximately RMB363.6 million) less related expenses and the liability portion of the Convertible Bonds will be treated as a non-current liability of the Group. Accordingly, the liquidity and working capital position of the Group will be improved upon the Completion.

(iii) *Effect on net asset value*

As per the 2019 Interim Report, the unaudited net asset value of the Company as at 30 June 2019 was approximately RMB379.9 million. Upon the Completion, given that the Convertible Bonds when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess the exact impact of the Convertible Bonds on the net asset value of the Group until reliable estimations of the value of the Convertible Bonds can be made as at the issue date.

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On the other hand, it is expected that the net asset value of the Group will increase upon conversion of the Convertible Bonds by the Subscriber into the Conversion Shares (subject to the relevant Conversion Rights of the Convertible Bonds and applicable requirements under the Takeovers Code) as a result of the decrease in liabilities and increase in share capital.

(iv) Effect on Earnings

As stated in the 2018 Annual Report, the Group recorded net loss of approximately RMB839.1 million for the year ended 31 December 2018. As the Convertible Bonds carry an interest of 6.0% per annum which is lower than that of the short-term loans from other financial institutions and other borrowings and will mature on the third anniversary of the issue date, the Directors expect that the future earnings of the Group will be enhanced due to the lower finance costs.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon the Completion.

OPINION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) the entering into the Subscription Agreement is not conducted in the Company's ordinary and usual course of business. Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Wallace Cheung
Director

Note: Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 8 years of experience in corporate finance industry.

APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

The adjustment mechanism of the Conversion Price of the Convertible Bonds is set out below:

- (a) The Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (vi) inclusive of this section shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
 - (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount so that the holders of the Convertible Bonds shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Convertible Bonds been converted immediately prior to the happening of such event, but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event or any time thereafter. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.
 - (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.
 - (iii) If and whenever the Company shall make any Capital Distribution (as defined in section (b)) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

<p style="text-align: center;">APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS</p>
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where:

A = the market price (as defined in section (b)) of one Share on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) last preceding day of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next day, as determined in good faith by an approved financial adviser or the auditors of the Company, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

provided that:

(aa) if in the opinion of the relevant approved financial adviser or the auditors of the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and

(bb) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

(iv) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, open offer or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

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- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80 per cent. of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.
- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

For the purposes of this sub-paragraph (v), the “total Effective Consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(vi) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80 per cent. of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(b) Capitalised terms used in this Appendix shall have the same meanings as those defined in this circular, and for the purposes of this Appendix:

“**announcement**” shall include the release of an announcement to the press or the delivery or transmission by telephone, facsimile or otherwise of an announcement to the Stock Exchange;

“**date of announcement**” shall mean the date on which the announcement is first so released, delivered or transmitted;

“**approved financial adviser**” means a licensed financial adviser under the Securities and Futures Ordinance in Hong Kong or a reporting accountant selected by the Company and agreed by the holders of the Convertible Bonds for the purpose of providing a specific opinion or calculation or determination hereunder;

**APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION
PRICE OF THE CONVERTIBLE BONDS**

“**Capital Distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution Provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after 31 December 2016 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each financial period ended 31 December;

“**issue**” shall include allot;

“**market price**” means the average of the closing prices of one Share on the Stock Exchange for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

“**reserves**” includes unappropriated profits;

“**rights**” includes rights in whatsoever form issued;

“**Shares**” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to sub-paragraphs (iii), (iv), (v), (vi) or (vii) above, any such ordinary shares of the Company as, when fully paid, will be Shares;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited.

- (c) The provisions of sub-paragraphs (ii), (iii), (iv), (v) and (vi) above shall not apply to:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Bonds or any other convertible bonds of the same class as this Convertible Bonds) to acquire Shares provided that an adjustment has been made under this Appendix in respect of the issue of such securities or granting of such rights (as the case may be);

<p style="text-align: center;">APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS</p>
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- (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
 - (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iv) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 120 per cent. of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the “**market value**” of a Share shall mean the average of the closing prices for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
 - (v) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights to acquire Shares where such rights were granted prior to the issue of the Convertible Bonds.
- (d) Any adjustment to the Conversion Price shall be made to the nearest one tenth of a cent so that any amount under half of one tenth of a cent shall be rounded down and any amount of half of one tenth of a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the directors of the Company every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved financial adviser.

<p style="text-align: center;">APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS</p>
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- (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Appendix would be less than one tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward.

- (f) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved financial adviser or the auditors of the Company to consider whether any adjustment to the Conversion Price is appropriate (and if such approved financial adviser or the auditors of the Company shall certify that any such adjustment is appropriate, the Conversion Price shall be adjusted accordingly and the provisions of sections (d), (e) and (h) shall apply).

- (g) Notwithstanding the provisions above, in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved financial adviser or the auditors of the Company to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved financial adviser or the auditors of the Company shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved financial adviser or the auditors of the Company to be in its opinion appropriate.

**APPENDIX I ADJUSTMENT MECHANISM TO THE CONVERSION
PRICE OF THE CONVERTIBLE BONDS**

- (h) Whenever the Conversion Price is adjusted as herein provided the Company shall give notice to the holders of the Convertible Bonds forthwith that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the adjustment Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as the Convertible Bonds remains outstanding make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the auditors of the Company or (as the case may be) of the relevant approved financial adviser or the auditors of the Company and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the holders of the Convertible Bonds.

- (i) If application of any of the provisions of this Appendix would but for this sub-paragraph result in the Conversion Price being reduced to less than the nominal value of the Share, then the Conversion Price shall be adjusted to an amount equal to the nominal value of the Share.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their associates in the Share(s), the underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Name	Capacity	Number of ordinary shares	Percentage of issued share capital as at the Latest Practicable Date
The Subscriber ¹	Beneficial owner	20,622,000 (L) ²	0.28%
	Interest of controlled corporation	1,535,388,000 (L) ²	20.67%

Notes:

- The Subscriber holds 20,622,000 Shares. Honghu Capital Co. Ltd holds 1,535,388,000 Shares and is wholly-owned by the Subscriber. Therefore, the Subscriber is beneficially interested in 1,556,010,000 Shares.
- The letters "L" denote long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (a) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) which were recorded in the register maintained by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest of substantial shareholders

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and required to be kept in register under Section 336 of the SFO were as follows:

Long positions in the Shares

Name	Capacity	Number of ordinary shares	Percentage of issued share capital as at the Latest Practicable Date
Honghu Capital Co. Ltd	Beneficial owner	1,535,388,000	20.67%
KKC Capital Limited ¹	Investment manager	405,058,000	5.45%
KKC Capital SPC — KKC Capital High Growth Fund Segregated Portfolio (“KKC Capital SPC”)	Beneficial owner	405,058,000	5.45%

Note:

1. KKC Capital Limited is the investment manager of KKC Capital SPC and was therefore deemed to have an interest in the shares in which KKC Capital SPC has invested.

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executive of the Company were not aware of any persons or companies (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and required to be kept in register under Section 336 of the SFO.

3. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that, based on the resources currently available to the Group as at the Latest Practicable Date, in particular the cash position, and the expected net proceeds from the Subscription, the Group may not have sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular considering the general operation cost, borrowings and the accrued interest of the Group. The Company would seek for different ways of financing including but not limited to rights issue, open offer, placing of the new shares and issuance of bonds, etc. in order to meet the Group's funding needs. However, as at the Latest Practicable Date, save for the Subscription, the Company had yet to reach any concrete plan or timetable for other ways of financing for the working capital of the Group.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group was made up.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the controlling shareholders (as defined under the Listing Rules) of the Company, the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group.

6. OTHER INTERESTS OF THE DIRECTORS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor has any Director or their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were 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 consolidated financial statements of the Group were made up.

7. LITIGATION

Writ of summons served on the Company by a creditor

On 2 September 2019, the Company received a writ of summons (“**Writ**”) together with statement of claim issued in the Court of First Instance of High Court of Hong Kong by a creditor (the “**Plaintiff**”) against the Company that the Company is indebted to Plaintiff, the total outstanding debt in the principal amount of HK\$50,000,000.00 (the “**Outstanding Debt**”), together with the interest on the total outstanding debt in the principal amount of HK\$50,000,000.00 from 28 March 2019 to the date of repayment (based on an interest rate of 30% per annum) under the loan agreement entered into between the Plaintiff and the Company on 28 January 2019 for the loan advanced to the Company, detail of which is set out in the announcement of the Company dated 2 September 2019.

The Group submitted relevant documents to the Court in mid-October 2019, offering to settle the Outstanding Debt of HK\$50,000,000.00 and the accrued interest in December 2019. The repayment date of which is subject to the Court’s judgement.

Statutory demands served on the Company by creditors

As disclosed in the announcements of the Company dated 21 October 2019, 24 October 2019 and 28 October 2019 (the “**Announcements**”) in relation to, among other things, the statutory demands served on the Company by creditors:

On 2 October 2019, a statutory demand (“**Statutory Demand I**”) under section 178(1)(A) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) (the “**Ordinance**”) was served on the Company by a creditor (the “**Creditor I**”) to demand the Company to pay the alleged outstanding debt in the amount of HK\$150,177,884.47 (the “**Debt I**”) within 3 weeks after service of the Statutory Demand to pay the Debt I. After the expiry of the 3-week period, the Creditor I may present a winding-up petition against the Company.

On 9 October 2019, a statutory demand under section 178(1)(A) of the Ordinance (“**Statutory Demand II**”) was served on the Company by a creditor (the “**Creditor II**”) to demand the Company to pay the alleged outstanding debt in the amount of HK\$222,707,496.00 (the “**Debt II**”) within 3 weeks after service of the Statutory Demand to pay the Debt. After the expiry of the 3-week period, the Creditor II may present a winding-up petition against the Company.

As further disclosed in the announcement of the Company dated 28 October 2019, as at 28 October 2019, as claimed by Creditor I and Creditor II, (i) Debt I included a principal sum of HK\$137 million and the accrued interest of HK\$ 16,539,906.96, and (ii) Debt II included a principal sum of HK\$194.2 million and the accrued interest, late payment and other fees of HK\$ 33,997,925.00, respectively. As at 28 October 2019, due to unavailability of new credit lines, the Company has failed to follow the respective repayment schedules for the related loan agreements with Creditor I and Creditor II.

As at the Latest Practicable Date, the Company was still proactively engaging in negotiations with Creditor I and Creditor II for better terms on the repayment schedule and for the avoidance of the potential winding-up petitions. The Company was also negotiating with various other lenders for new credit lines in order to improve the cashflow position of the Company. Further details were set out in the announcements.

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

8. EXPERT AND CONSENT

The following is the name and the qualification of the professional adviser who has given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Messis Capital Limited	corporation licensed to carry Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Mesis did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Mesis did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

Mesis has given and has not withdrawn its written letters of consent to the issue of this circular with the inclusion herein of references to its name in the form and context in which they appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday) at the principal place of business of the Company in Hong Kong, 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories Hong Kong from 11 November 2019, the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the letter of confirmation dated 7 November 2019 entered into between the Company and the Subscriber in relation to the extension of the Long Stop Date;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (d) the letter of advice from Messis, the text of which is set out on pages 16 to 37 of this circular;
- (e) the written consent referred to under the paragraph headed "Expert and Consent" in this Appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



ASIA TELEVISION HOLDINGS LIMITED

亞洲電視控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 707)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Asia Television Holdings Limited (the “**Company**”) will be held at 11:30 a.m. on Friday, 29 November 2019 at Studio No. 8, G/F, 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong to consider and, if thought fit, approve, with or without modifications, the following resolution set out below:

ORDINARY RESOLUTION

“**THAT:**

- (a) the conditional subscription agreement dated 24 September 2019 (the “**Subscription Agreement**”) (as amended and supplemented by a letter of confirmation dated 7 November 2019) entered into between the Company as issuer and Mr. Deng Junjie as subscriber in relation to the issue of unlisted convertible bonds (the “**Convertible Bonds**”) in an aggregate principal amount of HK\$400,000,000 at the conversion price of HK\$0.1 per conversion share (subject to adjustments) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Bonds) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company (the “**Director(s)**”) be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds; and
- (c) any one Director of the Company be and is hereby authorised to do all such acts and things as he in his sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Subscription Agreement including without limitation the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares from time to time upon exercise of the conversion rights pursuant to the terms of the Convertible Bonds and to agree to any variation, amendment or waiver of

NOTICE OF EXTRAORDINARY GENERAL MEETING

terms of the Subscription Agreement as are, in the opinion of such Director, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement.”

By order of the Board
Asia Television Holdings Limited
Deng Junjie
Chairman

Hong Kong, 11 November 2019

Head Office and Principal Place of Business:

33 Dai Shing Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the meeting or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any share, any one of such persons may vote at any the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 26 November 2019 to Friday, 29 November 2019 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 25 November 2019.