THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Transmit Entertainment Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

TRANSMIT ENTERTAINMENT

Transmit Entertainment Limited

傳遞娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1326)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO A DISPOSAL

Capitalised terms used on this cover page have the same meaning as defined in “Definitions” in this circular, unless the context requires otherwise.

The SPA has been approved by written approval obtained from Nice Rich, the controlling Shareholder, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

25 February 2021

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Cinema City (Chai Wan)"	Cinema City (Chai Wan) Limited, a company incorporated with limited liability in Hong Kong
"Cinema City (Hong Kong)"	Cinema City (Hong Kong) Limited, a company incorporated with limited liability in Hong Kong
"Cinema City (TW)"	Cinema City (TW) Limited, a company incorporated with limited liability in Hong Kong
"Company"	Transmit Entertainment Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Disposal
"Completion Date"	the date on which Completion shall take place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the terms of the SPA
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Langham Cinema"	the cinema located at Langham Place, Mong Kok, Hong Kong
"Latest Practicable Date"	23 February 2021, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular

"Listing Rules"	the Rule Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	30 June 2021 or such other date as may be agreed between the Vendor and the Purchaser
"Mr. Wong"	Mr. Wong Pak Ming, being a director of certain subsidiaries of the Company
"Nice Rich"	Nice Rich Group Limited, a company incorporated in the British Virgin Islands
"Purchaser"	Mandarin Film and Culture Development Limited, a company incorporated in the British Virgin Islands with limited liability
"Reorganisation"	the reorganisation of the Target Group upon completion of which the Target Company will directly hold the entire issued share capital of each of the Target Subsidiaries
"Sale Share"	one share of the Target Company, representing the entire issued share capital of the Target Company
"Screen Media & Promotion"	Screen Media & Promotion Limited, a company incorporated with limited liability in Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.0025 each of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SPA"	the sale and purchase agreement dated 18 January 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Cinema City (WL) Limited, a company incorporated in Hong Kong with limited liability

"Target Group"	collectively, the Target Company and upon completion of the Reorganisation, the Target Subsidiaries
"Target Subsidiaries"	Cinema City (Hong Kong), Cinema City (Chai Wan), Cinema City (TW) and Screen Media & Promotion
"Vendor"	Cinema City Group Limited, a company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"%"	per cent.

TRANSMIT ENTERTAINMENT

Transmit Entertainment Limited

傳遞娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1326)

Executive Directors:
Mr. ZHANG Liang, Johnson *(Chairman)*
Ms. ZHAO Wenzhu
Mr. LEE Hin Kwong, Patrick

Independent non-executive Directors:
Mr. WANG Bo
Mr. XIANG Feng
Mr. CHANG Eric Jackson

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Flat B, 14/F
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Hong Kong

25 February 2021

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO A DISPOSAL

(I) INTRODUCTION

References are made to the announcements of the Company dated 18 January 2021 and 8 February 2021 in relation to, among other things, the SPA. The purpose of this circular is to provide you with, among other things, (i) further details of the SPA; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules.

(II) THE SPA

Date

18 January 2021

Parties

(i) the Vendor; and

(ii) the Purchaser

Subject matter

Pursuant to the terms of the SPA, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Share, which represents the entire issued share capital of the Target Company.

Consideration

The aggregate consideration for the sale and purchase of the Sale Share shall be the sum of HK$108,200,000.

The Purchaser shall pay the consideration in the following manner:

(a) a sum of HK$22,000,000 (the "**Deposit**") shall be payable by the Purchaser in cash to the Vendor upon the signing of the SPA. Such sum shall be applied as part payment of the consideration upon Completion; and

(b) a sum of HK$86,200,000, being the balance of the consideration after deducting the Deposit received by the Vendor, shall be payable by the Purchaser in cash to the Vendor upon Completion.

The full amount of the Deposit was received by the Company on 10 February 2021, of which HK$5,000,000 was received on 21 January 2021 and HK$17,000,000 was received on 10 February 2021.

Basis for determination of the consideration

The consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser. In determining the consideration, the Company adjusted the negative combined net asset value the Target Group amounting to HK$182,800,000 as at 30 September 2020 by adding back the net amount of HK$208,000,000 due by the Target Group to the Company which will be waived pursuant to the SPA, then deducting the combined rights-of-use assets of Target Group amounting to HK$433,000,000 and adding back the combined lease liabilities of the Target Group amounting to HK$489,000,000. As a result, the negative combined net asset value was adjusted from HK$182,800,000 to a positive combined net asset value of approximately HK$81,200,000. In addition, the Company had taken into consideration the valuation result amounting to HK$92,000,000 as at 30 September 2020 conducted by an independent valuer and the reasons and benefits as set out in the paragraph headed "Reasons for and benefits of the Disposal" below. Since the valuation result was higher than the adjusted combined net asset value, the Company used HK$92,000,000 as a basis and then added up a premium of HK$16,200,000 as agreed between the Vendor and the Purchaser and resulted in a consideration of HK$108,200,000.

The combined accumulated losses of the Target Group as at 30 September 2020 amounted to approximately HK$183,000,000. The combined historical revenue generated from and the combined historical expenditure incurred by the Target Group up to 30 September 2020 were approximately HK$323,000,000 and HK$506,000,000 respectively. The shortfall of HK$183,000,000 represented the total expenditure contributed by the Company as at 30 September 2020. Such expenditure represented the combined accumulated net losses incurred by the Target Group up to 30 September 2020 and thus the unsatisfactory historical financial performance, whereas the consideration of HK$108,200,000 was arrived at based on the factors mentioned above including the independent valuation result of HK$92,000,000 plus a premium of HK$16,200,000. Following Completion, the Group will not need to make further net expenditure contribution to the Target Group. As the Target Subsidiaries have been operated at a loss for the past years and the Directors expect that the financial performance of the Target Subsidiaries would not turn around in the near future if the Company were to continue to operate them, given further that the Group will be able to obtain net cash proceeds from the Disposal and reallocate its financial and other resources to the other businesses of the Group, the Directors consider that the consideration is fair and reasonable notwithstanding that the Consideration will not be able to cover the total expenditure contributed by the Company to the Target Subsidiaries.

The Board has reviewed the bases and assumptions based upon which the valuer has performed the valuation. In performing the valuation, the valuer has considered the market approach for Cinema City (Chai Wan), Cinema City (Hong Kong) and Cinema City (TW) and the asset-based approach for Screen Media & Promotion. For asset-based approach, it is the common method for determining the value of the assessed assets by considering the fair value of the Target Subsidiaries by deducting the fair value of liabilities from the fair value of various assets. For market approach, there are two commonly adopted methods of valuation known as the guideline public company method and the comparable transaction method. The comparable transaction method is considered not appropriate as there are insufficient recent comparable transactions in which the company size of the acquired target and the percentage of equity interest transacted is similar to that of the Target Group. The guideline public company method is adopted as there are sufficient comparable companies with similar business nature as that of the Target Group. Under this method, the valuer:

(a) identified and selected comparable companies (the "**Comparable Companies**") which engaged in the business, or have significant business divisions engaging in cinemas and theatres operations; the selected comparable companies should have principal operating activities and assets in Asia Pacific; shares of the comparable companies should be actively traded in the market, etc, and

(b) once the comparable transactions (the "**Comparable Transactions**") are identified, valuation multiples can be derived, including lack of marketability and control premium, and then applied to the subject Target Subsidiaries to estimate the value of its equity.

Under the guideline public company method, the valuer had used price-to-book ("**P/B**") multiples in the valuation for Cinema City (Chai Wan), Cinema City (Hong Kong) and Cinema City (TW). In the calculation of the valuation, a median P/B ratio of 2.8 was applied by taking reference to numerous Comparable Companies, and then adjusted by a Discount for Lack of Marketability ("**DLOM**") of 15.8% and a control premium of 24.8%.

The valuer made a number of key assumptions, including the assumptions that the Target Group has obtained and would continue to retain all necessary permits and licenses for its cinemas and theatre operations without going concern issues and significant legal risks, there will be no changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation, there will be no major changes in the current taxation law in the areas in which the company conducting their business, the inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing, the Target Subsidiaries will retain their key management and technical personnel to maintain their ongoing operations, the Company will remain free from claims and litigation against the business or their customers and so on.

The Board is of the view that the methodology and key assumptions adopted in the valuation of the Target Subsidiaries are common and are fair and reasonable.

Details of the valuation of the Target Subsidiaries are set out in Appendix II.

Taking into consideration of the above, the Directors are of the view that the consideration and the terms and conditions of the Disposal are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be conditional upon and subject to:

(a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the SPA and the transactions contemplated thereby pursuant to the Listing Rules having been obtained;

(b) the Reorganisation having been completed;

(c) the warranties of the Vendor in the SPA remaining true and accurate in all material respects;

(d) the warranties of the Purchaser in the SPA remaining true and accurate in all respects; and

(e) the net amount due to the Company and its subsidiaries by the Target Group having been waived.

As at the date of the SPA and the Latest Practicable Date, the net amount due to the Company and its subsidiaries by the Target Group was approximately HK$208,000,000. In the event that condition (e) is waived by the Purchaser, the Company will receive the consideration for the Disposal amounting to HK$108,200,000 as well as the net amount due to the Company by the Target Group. The net amount due to the Company by the Target Group is repayable on demand and would be demanded and due immediately upon Completion in the event that condition (e) is waived by the Purchaser.

The Purchaser may at any time waive in writing any of the conditions set out in paragraph (b), (c) and (e). To the knowledge of the Directors, the Purchaser does not have any intention to waive any of the conditions. The Vendor may at any time waive in writing the condition set out in paragraph (d).

If the conditions set out above have not been satisfied (or waived as the case may be) on or before the Longstop Date, the Deposit shall be forfeited by the Vendor in its entirety as liquidated damages, and the SPA shall cease and determine (save and except for certain surviving clauses) and thereafter neither the Vendor nor the Purchaser shall have any obligations and liabilities towards the other under the SPA save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, the conditions set out above have not been satisfied or waived, save for the condition set out in paragraph (a) above which has been satisfied. As at the Latest Practicable Date, the Company did not foresee any impediments in fulfilling all the conditions.

Completion

Subject to the fulfillment (or waiver as the case may be) of the above conditions precedent, Completion shall take place on the third business day after the fulfillment (or waiver as the case may be) of the last of the conditions set out in paragraph (a) and (b) (or such other date as may be agreed between the Purchaser and the Vendor). Completion is conditional on satisfaction (or waiver as the case may be) of all the conditions. Completion will not take place if conditions (c) to (e) are not satisfied (or waived as the case may be) on the third business day after the fulfillment of the last of the conditions set out in paragraphs (a) and (b).

As mentioned above, as at the Latest Practicable Date, the condition set out in paragraph (a) above has been satisfied. Completion shall take place on the third business day after the fulfillment (or waiver as the case may be) of the condition set out in paragraph (b) (or such other date as may be agreed between the Purchaser and the Vendor), provided that on such date conditions (c) to (e) are also either satisfied (or waived as the case may be).

It is currently expected that the Completion Date will be in mid March 2021.

After Completion, the Company will cease to hold any interest in the Target Group, each member of the Target Group will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Company.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong and is principally engaged in investment holding.

Prior to completion of the Reorganisation, each of the Target Subsidiaries was a direct wholly-owned subsidiary of the Vendor. Upon completion of the Reorganisation, the Target Company will directly hold the entire issued share capital of each of the Target Subsidiaries. The purpose of the Rorganisation is to put the Target Subsidiaries under the Target Company such that the Purchaser can acquire the Target Subsidiaries through the acquisition of the Target Company (instead of through the Vendor which holds subsidiaries other than the Target Subsidiaries).

The Reorganisation was agreed to be conducted by the Vendor and the Purchaser to facilitate the Disposal. The Company is responsible for bearing the costs of the Reorganisation as the Target Subsidiaries will need to be restructured under the Target Company before the Target Company will be sold to the Purchaser and the Company expects that the cost of the Reorganisation will be insignificant. The main cost of the Reorganisation is the stamp duty in relation to the transfer of share capital of the Target Subsidiaries from the Company to the Target Company. Under the Reorganisation, the Vendor, being the immediate holding company of the Target Subsidiaries, will transfer its 100% stakes in the Target Subsidiaries to the Target Company at a consideration of HK$1 for each of the Target Subsidiaries. Stamp duty for the each transfer is assessed based on 0.2% of the value of the shares to be transferred which is calculated as the higher of the net asset value of each of Target Subsidiaries and the consideration for the sale shares (being HK$1 for the transfer of the shares of each of the Target Subsidiaries) and HK$5 for each instrument of transfer. As all of the Target Subsidiaries are in net liabilities positions, it is expected that stamp duties to be borne by the Company will be less than HK$50. The final amount of the stamp duty will be subject to the assessment of the Stamp Office of the Inland Revenue Department of Hong Kong.

The Target Subsidiaries are principally engaged in the businesses of the operation of four cinemas in Hong Kong and the sales of merchandise, membership subscription in cinemas, provision in advertising and film distribution agency service.

Financial information

(1) Cinema City (Hong Kong)

Cinema City (Hong Kong) is principally engaged in the businesses of the operation of the cinema located at JP Plaza, Causeway Bay, Hong Kong.

Set out below is certain financial information of Cinema City (Hong Kong), as extracted from the audited financial statements of Cinema City (Hong Kong) for the two financial years ended 30 June 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 30 June	
	2020	**2019**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Net loss before taxation	13,115	8,981
Net loss after taxation	13,115	8,981

Based on the unaudited financial statements of Cinema City (Hong Kong) as at 30 September 2020 prepared in accordance with Hong Kong Financial Reporting Standards, the negative unaudited net asset value of Cinema City (Hong Kong) as at 30 September 2020 was approximately HK$47,500,000.

(2) Cinema City (Chai Wan)

Cinema City (Chai Wan) is principally engaged in the businesses of operation of cinemas located at Winner Centre, Chai Wan, Hong Kong and Lok Sing Centre, Causeway Bay, Hong Kong.

Set out below is certain financial information of Cinema City (Chai Wan), as extracted from the audited financial statements of Cinema City (Chai Wan) for the two financial years ended 30 June 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 30 June	
	2020	**2019**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Net loss before taxation	41,975	7,131
Net loss after taxation	41,975	7,131

Based on the unaudited financial statements of Cinema City (Chai Wan) as at 30 September 2020 prepared in accordance with Hong Kong Financial Reporting Standards, the negative unaudited net asset value of Cinema City (Chai Wan) as at 30 September 2020 was approximately HK$108,200,000.

(3) Cinema City (TW)

Cinema City (TW) is principally engaged in the businesses of the operation of the cinema located at Candy Park, Tsuen Wan, Hong Kong.

Set out below is certain financial information of Cinema City (TW), as extracted from the audited financial statements of Cinema City (TW) for the two financial years ended 30 June 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 30 June	
	2020	**2019**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Net loss before taxation	9,468	3,640
Net loss after taxation	9,468	3,640

Based on the unaudited financial statements of Cinema City (TW) as at 30 September 2020 prepared in accordance with Hong Kong Financial Reporting Standards, the negative unaudited net asset value of Cinema City (TW) as at 30 September 2020 was approximately HK$26,800,000.

(4) Screen Media & Promotion

Screen Media & Promotion is principally engaged in the businesses of sales of merchandise, membership subscription in cinemas, provision in advertising and film distribution agency service.

Set out below is certain financial information of Screen Media & Promotion, as extracted from the audited financial statements of Screen Media & Promotion for the two financial years ended 30 June 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 30 June	
	2020	**2019**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Net loss before taxation	203	19
Net loss after taxation	165	16

Based on the unaudited financial statements of Screen Media & Promotion as at 30 September 2020 prepared in accordance with Hong Kong Financial Reporting Standards, the negative unaudited net asset value of Screen Media & Promotion as at 30 September 2020 was approximately HK$300,000.

Further information

Before the waiver of the amounts due to the Company, each of the Target subsidiaries was in a net liabilities position. The net liabilities value of Cinema City (Hong Kong), Cinema City (Chai Wan), Cinema City (TW) and Screen Media & Promotion as at 30 September 2020 were approximately HK$47,500,000, HK$108,200,000, HK$26,800,000 and HK$300,000 respectively. After taking into account the amounts due to the Company in the amounts of approximately HK$48,600,000, HK$130,500,000 and HK$34,500,000 from Cinema City (Hong Kong), Cinema City (Chai Wan) and Cinema City (TW) respectively, and the waiver of the amount due from the Company to Screen Media & Promotion in the amount of approximately HK$5,500,000, Cinema City (Hong Kong), Cinema City (Chai Wan) and Cinema City (TW) will turn to net asset positions of approximately HK$1,100,000, HK$22,300,000 and HK$7,700,000, respectively, whereas Screen Media & Promotion will still be in a net liabilities position of approximately HK$5,800,000.

Reconciliations of the book values before and after the waiver of net amounts due to the Company are shown as follows:

	Cinema City (Hong Kong) *HK$'000*	Cinema City (Chai Wan) *HK$'000*	Cinema City (TW) *HK$'000*	Screen Media & Promotion *HK$'000*
As at 30 September 2020				
Net (liabilities)	(47,508)	(108,150)	(26,782)	(295)
Less:				
Waiver of net amounts due from/(to) the Company	(48,581)	(130,452)	(34,487)	5,505
Adjusted net assets/(liabilities)	1,073	22,302	7,705	(5,800)

The valuation had taken into account the waiver of the net amounts due to the Company by the Target Group. The valuer had adjusted the net assets or net liabilities position as at 30 September 2020 of each of the Target Subsidiaries by deducting the net amounts due to the Company of HK$208,000,000 in total which will be waived pursuant to the SPA, The net amounts due to the Company comprised net amounts due to the Company amounting to HK$48,581,000, HK$130,452,000 and HK$34,487,000, respectively by Cinema City (Hong Kong), Cinema City (Chai Wan) and Cinema City (TW) as well as a net amount due from the Company amounting to HK$5,505,000 to Screen Media & Promotion. The valuer used the adjusted net assets or net liabilities as shown in the above table as a basis to carry out valuation.

INFORMATION OF THE PARTIES

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability. The Vendor is a wholly-owned subsidiary of the Company and principally engaged in cinema operations and management.

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the issued share capital of the Purchaser is held as to 100% by Mr. Wong and his associates.

Financial effect of the Disposal

After Completion, the Group will cease to own any interest in the Target Group, and each member of the Target Group will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Company.

The excess amount of the consideration for the Disposal over the negative net book value in respect of the Target Group as at 30 September 2020 is approximately HK$290,000,000.

It is estimated that, upon Completion, the Company shall record a net gain on the Disposal of approximately HK$82,000,000, being the difference between (i) the consideration for the Sale Share and (ii) the sum of the negative unaudited net asset value of the Target Subsidiaries as at 30 September 2020, the net amount due to the Company and its subsidiaries by the Target Group (being approximately HK$208,000,000 as at 30 September 2020) which shall have been waived on or prior to Completion and the estimated taxes and expenses in relation to the Disposal. The final amount of the gain on the Disposal is subject to the audit for the year ending 30 June 2021 by the auditors of the Company.

Assets and liabilities

Based on the unaudited financial statements of the Target Subsidiaries as at 30 September 2020, the combined total assets and total liabilities (including the net amounts due to the Group amounting to HK$ 208,000,000 which shall be waived upon Completion) were approximately HK$554,000,000 and approximately HK$736,000,000, respectively. After taking into account the consideration amounting to HK$108,200,000, the waiver of net amounts due by the Target Group amounting to HK$208,000,000 and the deconsolidation of the total assets and total liabilities of the Target Group, the estimated decrease in the total assets and total liabilities as a result of the Disposal would be HK$445,800,000 and HK$528,000,000. After taking into account the anticipated net gain on the Disposal amounting to approximately HK$82,000,000, the estimated net impact of the Disposal on the net assets of the Company would be an increase of approximately HK$82,000,000.

Revenue and profit

After taking into account the estimated net gain amounting to approximately HK$82,000,000, the waiver of net amounts due by the Target Group and the deconsolidation of the Target Group, the estimated increase in the revenue (recorded in other revenue) as a result of the Disposal would be approximately HK$82,000,000 and the estimated decrease in the net loss or increase in net profit as a result of the Disposal would be approximately HK$82,000,000.

Cinema City (Chai Wan), Cinema City (Hong Kong) and Cinema City (TW) had incurred net losses over the past four financial years while Screen Media & Promotion had only generated insignificant amount of net profit. The accumulated losses of the Target Subsidiaries during the historical periods have directly led to a decrease in the net assets of the Company and an increase in net loss of the Company year-on-year. In addition, there was a significant decrease in revenue from the film exhibition business as a result of the continued weak market sentiment and the impact of COVID-19. As a result, the Directors believe that Disposal will have a positive impact on net asset position of the Company in the long run.

Based on the above, the Directors (including all of the independent non-executive Directors) consider that, although the Disposal is not in the ordinary and usual course of business of the Group, the Disposal is fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Intended use of proceeds

The net proceeds from the Disposal after deducting related transaction costs and relevant tax are estimated to be approximately HK$107,000,000.

The Group intends to apply the net proceeds from the Disposal for the purpose of general working capital of the Group, including operational, business expansion and brand building activities, and should any business with high potential arises the Company may also apply part of the proceeds for funding business development opportunities which are in line with the Group's strategies.

As at the Latest Practicable Date, the Company had not identified any new business development opportunities.

Reasons for and benefits of the Disposal

The Group is principally engaged in (i) film, TV series and variety show production and distribution; (ii) film exhibition; (iii) pan-entertainment (including artiste and celebrity agency business as well as pan-entertainment businesses along the value chain); and (iv) other businesses.

Taking into account the historical performance of the Target Subsidiaries and the unfavourable and challenging environment brought about by COVID-19 resulting in the temporary closure of cinemas and a drastic decline in the profit of the Target Group, the Group intends to dispose of the cinema operations so as to reallocate its financial and other resources to the other businesses of the Group which are considered to have higher development potential, in order to generate more return to the Shareholders. The Directors believe that the Disposal will be beneficial to realizing the Company's strategic goal of developing its businesses in the current stay-at-home economy.

Starting before the outbreak of COVID-19, Cinema City (Chai Wan), Cinema City (Hong Kong) and Cinema City (TW) had incurred net losses over the past four financial years while Screen Media Promotion had only generated insignificant amount of net profit. After taking into account the historical performance and loss positions of the cinema exhibition segments in the financial years from 2017 to 2019, the negative impact brought by COVID-19 pandemic in the financial year ended 2020, and the uncertainty of the market sentiment and economic situation in the future, the Directors believe that this is a proper timing for the Disposal and the Target Group will unlikely be able to make a turnaround in a short period of time under the unfavorable and challenging environment in 2021, and the fact that the Target Group incurred net losses even before COVID-19 pandemic.

As disclosed in the announcement of the Company dated 18 January 2021, apart from the Disposal, the Company proposed to enter into a management agreement with the Target Company in relation to the provision of services by the Target Company to the Company in respect of the management of the Langham Cinema for the period of 1 February 2021 to 31 January 2024. The Company will continue to operate the Langham Cinema under the Management Agreement. The Company will reassess the prospects of the film exhibition business in the future after COVID-19 pandemic is contained (or after expiration of the management agreement of Langham Cinema).

Save for the Disposal, the Company has no intention or plan, or has not entered into or proposed to enter into any agreement, arrangement, understanding or undertaking (whether formal or informal, express or implied) to acquire any new business or dispose or downsize its existing business in the next 12 months. The Company intends to focus its resources of the development of its existing businesses.

Based on the above, the Directors (including all of the independent non-executive Directors) consider that, although the Disposal is not in the ordinary and usual course of business of the Group, the Disposal is fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors has any material interest in the Disposal, as such no Director would be required to abstain from voting on the board resolution approving the Disposal.

(III) LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 25% and all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the SPA, Mr. Wong, being a director of certain subsidiaries of the Company, and his associates hold 100% of the issued share capital of the Purchaser. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Disposal, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

(IV) WRITTEN SHAREHOLDER'S APPROVAL

As set out in the announcement of the Company dated 8 February 2021, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders nor any of their respective close associates had any material interest in the Disposal. As such, no Shareholder would be required to abstain from voting in favour of the resolution approving the SPA and the transactions contemplated thereunder if the Company were to convene a general meeting for the approval of the SPA and the transactions contemplated thereunder.

The Company has obtained written Shareholders' approval for the SPA and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Nice Rich, being the Shareholder beneficially interested in 1,836,391,914 Shares, representing approximately 70.75% of issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 14.44 of the Listing Rules, the written approval from Nice Rich is accepted in lieu of holding a general meeting for approval of the SPA and the transactions contemplated thereunder.

(V) RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the SPA are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the SPA, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the SPA and the transactions contemplated thereunder.

(VI) ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Transmit Entertainment Limited
ZHANG Liang, Johnson
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out as a comparative table or refer to in this circular the information for the last three financial years ended 30 June 2020 with respect to the financial performance, financial record and position, and the latest published audited consolidated balance sheet together with the notes to the financial statements for the last financial year for the Group. The financial information of the Group is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.transmit-ent.com):

- The audited consolidated financial statements of the Group for the year ended 30 June 2020 are set out in the 2019/2020 annual report of the Company published on 27 October 2020, from pages 115 to 290. Please also see below the link to such annual report:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1027/2020102700319.pdf

- The audited consolidated financial statements of the Group for the year ended 30 June 2019 are set out in the 2018/2019 annual report of the Company published on 23 October 2019, from pages 112 to 290. Please also see below the link to such annual report:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1023/ltn20191023011.pdf

- The audited consolidated financial statements of the Group for the year ended 30 June 2018 are set out in the 2017/2018 annual report of the Company published on 18 October 2018, from pages 85 to 194. Please also see below the link to such annual report:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1018/ltn20181018426.pdf

The said financial information of the Group is incorporated by reference to this circular and forms part of this circular.

2. INDEBTEDNESS STATEMENT

As at the close of business of 31 December 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

Loans from related companies

The carrying amounts of the Group's outstanding loans from related companies were approximately HK$150,039,000, in which the amounts were unguaranteed and unsecured.

Amount due to a controlling shareholder

The carrying amount of the Group's outstanding amount due to a controlling shareholder was approximately HK$29,500,000, in which the amount was unguaranteed and unsecured.

Bank and other borrowings

The carrying amounts of the Group's outstanding bank and other borrowings were approximately HK$85,238,000, in which a bank borrowing of approximately HK$18,998,000 was secured by a pledged bank deposit of the Group and unguaranteed, bank borrowings of approximately HK$17,700,000 were unsecured and guaranteed by a controlling shareholder, subsidiaries of the Group and an insurance company and a bank borrowing of approximately HK$3,540,000 was unsecured and guaranteed by an insurance company. The remaining bank and other borrowings of approximately HK$45,000,000 was unguaranteed and unsecured.

Bond payable

The carrying amount of the Group's outstanding bond payable was approximately HK$51,500,000, in which the amount was unguaranteed and unsecured.

Lease liabilities

The carrying amounts of the Group's outstanding lease liabilities were approximately HK$731,045,000, including which HK$728,335,000 were secured by rental deposits of the Group and unguaranteed and the remaining amount of HK$2,710,000 were unsecured and unguaranteed.

Authorised or created but unissued debt securities

We had HK$146,500,000 debt securities authorised, or otherwise created but unissued.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade and other payables in the normal course of business, as at the close of business on 31 December 2020, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, debt securities, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account of the financial resources available to the Group including the available credit facilities and the Group's internally generated funds, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 10 February 2021, based on the preliminary review by the Board on the unaudited consolidated management accounts of the Group for the six months ended 31 December 2020 (the "**Interim Period**"), the Group expects to record a net loss attributable to owners of the Company of approximately HK$75,000,000 to HK$80,000,000 for the Interim Period as compared to the net loss attributable to owners of the Company of approximately HK$19,586,000 for the corresponding interim period in 2019. It was mainly attributable to (i) the significant decrease in revenue from the film exhibition business as a result of the continued weak market sentiment in the Interim Period due to the impact of COVID-19; and (ii) the fact that there was revenue from the sale of certain film and television rights during the corresponding interim period in 2019, but there was no such sales revenue during the Interim Period.

Given the current status of the COVID-19 around the globe, it is expected that the COVID-19 epidemic will continue to have adverse impact on the businesses of the Company to a certain extent in the foreseeable future. The Group will continue to strive to realize the development strategy in relation to the stay-at-home economy and brand diversity.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2020, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking forward, the Group will continue to focus on the development of film and television production business as well as artiste and celebrity agency business in mainland China. Besides, the Group strives to develop pan-entertainment business and integrate upstream and downstream industry chains by proactively exploring various realization channels from downstream industry chains in a bid to attain our tactics goals with the combination of our strengths and resources. Taking advantages of online platforms to cultivate new artistes and celebrities, the Group will also proactively explore and develop its self-owned retail brand targeting young consumers to further diversify the revenue base by continuously identifying business opportunities in relation to the stay-at-home economy on four aspects including online stream, short videos, celebrity cultivation and traffic monetization. The Group's management believes that new business model will generate sustainable synergy with the existing resources on film, television and variety show along with the escalating growth of consumption demands of domestic online entertainment and the rapid development of social e-commerce markets. The Group is committed to fulfilling young female group requirements of the life quality enhancement and the consumption needs of designer brand by leveraging market segments in relation to beauty and lifestyle where there are more female participants by way of precise marketing strategies of online content promotion, thereby creating more development opportunities in the pan-entertainment business.

In respect of film, TV series and variety show production and distribution, a number of projects of the Group are currently under production stage, including "The Ideal City" (理想之城), an inspiring urban workplace TV series, "The Trick of Life and Love" (機智的戀愛生活), a new urban idol drama, "Meng Zei Tan An" (萌賊探案), a detective reality show and "I Love You, Me too" (喜歡你，我也是) Season 3. Among which, the inspiring urban workplace TV series "The Ideal City" starring well-known actors Sun Li (孫儷) and Zhao You Ting (趙又廷) has completed shooting in December 2020. It is expected to be broadcasted on the online video platform iQIYI exclusively in the coming year with estimated revenue. With the good performance and network popularity of the first season and the second season, the Group is also considering to produce the third season of "I Love You, Me Too" in order to create a self-developed multi-season variety show brand. In addition, the Group will develop the production of a series of popular copyrights including "Love Destiny" (愛有天意), "Ruyi Dan" (如意蛋), "Romance in the City" (半城風月), "Peach blossom debt" (桃花債), "Holding My Koi Husband" (抱住錦鯉相公), "Locard's theory" (洛卡爾定律).

In respect of self-owned retail brand, the Group has introduced two cosmetic brands LION BEAUTY and FADESOUL in the second half of 2020. With proactive online promotions, the Group strives to develop tailor-made beauty products for young female consumers. The Group will continuously enhance brand recognition and business values through social media such as Taobao, Weibo, Douyin and Little Red Book and endorsement from artistes and celebrities. By leveraging its popular comprehensive copyright reserves of film, television and variety show, quality content creation teams, full industry chain resources of cash-generating well-known celebrities and low costs of celebrity cultivation, the Group's self-owned retail brand is expected to become the influential figure for artistes and celebrities and forge the collaborative relationship between its internal film and television copyright and external brands. As a result, the Group not only frequently provides unique and quality service experience for customers but also further demonstrates to the public its efforts on the pan-entertainment sector and its strategic planning for long-term development.

During the year ended 30 June 2020, the Group made adjustment to its original relevant debt, which was recognized as perpetual bonds, after the approval of substantial shareholders including no specified repayment date and significant decrease in fixed interest level. The debt adjustment indicates that substantial shareholders are optimistic about the Group's future development and provides strong support to the Company's result growth in the future.

As a diverse development enterprise focusing on film, television and variety show content creation and production with the spirit of business value "Enabling", the Group will make good use of combined resources of scriptwriting, direction and celebrity to cultivate, explore and create popular films and television copyrights by continuously offering quality content and nurturing talented artistes in order to develop its self-owned full industry chain model and construct an unique soft-power moat, thereby continuously enhancing profitability, sharpening competitive edges in the industry and generating favorable returns for the Group's shareholders.

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Tel: (852) 2357 0085
Fax: (852) 2951 0799

The Directors
Transmit Entertainment Limited
Flat B, 14/F, Neich Tower,
128 Gloucester Road, Wanchai,
Hong Kong

Date: 25 February 2021
Our Ref.: P/HK/2020/VAL/0049a

Dear Sirs,

RE: VALUATION OF THE FAIR VALUES OF 100% EQUITY INTERESTS IN FOUR COMPANIES HELD BY TRANSMIT ENTERTAINMENT LIMITED

In accordance with your instructions, we have undertaken a valuation on behalf of Transmit Entertainment Limited (the "**Company**") to determine the fair value ("**Fair Value**", to be defined below) of the equity interests ("**Equities**") in the four companies ("**Target Companies**") indirectly held by the Company at 30 September 2020 ("**Valuation Date**"). The Target Companies include: Screen Media & Promotion Limited ("**Screen Media**"), Cinema City (Chai Wan) Limited ("**CC Chai Wan**"), and Cinema City (Hong Kong) Limited ("**CCHK**"), Cinema City (TW) Limited ("**CCTW**").

The principal activities of the four companies are as follows:

– Screen Media is a film publishing company incorporated in June 2013, and is engaged in sales of merchandise, membership subscription in cinemas, provision in advertising and film distribution agency service. According to management of the Company, Screen Media is not actively engaged in film publishing business as at the Valuation Date, and is mainly acting as a cash holding company.

– CC Chai Wan is a cinema operating company incorporated in June 2016, and is engaged in the businesses of operation of cinema located at Winner Centre, Chai Wan, Hong Kong and Lok Sing Centre, Causeway Bay, Hong Kong.

– CCHK is a cinema operating company incorporated in June 2017, and is engaged in the businesses of operation of cinemas located at JP Plaza, Causeway Bay, Hong Kong.

– CCTW is a cinema operating company incorporated in June 2016, and is engaged in the businesses of operation of cinema located at Candy Park, Tsuen Wan, Hong Kong.

Purpose of Valuation

The purpose of this valuation is to express an independent opinion of the Fair Value of the Equities as at the Valuation Date based on the prospective financial information, underlying assumptions and information provided by management of the Target Companies and the Company ("**Management**") for internal reference and compliance purpose. The valuation result should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. No third party shall have the right of reliance on this report and neither receipt nor possession of this report by any third party shall create any express or implied third-party beneficiary rights.

We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the business provided by Management. The Fair Values of the Equities of the Target Companies are subject to a number of assumptions concerning historical financial information and its current financial position. To the extent that any of these assumptions or facts changed, the result of the Fair Value conclusion would be changed accordingly.

Standard, Premise and Basis of Valuation

According to International Valuation Standard, our opinion of the Fair Value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

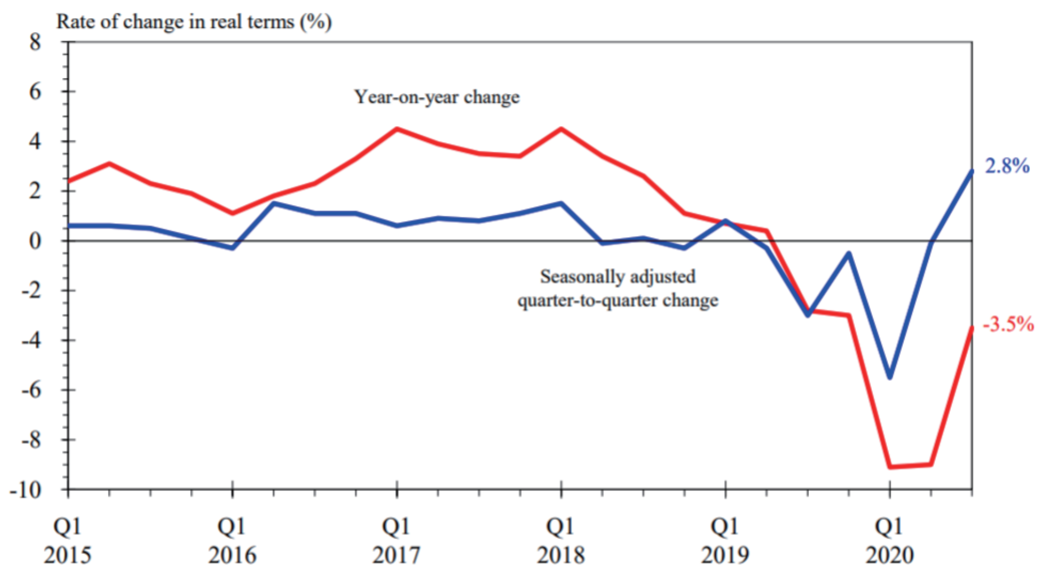
The intended use of the Valuation is to serve as basis for the internal reference and compliance purpose. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Companies rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

Economic Overview

As the Target Companies is operating within the economy of Hong Kong, its business is affected by economic conditions and market fluctuations in Hong Kong. We have reviewed the economic condition of Hong Kong where the Target Companies will derive its future income from.

The Hong Kong economy saw some improvement in the third quarter of 2020. Gross Domestic Product (GDP) registered a year-on-year decline of 3.5% in the quarter, visibly narrower than the 9.0% contraction in the second quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP rebounded by 2.8%, arresting the declines in the preceding five quarters. This was mainly due to an improved external trading environment amid the accelerated growth of the Mainland economy, the stabilisation of the local epidemic situation in the latter part of the quarter and stronger financial market activity. However, economic activity was still notably below the pre-recession level. In the first three quarters of 2020 combined, GDP declined by 7.2%.

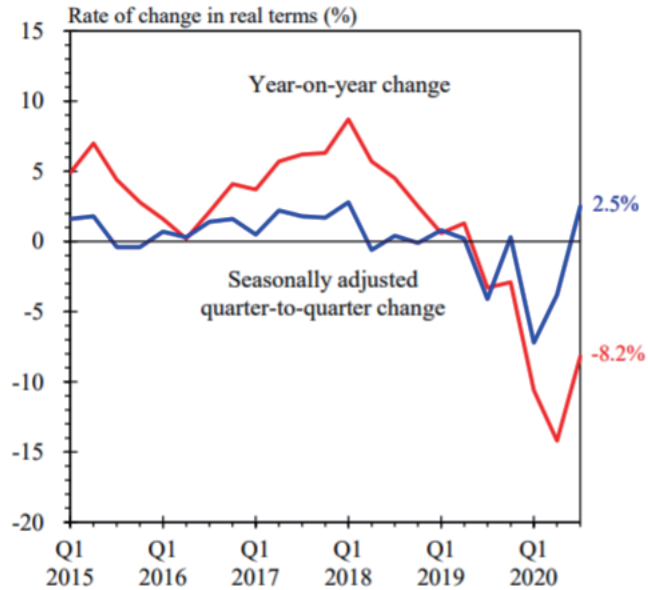
Chart — Real GDP posted a visibly narrower year-on-year contraction in the third quarter of 2020



Domestic demand improved somewhat but stayed weak. Private consumption expenditure posted a notable decline of 8.2% in the third quarter, albeit considerably narrower than the fall in the preceding quarter. Local consumption sentiment took a big hit amid the third wave of COVID-19 infections in July and August and austere labour market conditions, but revived somewhat in September alongside the stabilised epidemic situation and relaxation of social distancing measures. Outbound tourism remained frozen through the quarter amid widespread travel restrictions. The decline in retail sales volume remained notable at 17.2% in the third quarter, albeit narrowed from the 34.9% decrease[1] in the first half of the year.

1 Office of the Government Economist Financial Secretary's Office: Hong Kong's Recent Economic Situation and Near-term Outlook

Chart — Private consumption expenditure posted a smaller though still notable decline



Industry Overview

According to Hong Kong Box Office Limited[2], cinemas operating in Hong Kong rose to 61 at end-2019 from 45 at end of 2013, though this dropped to 60 as of 29 September 2020 in tandem with the COVID-19 fallout. In Hong Kong, films are mainly released through channels such as United Artists, Broadway Circuit, Emperor Cinemas, Golden Harvest Cinemas, Newport Circuit, MCL Circuit, AMC Circuit and Cinema City Circuit.

In support of the local film industry, the Hong Kong government established the Hong Kong Film Development Council (HKFDC) in 2007 to advise on the policy, strategy and institutional arrangements for the promotion and development of the film industry, as well as the use of supporting public funds. It also established Create Hong Kong (CreateHK) as a dedicated agency under the Commerce and Economic Development Bureau in 2009 to lead, champion and drive the development of the city's creative economy.

To build a healthy ecosystem for the film industry, the Hong Kong government injected HK$1 billion into the Film Development Fund (FDF) in 2019, the largest amount since the fund's inception in 1999, and implemented five new or enhanced measures to pep up the industry amid the COVID-19 pandemic, including a Director's Succession Scheme, Scriptwriting Incubation Programme and free short-term advanced training courses.

2 Hong Kong Trade Development Council: Film Entertainment Industry in Hong Kong

In view of the COVID-19 disruption, the Hong Kong government has introduced a series of supporting measures to bail out the beleaguered industry. These include a maximum of HK$3 million subsidy to each cinema circuit under the Cinemas Subsidy Scheme, and about HK$260 million earmarked under the FDF to re-energise Hong Kong's film industry.

Valuation Methodology

We have conducted the Valuation in accordance with the International Valuation Standard. The valuation procedures employed include an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Companies. All the matters we consider essential to the proper understanding of the Valuation are disclosed in our valuation report. In arriving at our assessed value, we have considered three accepted approaches, namely, income approach, cost approach and market approach.

Income approach: provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset.

Cost approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortization from functional and economic obsolescence, if present and measurable.

Market approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised.

According to Management, it is noted that Screen Media is a cash holding company as at the Valuation Date, is not currently engaged in film publishing business, and has minimal business activities. Therefore, the asset-based approach was adopted for the valuation of the equity of Screen Media.

The applicability and merits of each abovementioned approach were considered, and our reasoning for choosing the approach to apply to the valuations of the remaining cinemas operating companies, namely CC Chai Wan, CCHK and CCTW, is as follows:

– The cost approach is considered not appropriate as it ignores the economic benefits of ownership of the business, and this approach is generally not adopted in valuations of ongoing operating businesses like the cinemas operating companies.

- The income approach is not adopted as the cash flow projections prepared by Management for the cinemas operating companies would require numerous assumptions on projected growth/changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimated are therefore not easily verifiable, supportable or reliably measured, as the involved operating permits of many of the heat supply projects are still in application process.

- The market approach is adopted as this is commonly applicable to operating companies other than the income approach, and there are sufficient comparable companies identified that can facilitate a meaningful comparison, thereby allowing us to form a reasonable opinion of value.

Valuation of the Equity of Screen Media

Based on the financial statements provided by Management, the negative net assets value of Screen Media is HK$5,800,057.

Asset-Based Approach

As part of our analysis, we have conducted a high-level review of the breakdown and nature of the assets and liabilities held by Screen Media. We have also relied to a considerable extent on information provided by Management in arriving at our appraisal of these assets and liabilities.

1. Bank balances and cash

This represents cash in banks and time deposits and is the most liquid asset available for use of the firm. The Fair Value of cash and cash equivalents is equal to its carrying amount.

2. Inventory

Per information from management, it is noted that this represents previously capitalized filming cost that is insignificant in amount and the relevant film stocks is not expected to be utilized in future business. In light of this, we have written-off the inventories to zero.

The Company has not made any impairment provisions on the relevant inventory as the carrying amount of the inventory was only HK$356,000, which was considered immaterial.

3. Deferred tax assets

This represents deferred tax assets arising from unused tax losses incurred by Screen Media in previous financial years to offset future profits. Such tax losses may be carried forward indefinitely but would not be recognized if future profit streams are unpredictable.

As it is uncertain to us whether Screen Media would remain entitled to the deferred tax assets in the future, we have written-off this deferred tax asset to zero for the sake of prudence.

4. Trade and other receivables

According to Management, this asset comprises trade receivables, prepayments, other receivables. The receivables should be settled either on demand or in a short period of time and necessary impairment provision was made. Prepayments aroused from the operations of the business, and any obligations of the counterparty are expected to be fulfilled in the foreseeable future.

5. Trade and other payables:

According to Management, this comprises other payables, accruals and deposits received. Such payables should be settled at the demand of the creditors, and full repayment of the carrying amount would be required at any time. The full carrying amount of the payables should be adopted to reflect the Fair Value of this liability as at the Valuation Date.

The deposits received in advance can be demanded by the counterparty in cash, should the relevant agreements be terminated on mutual consent. For the sake of prudence, their Fair Values should be marked at the carrying amounts of the deposits.

6. Amount due from fellow subsidiaries *(Note)*:

The carrying amount of this account as at the Valuation Date is positive, which represents a total net amount due from related companies Cinema City (TW) Limited. Per discussion with Management, it is noted that the intercompany transactions and the resulting balances are conducted at arm's length. Management is of the view that these balances can be settled either on demand or in a short period of time, and the carrying amounts of the balances shall reflect their Fair Value as at the Valuation Date.

7. Amount due to fellow subsidiaries *(Note)*:

The carrying amount of this account as at the Valuation Date is positive, which represents a total net amount due to related companies Cinema City (Chai Wan) Limited and Cinema City (Hong Kong) Limited. Per discussion with Management, it is noted that the intercompany transactions and the resulting balances are conducted at arm's length. Management is of the view that these balances can be settled either on demand or in a short period of time, and the carrying amounts of the balances shall reflect their Fair Value as at the Valuation Date.

8. Contract Liabilities:

This represents service obligations previously entered into with related companies of Screen Media. It is expected that these liabilities would be settled at their carrying amounts in full at the date of repayment. For the sake of prudence, the Fair Value should be marked at the carrying amount. It is assumed that there are no material recording errors.

Note: There was a net amount due to other Target Subsidiaries in the amount of HK$8,600,000, comprising amount due from Cinema City (TW) of HK$800,000, amount due to Cinema City (Chai Wan) of HK$5,900,000, and amount due to Cinema City (HK) of HK$3,500,000. The current accounts between the Target subsidiaries will be settled before or on the Completion Date. Such net amount due to Target Subsidiaries will not be waived in the calculation of the valuation and thus, the settlement will not be on the expense of the Company.

Opinion of the Fair Value of Equity of Screen Media

Based on the investigation and analysis stated above and on the method employed, the adjusted negative net asset value of Screen Media is determined to be approximately HK$6,197,000. As Screen Media is a limited liability company and its adjusted net asset value is found to be negative, the Fair Value of the Equity of Screen Media is therefore determined to be **null**.

Valuation of the Equities of CC Chai Wan, CCHK and CCTW

As discussed above, valuation of equities of CC Chai Wan, CCHK and CCTW was conducted using the Market Approach.

Under the market approach, there are two commonly adopted methods of valuation known as the guideline public company method and the comparable transaction method. The guideline public company method utilizes market information and financial fundamentals of publicly-traded comparable companies that is similar to the subject business to arrive at an indication of value. The comparable transaction method utilizes information of transactions of assets similar to the subject asset to derive an opinion of value.

The comparable transaction method is considered not appropriate as there are insufficient recent comparable transactions in which the company size of acquired target, percentage of equity interest transacted, and shareholding and capital structure is similar to CC Chai Wan, CCHK and CCTW. The guideline public company method is adopted as there are sufficient comparable companies with similar business nature as CC Chai Wan, CCHK and CCTW.

Under this approach, Fair Value are determined by multiplying the financial fundamentals, such as net income and net book value of common owner equity, of the subject companies with common valuation multipliers based the risks and nature of the underlying businesses. These multiples are derived with reference to the valuation multiples of the comparable companies ("**Comparable Companies**") of the Target Companies. We have considered enterprise-value-to-sales ("**EV/Sales**"), price-to-sales ("**P/S**"), enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortization ("**EV/EBITDA**"), price-to-earnings ("**P/E**") and price-to-book ("**P/B**") multiples.

EV/Sales and P/S multiples were not adopted because these multiples ignore any potential differences in cost structures selected peer companies and the subject companies to be appraised, and may lead to erroneous conclusions of the value of the subject equities. EV/EBITDA and P/E multiples were not adopted because the business of CC Chai Wan, CCHK and CCTW, as their EBITDA and earnings are currently negative.

P/B was a commonly adopted pricing multiple in valuation of operating businesses with net losses. Also, P/B is a ratio for valuing a company that measures its current market value relative to the book value of common owner equity, which is an important indicator of shareholder value. Hence, we considered P/B multiple is appropriate and employed in the valuation for CC Chai Wan, CCHK and CCTW as of the Valuation Date.

In estimating the P/B, we have made reference to the historical operating results of the Comparable Companies, which are considered to have similar business nature as the subject companies, and whose ownership interests are publicly traded.

For the purpose of our valuation, we have also derived the Fair Value of the Equities based on the available information and presently prevailing as well as prospective operating conditions of the business and by taking into consideration other pertinent factors which basically include the followings:

- the market and the business risks of CC Chai Wan, CCHK and CCTW;
- the general economic outlook as well as specific investment environment for CC Chai Wan, CCHK and CCTW;
- the nature and current financial status of CC Chai Wan, CCHK and CCTW;
- the prospective performance of CC Chai Wan, CCHK and CCTW;
- the assumptions as stated in the section of Assumptions in this report.

As part of our analysis, we are furnished with information provided by Management that includes the unaudited financial statements and related operational information regarding CC Chai Wan, CCHK and CCTW. We have also had discussions with Management and have relied to a considerable extent on such information in arriving at our value.

Comparable Companies Selection Criteria

As discussed above, a set of comparable companies was required to estimate the benchmark P/B ratio of CC Chai Wan, CCHK and CCTW. We have identified relevant comparable companies listed on the stock exchanges in Asia Pacific. The selection criteria include:

– The selected companies are principally engaged in the business, or have significant business divisions in relation to cinemas and theatres operations;

– The selected comparable companies should have principal operating activities and assets in Asia Pacific, including regions of Hong Kong, People's Republic of China, Japan, Korea, Thailand and Indonesia;

– Shares of the comparable companies should be actively traded in the market; and

– The comparable companies with abnormal trading activities within the recent 1 years (e.g. due to merger and acquisitions) should be excluded.

An extract of the comparable companies and their respective P/B ratio included in our calculation were as follows:

Company Name	**Stock Code**	**Listing location**	**P/B**
IMAX China Holding, Inc	1970:HK	Hong Kong	2.68
Bingo Group Holdings Limited	8220:HK	Hong Kong	2.95
Emperor Culture Group Limited	491:HK	Hong Kong	0.91
Orange Sky Golden Harvest Entertainment (Holdings) Limited	1132:HK	Hong Kong	0.24
Wanda Film Holding Co., Ltd.	002739:CH	China	3.39
Guangzhou Jinyi Media Corporation	002905:CH	China	2.70
Omnijoi Media Corporation	300528:CH	China	2.84
Shanghai Film Co., Ltd.	601595:CH	China	2.76
Hengdian Entertainment Co., Ltd.	603103:CH	China	5.98
CJ CGV Co Ltd	079160:KS	Korea	5.72
Graha Layar Prima Tbk PT	BLTZ:IJ	Indonesia	2.90
Major Cineplex Group PCL	MAJOR:TB	Thailand	2.25
Kin-Ei Corp	9636:JP	Japan	3.90
Misonoza Theatrical Corp	9664:JP	Japan	2.35
Median			**2.80**

Source: Bloomberg or other public databases

We considered that the selected companies fulfilled the above selection criteria. Due to limited comparable companies, we considered these comparable companies were selected exhaustively by our best efforts. It is our view that the sampling of the above 14 companies is a good representation of the population of the cinema and theatre industry, and the implied parameters from this sample is indicative of the industry norm.

Discount for Lack of Marketability ("DLOM")

Privately held companies are not readily marketable and would face more difficulty in converting its shares into cash as compared with publicly held companies. DLOM is commonly considered in the valuations of privately held companies to reflect difference in the marketability of the shares of the subject private companies and that of the selected publicly-traded comparable companies.

A DLOM of 15.8% is estimated with reference to the *2018 Stout Restricted Stocks Studies on Determining Discount for Lack of Marketability* included an examination of 744 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through September 2017. The adopted DLOM is the average discount implied by these 744 private placement transactions in comparison with the corresponding publicly traded common stocks, and is considered fair and reasonable for the valuation of the equities of the Target Companies.

Control Premium

As the 100% equities of CC Chai Wan, CCHK and CCTW represents a fully control on the operations of their businesses. It is common to consider a control premium to account for the fully control of the business. In order to determine the amount of discount required, we have taken into consideration the ownership characteristics of the subject equity, as outlined below:

– representation on the board of directors;

– any contractual restrictions arising from the Agreements;

– organization documents such as shareholder agreements and voting trusts;

– any relevant industry regulations;

– voting rights of the subject equity relation to control of the business;

– the size of the block of shares being valued; and

– concentration of ownership.

According to the 2020 Second Quarter Control Premium Study published by Factset Mergerstat and BVR, it is noted that the median control premium implied by non-U.S. transactions in second quarter 2020 was found to be 24.8%. Based on our understanding of the subject equity's characteristics and influence on CC Chai Wan, CCHK and CCTW, the control premium of 24.8% is considered to be appropriate and applicable to the valuation of the subject equities.

The detailed calculation using Trailing PB is shown in below table:

Subject	CC Chai Wan	CCHK	CCTW	Unit	Formula
Book value	22,302,738	1,073,527	7,704,646	HKD	a
P/B Ratio derived from comparable companies	2.80	2.80	2.80		b
100% equity before marketability and control adjustments	62,447,666	3,005,876	21,573,009	HKD	c=a*b
DLOM	15.8%	15.8%	15.8%		d
Control Premium	24.8%	24.8%	25.8%		e
100% equity	65,621,007	3,158,623	22,669,263	HKD	f=c*(1-d)*(1+e)
Fair Value of 100% equity interest in the Target Companies (rounded to millions)	66,000,000	3,000,000	23,000,000	HKD	

Source: Management information, APAC calculations

Other Factors Considered in our Valuation

In the course of our valuation, we have taken into consideration of all pertinent factors affecting the business operations of the Target Companies. The factors basically include:

– the market and the business risks of the Target Companies;

– the general economic outlook as well as specific investment environment for the Target Companies;

– the nature and current status of the Target Companies;

– the historical performance of the Target Companies; and

– the assumptions as stated under the section of Assumptions in this report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the various industries, it should be noted that the valuation results derived from the prospective financial projections could be materially different from the actual results.

It is reasonable to consider that the effects of COVID-19 would be reflected in market prices and transactions under the market approach. Therefore, it is reasonable to consider that the valuation result has appropriately taken into account management's assumption concerning the effects of COVID-19 on the business.

We have been provided with extracts of copies of relevant documents, audited and unaudited financial information relating to the Target Companies. We have relied upon the aforesaid information in forming our opinion of the value of the Target Companies. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Target Companies that no material fact has been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the economic environment, competitive uncertainties or any other abrupt alternations of external factors.

Assumptions

In the course of this valuation exercise, a number of assumptions and caveats have been made. We have based on the following to arrive at the valuation conclusion in this report.

- It is assumed that CC Chai Wan, CCHK and CCTW have obtained and would continue to retain all necessary permits and licenses for its cinemas and theatre operations without going concern issues and significant legal risks;

- It is noted that Screen Media is a limited liability company, and it is assumed that its owners are not personally liable for the company's debts or liabilities;

- We have assumed that the accuracy of financial and operational information provided to us by Management, and relied to a considerable extent on such information in arriving at our opinion of value;

- It is assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;

- There will be no major changes in the current taxation law in the areas in which the company conducting their business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;

- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;

- The Target Companies will retain their key management and technical personnel to maintain their ongoing operations;

- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;

- The company will remain free from claims and litigation against the business or their customers that will have a material impact on value;

- The business is unaffected by any statutory notice and that operation of the business gives, or will give, no rise to a contravention of any statutory requirements;

- The business is not subject to any unusual or onerous restrictions or encumbrances; and

- The potential bad debt of the Target Companies will not materially affect their business operations.

Limiting Conditions

We have to a considerable extent relied on the financial data and other related information provided by the Company. We are not in a position to comment on the lawfulness of the business.

To the extent that any of the adopted assumptions or facts provided to us are changed, the result of the Valuation would be different. It should be noted that the financial information regarding the Target Companies provided to us has been represented by management and was assumed for the purposes of this opinion that such information was reasonably prepared with diligence and based on best efforts of management as to the current results of the operations and financial conditions of the Target Companies to which information relate.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

Management Confirmation of Facts

A draft of this report and our calculation has been sent to management of the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects. Management confirms that they have performed the necessary due-diligence on the information provided, and understands that any material changes or errors in such information could lead to a substantial change in our valuation result. As of the date of this report, they are not aware of any material matters relevant to our engagement which have been excluded.

Management should also acknowledge that the valuation was carried out using theoretical valuation approaches, and thus could be different from any potential transaction prices. The valuation result should therefore be used for the Company's internal reference and compliance purpose only. It is noted that management has reviewed all valuation results and agreed with all relevant valuation inputs and calculations.

Remarks

We hereby confirm that we have neither present nor prospective interest in the Company, subsidiaries, and associated companies, or the value reported herein.

Unless otherwise stated, all money amounts are stated in Hong Kong Dollars.

The conclusion of value is based on accepted valuation procedures and practices that rely on substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and us.

This report is issued subject to our Assumptions and Limiting Conditions stated above.

Opinion of the Value

Based on the investigation and analysis stated above and, on the method, employed, we are of the opinion that the Fair Values of 100% Equities of the Target Companies, after marketability and control adjustments, were reasonably stated as follow:

Valuation Date	**30 September 2020**
	HKD
Screen Media	null
CC Chai Wan	66,000,000
CCHK	3,000,000
CCTW	23,000,000

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited

Y.M. Leung
ICVS, B.B.A.
Director

Notes: Ms. Y.M. Leung is an International Certified Valuation Specialist. She has over 10 years of professional experiences in banking, finance, investment consulting, financial analysis and valuation. Her valuation experience covers Hong Kong, Mainland China, Taiwan and other overseas countries in different industries, including IT, utilities, retail, manufacturing, trading, mining, etc.

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 Executive's Interests

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of director/ chief executive	Capacity	Number of issued Shares	Number of underlying Shares	Number of Shares (including issued Shares and underlying Shares) *(Note 1)*	Approximate percentage of interest in the Company *(Note 2)*
Mr. Zhang Liang, Johnson	Interest in controlled corporation *(Note 3)*	1,836,391,914 (L)	–	1,836,391,914 (L)	70.75%
	Beneficial owner	87,984,000 (L)	–	87,984,000 (L)	3.39%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Based on 2,595,613,733 Shares in issue as at the Latest Practicable Date.

3. These Shares are registered in the name of Nice Rich, the entire issued share capital of which is legally and beneficially owned as to 100% by Mr. Zhang Liang, Johnson. Under the SFO, Mr. Zhang Liang, Johnson is deemed to be interested in all the Shares registered in the name of Nice Rich.

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and other persons' Interests

As at the Latest Practicable Date, other than the interests disclosed above in respect of certain directors and chief executive of the Company, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company *(Note 2)*
China Orient Asset Management Co., Ltd ("**China Orient**")	Interest in controlled corporation *(Note 3)*	1,836,391,914 (L)	70.75%
Dong Yin Development (Holdings) Limited ("**Dong Yin**")	Interest in controlled corporation *(Note 3)*	1,836,391,914 (L)	70.75%
Wise Leader Assets Ltd. ("**Wise Leader**")	Interest in controlled corporation *(Note 3)*	1,836,391,914 (L)	70.75%
China Orient Asset Management (International) Holding Limited ("**China Orient Int'l**")	Interest in controlled corporation *(Note 3)*	1,836,391,914 (L)	70.75%
Charming Treasure Investments Ltd. ("**Charming Treasure**")	Person having a security interest in shares *(Note 3)*	1,836,391,914 (L)	70.75%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Based on 2,595,613,733 Shares in issue as at the Latest Practicable Date.

3. 1,836,391,914 shares were charged by Nice Rich as chargor and Charming Treasure as chargee as security interest on 30 May 2018. Charming Treasure is wholly owned by China Orient Int'l. China Orient Int'l is owned as to 50% by Dong Yin and 50% by Wise Leader. Both Wise Leader and Dong Yin are wholly owned by China Orient. By virtue of the SFO, each of the China Orient, Dong Yin, Wise Leader, China Orient Int'l is deemed to be interested in all the shares held by Charming Treasure as security interest.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

At the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 30 June 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contract entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

(a) the placing agreement dated 16 May 2019 between the Company and Royston Securities Limited pursuant to which Royston Securities Limited conditionally agreed to procure, on a best efforts basis, placees to subscribe in cash for the certain fixed coupon unsecured and unsubordinated bonds in an aggregate principal amount of up to HK$150,000,000;

(b) the equity transfer agreement dated 10 September 2019 entered into by 廣州戴德管理諮詢有限公司 (Guangzhou Daide Management Consultancy Co., Ltd.*) ("**Guangzhou Daide**"), a subsidiary of the Company, 陳捷 (Chen Jie*) ("**Seller One**"), 壽瑋達 (Shou Weida*) ("**Seller Two**"), 上海艾播文化傳播有限公司 (Shanghai Aibo Culture Communication Co., Ltd.*) ("**Seller Three**") and 上海芸喆企業管理中心(有限合夥)(Shanghai Yunzhe Enterprises Management Center (LLP)*) ("**Seller Four**", together with Seller One, Seller Two and Seller Three, the "**Sellers**") and 聞瀾(上海)文化傳媒有限公司 (Wenlan (Shanghai) Cultural Communication Co., Ltd.*) ("**Wenlan (Shanghai)**") pursuant to which Guangzhou Daide conditionally agreed to acquire, and Seller One and Seller Three conditionally agreed to sell 60% equity interest in Wenlan (Shanghai) at an aggregate consideration of RMB96,000,000 and Seller Two and Seller Four agreed to grant a call option to Guangzhou Daide for purchasing the remaining 40% equity interest in Wenlan (Shanghai);

(c) the profit guarantee agreement dated 10 September 2019 entered into between Guangzhou Daide, the Sellers and Wenlan (Shanghai) pursuant to which Seller Two and Seller Four undertook to Guangzhou Daide that the aggregated profit for the profit guarantee period shall be no less than RMB70,000,000;

(d) the placing agreement dated 16 September 2019 between the Company and Royston Securities Limited pursuant to which Royston Securities Limited conditionally agreed to procure, on a best efforts basis, placees to subscribe in cash for the certain fixed coupon unsecured and unsubordinated bonds in an aggregate principal amount of up to HK$150,000,000;

(e) the placing agreement dated 24 February 2020 between the Company and Royston Securities Limited pursuant to which Royston Securities Limited conditionally agreed to procure, on a best efforts basis, placees to subscribe in cash for the certain fixed coupon unsecured and unsubordinated bonds in an aggregate principal amount of up to HK$150,000,000, as amended by an extension agreement dated 21 August 2020; and

(f) the SPA.

8. EXPERT'S QUALIFICATIONS AND CONSENT

The following sets out the qualification of the expert which has given its opinion or advice as contained in this circular:

Name	Qualification
APAC Asset Valuation and Consulting Limited	Independent professional valuer

As at the Latest Practicable Date, the above expert:

(a) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2020 (being the date to which the latest published audited financial statements of the Group were made up); and

(c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of the valuation report and references to its name and the valuation report in the form and context in which they respectively appear.

The letter and recommendation from the above expert is given as of the date of this circular for incorporation herein.

9. GENERAL

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Room B, 14/F Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Ms. Lau Yee Wa, who is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Flat B, 14/F Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, from the date of this circular up to and including the date falling on 14 days from the date of this circular:

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

(b) the annual reports of the Company for the two financial years ended 30 June 2020;

(c) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;

(d) the valuation certificate and report of the Target Subsidiaries included in Appendix II to this circular;

(e) the written consent referred to under the section headed "8. Expert's Qualifications and Consent" in this Appendix; and

(f) this circular.