

**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 a licensed securities dealer, or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

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

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



- (1) PROPOSED CAPITAL REORGANISATION;
- (2) PROPOSED CHANGE IN BOARD LOT SIZE;
- (3) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;
- (4) SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;
- (5) REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT;  
AND
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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

A notice convening the EGM to be held at Studio No. 8, G/F., 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Wednesday, 21 July 2021 at 11:30 a.m. is set out in the Notice of EGM in this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Investor Services Ltd. at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

**PRECAUTIONARY MEASURES FOR THE EGM**

**Considering the outbreak of the COVID-19, certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation:**

- all attendees being required to (a) undergo body temperature screening; and (b) wear surgical masks prior to admission to the EGM venue;
- attendees who are subject to health quarantine prescribed by the HKSAR Government not being admitted to the EGM venue;
- all attendees being required to wear surgical masks throughout the EGM;
- appropriate seating arrangement; and
- no distribution of corporate gift or refreshment.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to consider appointing the chairman of the EGM as your proxy to vote on the relevant resolutions, instead of attending the EGM in person.

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## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue and be asked to leave the EGM venue.
- (ii) Shareholders that (a) have travelled, and have been in close contact with any person who has travelled, outside of Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding fourteen (14) days; (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the EGM venue and be asked to leave the EGM venue.
- (iii) All Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement may be denied entry into the EGM venue and be asked to leave the EGM venue. A safe distance between seats is also recommended.
- (iv) No distribution of corporate gifts or refreshments will be provided at the EGM.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the EGM in person, Shareholders are encouraged to consider appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by submitting proxy forms with voting instructions inserted.

The proxy form can be downloaded from the Company's website at [www.atvgroup.com.hk](http://www.atvgroup.com.hk) and the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Adjusted Shares”	ordinary share(s) of par value of HK\$0.01 each in the issued and unissued share capital of the Company upon the Capital Reorganisation becoming effective
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the nominal value of each of the issued Consolidated Shares will be reduced from HK\$1.0 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$0.99 on each issued Consolidated Share
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction and the Share Sub-division
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of Shares for trading on the Stock Exchange from 2,000 Existing Shares to 6,000 Adjusted Shares
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	Asia Television Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 707)
“Completion A”	Phase 1 Completion and Phase 2 Completion
“Completion B”	completion of the subscription of the Convertible Bonds B in principal amount of HK\$300,000,000 contemplated under the Subscription Agreement B
“Completion Date B”	within ten (10) Business Days after fulfillment of all the conditions precedent set out in the Subscription Agreement B (or such other date as may be agreed between the Company and the Subscriber B)

## DEFINITIONS

“Completions”	Phase 1 Completion, Phase 2 Completion and Completion B
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1.0 each in the issued and unissued share capital of the Company immediately after the Share Consolidation becoming effective
“Conversion Price”	Conversion Price A and Conversion Price B
“Conversion Price A”	the conversion price of the Convertible Bonds A of HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective), subject to adjustments
“Conversion Price B”	the conversion price of the Convertible Bonds B of HK\$0.10 per Conversion Share B (or HK\$1.0 per Conversion Share B after the Capital Reorganisation becoming effective), subject to adjustments
“Conversion Share(s)”	Conversion Share(s) A and/or Conversion Share(s) B
“Convertible Share(s) A”	new Share(s) to be issued upon exercise of the conversion rights attaching to the Convertible Bonds A
“Convertible Share(s) B”	new Share(s) to be issued upon exercise of the conversion rights attaching to the Convertible Bonds B
“Convertible Bonds”	Convertible Bonds A and Convertible Bonds B
“Convertible Bonds 2020”	HK\$400,000,000 6% convertible bonds issued by the Company on 17 December 2019 and 29 September 2020, of which an aggregate principal amount of HK\$150,000,000 remain outstanding as at the Latest Practicable Date
“Convertible Bonds A”	convertible bonds in an aggregate principal amount of HK\$200,000,000 to be issued by the Company, and subscribed by the Subscriber A, pursuant to the Subscription Agreement A
“Convertible Bonds B”	convertible bonds in an aggregate principal amount of HK\$300,000,000 to be issued by the Company, and subscribed by the Subscriber B, pursuant to the Subscription Agreement B

## DEFINITIONS

“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reorganisation, the Subscription Agreements and the transactions contemplated thereunder and the refreshment of Share Option Scheme Mandate Limit
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong dollars
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee established by the Company comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the Subscription Agreement A and the transactions contemplated thereunder
“Independent Financial Adviser” or “Messis Capital Limited”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders

## DEFINITIONS

“Independent Shareholders”	the Shareholders other than those who are required to abstain from voting for the resolution in respect of the Subscription Agreement A and the transactions contemplated thereunder at the EGM pursuant to the Listing Rules
“Independent Third Party(ies)”	a party(ies) who is independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	24 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date A”	30 September 2021 (or such other date as the Company and the Subscriber A may agree)
“Long Stop Date B”	30 September 2021 (or such other date as the Company and the Subscriber B may agree)
“Memorandum and Articles”	the memorandum and articles of association of the Company, as amended from time to time
“Phase 1 Completion”	completion of the subscription of the Convertible Bonds A in principal amount of HK\$100,000,000 contemplated under the Subscription Agreement A
“Phase 1 Completion Date”	within ten (10) Business Days after fulfillment of all the conditions precedent set out in the Subscription Agreement A (or such other date as may be agreed between the Company and the Subscriber A)
“Phase 2 Completion”	completion of the subscription of the Convertible Bonds A in principal amount of HK\$100,000,000 contemplated under the Subscription Agreement A
“Phase 2 Completion Date”	within three months after fulfillment of all the conditions precedent set out in the Subscription Agreement A (or such other date as may be agreed between the Company and the Subscriber A)

## DEFINITIONS

“Refreshment”	the Share Option Scheme Mandate Limit proposed to be refreshed by the Shareholders at the EGM pursuant to which the Directors may grant options to eligible participants under the Share Option Scheme for up to 10% of the Shares in issue as at the date of passing the relevant resolution at the EGM
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Ltd. at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be
“Share Consolidation”	the proposed share consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 each into one (1) Consolidated Share of par value of HK\$1.0 each
“Share Subdivision”	the proposed sub-division of each authorised but unissued Consolidated Share of par value of HK\$1.0 each into 100 Adjusted Shares of par value of HK\$0.01 each
“Share Option(s)”	share option(s) to be granted by the Company under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 15 June 2016
“Share Option Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all the options to subscribe for new Shares to be granted under the Share Option Scheme which shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“Shareholders”	the holder(s) of Share(s)



## DEFINITIONS

“Specific Mandate A”	the specific mandate to allot and issue the Conversion Shares A to be sought from the Independent Shareholders at the EGM
“Specific Mandate B”	the specific mandate to allot and issue the Conversion Shares B to be sought from the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Mr. Deng Junjie, the Co-Chairman and non-executive Director of the Company
“Subscriber B”	Nanotechnology Singapore Pte. Ltd., a company incorporated in Singapore with limited liability
“Subscription A”	the subscription of the Convertible Bonds A by the Subscriber A pursuant to the terms of the Subscription Agreement A
“Subscription B”	the subscription of the Convertible Bonds B by the Subscriber B pursuant to the terms of the Subscription Agreement B
“Subscription Agreement A”	the conditional subscription agreement dated 14 May 2021 entered into between the Company and the Subscriber A in relation to the Subscription A
“Subscription Agreement B”	the conditional subscription agreement dated 14 May 2021 entered into between the Company and the Subscriber B in relation to the Subscription B
“Subscription Agreements”	the Subscription Agreement A and the Subscription Agreement B
“Subscriptions”	the Subscription A and the Subscription B
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

*Unless specified otherwise, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.2. The exchange rates has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

## EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Change in Board Lot Size is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reorganisation and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

### Date

Latest date and time for lodging transfers  
documents in order to qualify for  
attendance and voting at the EGM . . . . . 4:30 p.m. on Thursday,  
15 July 2021

Register of members of the Company closed for  
the determining members who are  
entitled to attend and vote at the EGM . . . . . Friday, 16 July 2021 to  
Wednesday, 21 July 2021  
(both days inclusive)

Latest time for lodging forms of proxy for the EGM . . . . . 11:30 a.m. on Monday,  
19 July 2021

Record Date of the attendance and voting at the EGM . . . . . Wednesday, 21 July 2021

Expected date and time of the EGM . . . . . 11:30 a.m. on Wednesday,  
21 July 2021

Announcement of voting results of the EGM . . . . . Wednesday, 21 July 2021

**The following events are conditional on the results of the EGM and compliance with any requirements imposed by the Court in order for it to be able to confirm the Capital Reduction. It may take approximately three months for the Company to obtain hearing dates before the Court which will be subject to the availability of the Court over which the Company has no control, therefore the dates are tentative only:**

Effective date of the Capital Reorganisation . . . . . Friday, 22 October 2021

First day for free exchange of  
existing share certificates for new share  
certificates of the Adjusted Shares . . . . . Friday, 22 October 2021

Commencement of dealings in Adjusted Shares . . . . . 9:00 a.m. on Friday,  
22 October 2021

<b>EXPECTED TIMETABLE</b>
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Original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes .....	9:00 a.m. on Friday, 22 October 2021
Temporary counter for trading in the Adjusted Shares in board lots of 200 Adjusted Shares (in the form of existing share certificates) opens .....	9:00 a.m. on Friday, 22 October 2021
Original counter for trading in the Adjusted Shares in board lots of 6,000 Adjusted Shares (in the form of new share certificates) re-opens .....	9:00 a.m. on Friday, 5 November 2021
Parallel trading in the Adjusted Shares and the Existing Shares (in the form of new share certificates and existing share certificates) commences .....	9:00 a.m. on Friday, 5 November 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares .....	9:00 a.m. on Friday, 5 November 2021
Designated broker ceases to stand in the market to provide matching services for odd lots of the Adjusted Shares .....	4:00 p.m. on Thursday, 25 November 2021
Temporary counter for trading in the Adjusted Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) closes .....	4:10 p.m. on Thursday, 25 November 2021
Parallel trading in the Adjusted Shares (in the form of new share certificates and existing share certificates) ends .....	4:10 p.m. on Thursday, 25 November 2021
Last day for free exchange of existing share certificates for new share certificates of the Adjusted Shares .....	4:30 p.m. on Monday, 29 November 2021

Pursuant to the terms of the Subscription Agreements and the expected timetable of the Capital Reorganisation set out above, the Company is expected that the Completions would take place before the effective date of the Capital Reorganisation.

LETTER FROM THE BOARD



**ASIA TELEVISION HOLDINGS LIMITED**  
**亞洲電視控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 707)**

*Executive Directors:*

Mr. Leong Wei Ping  
Mr. Chan Wai Kit  
Mr. Sze Siu Bun  
Ms. Sun Tingting

*Non-executive Directors:*

Mr. Deng Junjie (Co-Chairman)  
Dato' Sri Lai Chai Suang (Co-Chairman)  
Mr. Andy Yong Kim Seng

*Independent non-executive Directors:*

Ms. Han Xingxing  
Mr. Li Yu  
Ms. Wong Chi Yan  
Mr. Lee Cheung Yuet Horace

*Registered office:*

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

*Principal Place of Business*

*in Hong Kong:*  
Room 903, 9/F., Tower A  
New Mandarin Plaza  
14 Science Museum Road  
Tsim Sha Tsui East  
Kowloon  
Hong Kong

28 June 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(4) SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(5) REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT;  
AND  
(6) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 14 May 2021 in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size and the Subscriptions.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Capital Reorganisation; (ii) further details of the Subscriptions; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription A; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription A; (v) further details of the Refreshment of Share Option Scheme Mandate Limit; and (vi) a notice convening the EGM.

### (1) PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which comprises the following:

- (i) the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$1.0 each;
- (ii) the Capital Reduction by way of a reduction of the issued share capital of the Company through a cancellation of the paid up capital to the extent of HK\$0.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.0 to HK\$0.01; and
- (iii) the Share Sub-division on the basis that each of the authorised but unissued Consolidated Shares of par value of HK\$1.0 each will be sub-divided into one hundred (100) Adjusted Shares of par value of HK\$0.01 each.

#### Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Existing Shares of par value HK\$0.1 each. Following the Capital Reorganisation becoming effective, the authorised share capital would be HK\$2,000,000,000 divided into 200,000,000,000 Adjusted Shares of par value HK\$0.01 each.

Following the Capital Reorganisation becoming effective (assuming there is no issuance of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the effective day of the Capital Reorganisation), the issued share capital of the Company would be reduced from HK\$992,566,800 divided into 9,925,668,000 Existing Shares of par value HK\$0.1 each to HK\$9,925,668 divided into 992,566,800 Adjusted Shares of par value HK\$0.01 each.

A credit amount of approximately HK\$982,641,132 will arise as a result of the Capital Reduction. It is proposed that the credit arising from the Capital Reduction will be credited to the distributable reserve account of the Company, which will be utilised by the Company in such manner as the Board may deem fit and permitted under all applicable laws and the Memorandum and Articles.

## LETTER FROM THE BOARD

Shareholders and potential investors of the Company should note that the credits arising in the books from the Capital Reduction will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reorganisation becoming effective.

As at the Latest Practicable Date, there are outstanding Convertible Bonds 2020 with principal amount of HK\$150,000,000 which are convertible into 1,500,000,000 Existing Shares at the conversion price of HK\$0.1 per Existing Share. The Capital Reorganisation may lead to adjustment to the conversion price and the number of Shares falling to be issued upon the exercise of the conversion right attaching to the Convertible Bonds 2020 in accordance with the terms and conditions of the Convertible Bonds 2020. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

As at the Latest Practicable Date, there are outstanding Share Options (the “**Outstanding Share Options**”) for subscription of 290,000,000 Shares under the Share Option Scheme. The Capital Reorganisation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon exercise of the outstanding options in accordance with the terms and conditions of the Share Option Scheme. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Save for the Convertible Bonds 2020 and the Outstanding Share Options, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Adjusted Shares.

Assuming that there is no change in the number of issued Existing Shares from the Latest Practicable Date up to the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

	As at the Latest Practicable Date	Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective <i>(for illustration purpose only)</i>	Immediately upon the Capital Reorganisation becoming effective
Par value	HK\$0.1 per Existing Share	HK\$1.0 per Consolidated Share	HK\$0.01 per Adjusted Share
Amount of authorised share capital	HK\$2,000,000,000	HK\$2,000,000,000	HK\$2,000,000,000
Number of authorised shares	20,000,000,000	2,000,000,000	200,000,000,000
Number of issued Shares	9,925,668,000 Existing Shares	992,566,800 Consolidated Shares	992,566,800 Adjusted Shares
Number of unissued Shares	10,074,332,000 Existing Shares	1,007,433,200 Consolidation Shares	199,007,433,200 Adjusted Shares
Amount of the unissued share capital	HK\$1,007,433,200	HK\$1,007,433,200	HK\$1,990,074,332
Amount of the issued share capital	HK\$992,566,800	HK\$992,566,800	HK\$9,925,668

## LETTER FROM THE BOARD

The Adjusted Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and Articles and will not result in any change in the relative rights of the Shareholders, save for any fractional Adjusted Shares which may arise.

Other than the expenses to be incurred in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the implementation of the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors are of the view that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and is in the interest of the Company and the Shareholders as a whole.

### Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following conditions being fulfilled:

- (a) the passing of the necessary special resolution(s) by the Shareholders approving the Capital Reorganisation and the transactions contemplated thereunder at the EGM;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue arising from the Capital Reorganisation;
- (c) the Court granting an order confirming the Capital Reduction;
- (d) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (e) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (f) the compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the Listing Rules to effect the Capital Reorganisation.

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

### (2) PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lots of 2,000 Existing Shares. Subject to the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading in the Shares from 2,000 Existing Shares to 6,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

## LETTER FROM THE BOARD

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

Based on the closing price of HK\$0.042 per Existing Share (equivalent to the theoretical closing price of HK\$0.42 per Adjusted Share) as at the Latest Practicable Date, the value of each original board lot of the Existing Shares is HK\$84 and the theoretical market value of each new board lot of the Adjusted Shares, assuming the Capital Reorganisation had become effective, would be HK\$2,520.

### **REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guide**”) has further stated that market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules. It has also stated in the Guide that taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

In addition, the Company is prohibited from issuing new Shares at below their par value under the Companies Act. As at the Latest Practicable Date, the par value of the Existing Shares is HK\$0.1 each.

Starting from 10 January 2020, the closing prices of the Shares were trading below HK\$0.1 and were trading at under HK\$2,000 per board lot. The proposed Capital Reorganisation will bring a corresponding upward adjustment in the trading price of the Adjusted Shares and enable the Company to comply with the trading requirements under the Listing Rules. Upon effective of the Capital Reorganisation and the Change in Board Lot Size, it is also expected to reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each new board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

In view of the above, the Capital Reorganisation and the Change in Board Lot Size (i) will enable the Company to increase the market price as well as each board lot value of the Shares so as to comply with the requirements under the Listing Rules and the Guide; and (ii) will keep the par value of the Shares at HK\$0.01 per Adjusted Share, which allows greater flexibility for the Company in the pricing for any issue of new Shares in the future.

In view of above, the Board considers that the Capital Reorganisation and the Change in Board Lot Size are in the best interests of the Company and the Shareholders as a whole.



## LETTER FROM THE BOARD

### OTHER ARRANGEMENTS

#### Application for listing of the Adjusted Shares

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

Subject to the granting of listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. The Capital Reorganisation will not result in any change in the rights of the Shareholders. The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

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

#### Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, which is expected to be on Friday, 22 October 2021, Shareholders may on or after Friday, 22 October 2021 and until Monday, 29 November 2021 (both dates inclusive) submit their existing share certificates (in white colour) for the Existing Shares to the Registrar for exchange for new share certificates (in pink colour) for the Adjusted Shares at the expense of the Company. Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each share certificate issued for the Adjusted Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher.

## LETTER FROM THE BOARD

After 4:10 p.m. on Thursday, 25 November 2021, existing share certificates in white colour for the Existing Shares will continue to be good evidence of legal title and may be exchanged for share certificates in pink colour for Adjusted Shares at any time but are not acceptable for trading, settlement and registration purposes.

### **Fractional Shares, odd lot arrangements and matching services**

Fractional Adjusted Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Adjusted Shares will be aggregated and sold for the benefit of the Company. In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, the Company has appointed One China Securities Limited as the designated broker to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from Friday, 5 November 2021 to Thursday, 25 November 2021 (both dates inclusive). Shareholders who wish to use this matching service may contact Ms. Carmen Wong of One China Securities Limited at 2/F., Cheong K. Building, 86 Des Voeux Road Central, Central, Hong Kong (telephone number: (852) 3188-2676) during 9:30 a.m. to 4:30 p.m. from Monday to Friday of such period. Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his, or her, or its own professional advisers.

### **(3) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **The Subscription Agreement A**

On 14 May 2021 (after trading hours), the Company entered into the Subscription Agreement A with the Subscriber A, pursuant to which the Subscriber A has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds A in two phases in an aggregate principal amount of HK\$200,000,000 at the Conversion Price A of HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective).

The principal terms of the Subscription Agreement A are summarised below:

#### *Date*

14 May 2021 (after trading hours)

#### *Parties*

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

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Subscriber A is the Co-Chairman and non-executive Director of the Company who is beneficially interested in 921,084,000 Shares, representing approximately 9.28% of the total issued share capital of the Company. The Subscriber A is therefore a connected person of the Company.

### *Subject Matter*

Pursuant to the Subscription Agreement A, the Subscriber A has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds A in two phases in an aggregate principal amount of HK\$200,000,000 at the Conversion Price A of HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective).

### *Conditions precedent*

Completion A is conditional upon satisfaction of the following conditions:

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

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

### *Completion A*

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

- (i) Phase 1 Completion shall take place on the Phase 1 Completion Date in respect of the Convertible Bonds A in the principal amount of HK\$100,000,000; and
- (ii) Phase 2 Completion shall take place on the Phase 2 Completion Date in respect of the Convertible Bonds A in the principal amount of HK\$100,000,000.

## LETTER FROM THE BOARD

### Principal Terms of the Convertible Bonds A

- Issuer : The Company
- Principal amount : An aggregate of principal amount of HK\$200,000,000 in two phases, comprising of:
- (i) the Convertible Bonds A in principal amount of HK\$100,000,000 on Phase 1 Completion; and
  - (ii) the Convertible Bonds A in principal amount of HK\$100,000,000 on Phase 2 Completion.
- Issue price : 100% of the principal amount.
- Maturity date : The date falling on the second anniversary of the date of issue of the Convertible Bonds A (the “**Maturity Date A**”).
- Interest rate : 8% per annum.

The interest rate of the Convertible Bonds A was arrived at after arm’s length negotiation between the Company and the Subscriber A with reference to, among others, (i) the interest rates for the issue of convertible bonds/notes (excluding issue as consideration purpose) ranged from nil to 8% announced by the companies listed on the Stock Exchange during the three-months period from 14 February 2021 up to and including the date of the Subscription Agreement A; and (ii) the interest burden of the Company from the outstanding debts detail of which are set out in the section headed “Use of proceeds — (i) Repayment of the borrowings of the Group” below.

- Conversion Price A : Initially HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective).

The Conversion Price A will be subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price.

## LETTER FROM THE BOARD

Conversion Shares : Based on the initial Conversion Price A of HK\$0.10 per Conversion Share A, a maximum of 2,000,000,000 Conversion Shares A (or a maximum of 200,000,000 Conversion Shares A after the Capital Reorganisation becoming effective) shall be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds A.

Such 2,000,000,000 Conversion Shares A represent:

- (i) approximately 20.15% of the total issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 16.77% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares A.

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

The Conversion Rights A shall only be exercisable as long as :

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

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

## LETTER FROM THE BOARD

- Redemption : Any unredeemed and unconverted Convertible Bonds A shall be redeemed at 100% of the outstanding principal amount on the Maturity Date A.
- Transferability : The Convertible Bonds A is freely transferable, subject to the Convertible Bonds A may not be transferred by the holder of the Convertible Bonds A to any connected person of the Company without consent of the Company and subject to any conditions, approvals, requirements and any other provisions (including but not limited to Listing Rules requirements).
- Voting rights : Holders of the Convertible Bonds A shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds A.
- Listing : No application will be made for the listing of the Convertible Bonds A on the Stock Exchange or any other stock exchange.
- Ranking : The obligations of the Company arising under the Convertible Bond A constitute general and unsecured obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares A will in all respects rank *pari passu* with other Shares in issue on the date of allotment and issue of such Conversion Shares A.

#### (4) SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

##### **The Subscription Agreement B**

On 14 May 2021 (after trading hours), the Company entered into the Subscription Agreement B with the Subscriber B, pursuant to which the Subscriber B has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds B in an aggregate principal amount of HK\$300,000,000 at the Conversion Price B of HK\$0.10 per Conversion Share B (or HK\$1.0 per Conversion Share B after the Capital Reorganisation becoming effective).

## LETTER FROM THE BOARD

The principal terms of the Subscription Agreement B are summarised below:

*Date*

14 May 2021 (after trading hours)

*Parties*

- (i) The Company (as issuer); and
- (ii) Nanotechnology Singapore Pte. Ltd. (as Subscriber B).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber B and its ultimate beneficial owner(s) are Independent Third Parties.

*Subject Matter*

Pursuant to the Subscription Agreement B, the Subscriber B has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds B in an aggregate principal amount of HK\$300,000,000 at the Conversion Price B of HK\$0.10 per Conversion Share B (or HK\$1.0 per Conversion Share B after the Capital Reorganisation becoming effective).

*Conditions precedent*

Completion B is conditional upon satisfaction of the following conditions:

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

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

*Completion B*

Completion B shall take place on the Completion Date B.

## LETTER FROM THE BOARD

### Principal Terms of the Convertible Bonds B

Issuer	:	the Company
Principal amount	:	An aggregate of principal amount of HK\$300,000,000.
Issue price	:	100% of the principal amount.
Maturity date	:	The date falling on the second anniversary of the date of issue of the Convertible Bonds B (the “ <b>Maturity Date B</b> ”).
Interest rate	:	8% per annum.

The interest rate of the Convertible Bonds B was arrived at after arm’s length negotiation between the Company and the Subscriber B with reference to, among others, (i) the interest rates for the issue of convertible bonds/notes (excluding issue as consideration purpose) ranged from nil to 8% announced by the companies listed on the Stock Exchange during the three-months period from 14 February 2021 up to and including the date of the Subscription Agreement B; and (ii) the interest burden of the Company from the outstanding debts detail of which are set out in the section headed “Use of proceeds — (i) Repayment of the borrowings of the Group” below.

Conversion Price B	:	Initially HK\$0.10 per Conversion Share B (or HK\$1.0 per Conversion Share B after the Capital Reorganisation becoming effective).
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The Conversion Price B will be subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price.

Conversion Shares	:	Based on the initial Conversion Price B of HK\$0.10 per Conversion Share B, a maximum of 3,000,000,000 Conversion Shares B (or a maximum of 300,000,000 Conversion Shares B after the Capital Reorganisation becoming effective) shall be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds B.
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## LETTER FROM THE BOARD

Such 3,000,000,000 Conversion Shares B represents:

- (i) approximately 30.22% of the total issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 23.21% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares B.

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

The Conversion Rights B shall only be exercisable as long as:

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

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

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

## LETTER FROM THE BOARD

- Transferability : The Convertible Bonds B is freely transferable, subject to the Convertible Bonds B may not be transferred by the holder of the Convertible Bonds B to any connected person of the Company without consent of the Company and subject to any conditions, approvals, requirements and any other provisions (including but not limited to Listing Rules requirements).
- Voting rights : Holders of the Convertible Bonds B shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds B.
- Listing : No application will be made for the listing of the Convertible Bonds B on the Stock Exchange or any other stock exchange.
- Ranking : The obligations of the Company arising under the Convertible Bond B constitute general and unsecured obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares B will in all respects rank *pari passu* with other Shares in issue on the date of allotment and issue of such Conversion Shares B.

### Conversion Price and Conversion Shares

The Conversion Price of HK\$0.10 per Conversion Share (or HK\$1.0 per Conversion Share after the Capital Reorganisation becoming effective) represents:

- (i) a premium of approximately 104.08% over the closing price of HK\$0.049 per Existing Share (or the theoretical closing price of HK\$0.49 per Adjusted Share) as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (ii) a premium of approximately 122.22% over the average closing price of HK\$0.045 per Existing Share (or the theoretical closing price of HK\$0.45 per Adjusted Share) as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreements;
- (iii) a premium of approximately 138.10% over the closing price of HK\$0.042 per Existing Share (or the theoretical closing price of HK\$0.42 per Adjusted Share) as quoted on the Stock Exchange on the Latest Practicable Date; and

## LETTER FROM THE BOARD

- (iv) a premium of approximately 566.67% over the audited consolidated net assets attributable to the Shareholders per Existing Share of approximately HK\$0.015 (or HK\$0.15 Adjusted Shares assuming the Capital Reorganisation had become effective), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB126,271,000 (equivalent to approximately HK\$151,525,200) as at 31 December 2020 and 9,925,668,000 Existing Shares (or 992,566,800 Adjusted Shares assuming the Capital Reorganisation had become effective) in issue as at the Latest Practicable Date.

The Conversion Shares have an aggregate nominal value of HK\$500,000,000 (or HK\$5,000,000 after the Capital Reorganisation becoming effective).

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

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

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

### **Information of the Subscriber A**

As at the Latest Practicable Date, the Subscriber A is the Co-Chairman and non-executive Director of the Company who is beneficially interested in 921,084,000 Shares, representing approximately 9.28% of the total issued share capital of the Company.

### **Information of the Subscriber B**

The Subscriber B is a company incorporated in Singapore with limited liability and is principally engaged in real estate management and manufacturing of nanotechnology packaging materials. The ultimate beneficial owner of the Subscriber B is Mr. Wu Sonny ("Mr. Wu").

As at the Latest Practicable Date, Subscriber B was wholly-owned by Mr. Wu and Mr. Wu was the chairman of GoldenSand Capital (HK) Limited ("GoldenSand") which is principally engaged in venture capital investment. Save for the Subscription B, Mr. Wu did not have relationship with the Company and its connected person and the Company's previous transactions.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the Subscription Agreement B, there was no agreement and arrangement entered into between (i) Mr. Wu and Subscriber B on one hand; and (ii) the Company and its connected persons on the other hand.

As at the Latest Practicable Date, the Company had no intention or plan to appoint Mr. Wu as the Director.

### **Reasons for the Subscription**

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

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

Whilst there will be dilution effect upon conversion of the Convertible Bonds in the future, in the event that the Subscribers choose to convert the Convertible Bonds into the Conversion Shares, the financial position of the Group would be improved as the total liability would be reduced while the share capital of the Company would be increased. As such, upon conversion of the Convertible Bonds by the Subscribers in the future, the underlying value per Share would be enhanced despite a dilution to the Shareholders in terms of their percentage shareholding in the Company. The Directors have considered the potential dilution effect brought about by the exercise of the Convertible Bonds, and has come to the view that the dilution effect is justifiable and more than offset by the enhancement to the underlying value per Share as a result of the full conversion of the Convertible Bonds.

## LETTER FROM THE BOARD

The Company has considered other financing alternatives to raise funds over the Subscriptions, including but not limited to, bank borrowings and equity financing. However, due to the current financial performance and position of the Group (in particular the net current liabilities position of the Group as at 31 December 2020), it would be difficult for the Group to obtain new bank borrowings. Bank borrowings may also be subject to lengthy due diligence and negotiations with the banks and the requirement to pledge certain assets of the Company acceptable to the banks. Other equity financing such as rights issue and open offer would be more time consuming and costly as compared to the Subscriptions. As such, the Company considers that the Subscriptions are the most appropriate means to raise fund at this stage.

As at the Latest Practicable Date, (i) the Company has no intention to carry out other corporate actions or arrangements that may affect the trading in the Shares (including share consolidation, share sub-division and change in board lot size); and (ii) save for the Subscriptions, the Company has no plan or intention to, and is not under any negotiation to enter into any agreement to, conduct any potential fund raising activity in the forthcoming twelve months. In the event that the Company identifies any suitable fund-raising opportunities and enters into any binding agreements in respect thereof, further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

The Directors consider that the terms of the Subscription Agreements are fair and reasonable and the entering into the Subscription Agreements are in the best interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

The gross proceeds and net proceeds (after deducting all relevant expenses) from the Subscriptions are estimated to be approximately HK\$500 million and HK\$498.5 million respectively. The Company intends to apply the net proceeds from the Subscriptions (i) as to approximately HK\$313.8 million for repayment of the borrowings of the Group; and (ii) as to approximately HK\$184.7 million for general working capital of the Group and/or development or enhancement of the Group's existing businesses or any other possible investments in the future, when such opportunities arise. Details of which are further elaborate below:

#### (i) Repayment of the borrowings of the Group

Reference is made to the announcements of the Company dated 21 October 2019, 24 October 2019 and 28 October 2019, in relation to, among others, the statutory demand ("**Statutory Demand I**") under section 178(1)(A) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) (the "**Ordinance**") served on the Company by a creditor (the "**Creditor I**") to demand the Company to pay the alleged outstanding debt and the accrued interest in the amount of approximately HK\$222,707,496 (the "**Debt I**").

## LETTER FROM THE BOARD

Reference is also made to the announcements of the Company dated 7 April 2020 and 12 May 2020, in relation to, among others, a statutory demand under the Ordinance served on the Company by a creditor (the “**Creditor II**” and together with Creditor I, the “**Creditors**”) to demand the Company to pay the alleged outstanding debt and the accrued interest in the amount of approximately HK\$45,978,301.36 (the “**Debt II**”). On 12 May 2020, the Company had reached a settlement agreement (the “**Settlement Agreement**”) with the Creditor II. Pursuant to the terms and conditions of the Settlement Agreement, the Company shall pay and discharge the outstanding debts to the Creditor II in accordance with the repayment schedule in the Settlement Agreement. Therefore, the aforesaid statutory demand was withdrawn by the Creditor II with immediate effect on 12 May 2020. However, on 11 August 2020, a statutory demand (“**Statutory Demand II**”) under the Ordinance was served on the Company by the Creditor II again to demand the Company to repay the outstanding debt and the accrued interests of the Debt II.

As at the Latest Practicable Date, the alleged outstanding amounts and the accrued interests under Debt I and Debt II were approximately HK\$289 million and HK\$14 million, respectively. As the repayment deadlines of the Statutory Demand I and the Statutory Demand II had been expired, therefore each of the Creditors may present a winding-up petition against the Company at any time. Based on the negotiations between the Company and each of the Creditors, each of the Creditors had agreed that they would not present the winding-up petition if the Company could conduct the Subscriptions to repay the alleged outstanding debt and the accrued interest after the Completions.

## LETTER FROM THE BOARD

The Group intends to utilise the net proceeds of approximately HK\$313.8 million for the repayment of the Group's borrowings, principally for repayment of the Debt I and Debt II in order to discharge the Statutory Demand I and Statutory Demand II.

For illustrative purpose only, as at the Latest Practicable Date, the Group's outstanding debt securities to be repaid were as follow:

Name of debt holder	Nature	Estimated carrying amounts as at the Latest Practicable Date <i>(Approximately HK\$'000)</i>	Estimated accrued interests at the Latest Practicable Date <i>(Approximately HK\$'000)</i>	Interest rate	Maturity date
Convertible Bonds Holder	Convertible Bonds	150,000	4,536	6%	28 September 2023
Creditor I	Debt	194,200 <sup>1</sup>	94,878 <sup>1</sup>	30%	Overdue
Creditor II	Debt	13,124 <sup>2</sup>	904 <sup>2</sup>	12%	Overdue
Creditor III	Debt	4,000	240	12%	Overdue
Bond Holder	Secured Bonds	69,698	458	8%	31 May 2023
Creditor IV	Debt	3,000	Nil	Nil	Overdue
Creditor V	Debt	1,600	33	12%	Overdue
Creditor VI	Debt	6,000	3,058	24%	Overdue
Creditor VII	Debt	1,000	21	10%	14 April 2022
Creditor VIII	Debt	1,000	7	12%	8 September 2021

*Note:*

- As disclosed above, Creditor I had served the Statutory Demand I to the Company. This is representing the estimated outstanding amount owed to the Creditor I as at the Latest Practicable Date.
- As disclosed above, Creditor II had served the Statutory Demand II to the Company. This is representing the estimated outstanding amount owed to the Creditor II as at the Latest Practicable Date.

As disclosed in the section headed "Reasons for the Subscription" above, the Company has considered other financing alternatives to raise funds over the Subscriptions, however, due to the reasons stated therein, the Company considers that the Subscriptions are the most appropriate means to raise fund at this stage. If the Subscriptions could not be completed, each of the Creditors may present a winding-up petition against the Company at any time. In such case, the Company will negotiate with the Creditors for other settlement arrangements on repaying the Debt I and the Debt II.

## LETTER FROM THE BOARD

**(ii) General working capital and/or development or enhancement of the Group's existing businesses or any other possible investments in the future**

The Group intends to utilise the net proceeds of approximately HK\$184.7 million as to (i) approximately HK\$144.7 million for working capital of the Group, including but not limited to approximately HK\$16 million for working capital of the fabric business for the Group, administrative and operating expenses and financial costs and/or (ii) approximately HK\$40.0 million for development or enhancement of the Group's existing businesses or any other possible investments in the future.

The detailed allocation of the net proceeds of approximately HK\$144.7 million for working capital of the Group is as follows:

	<i>HK\$' 000</i>	<b>Expected timeline</b>
Working capital of the fabric business for the Group (including but not limited to purchase of raw materials, wages and salaries, sub-contracting fees, delivery costs and other production costs)	16,000	Up to June 2022
Working capital of media, cultural and entertainment business for the Group (including but not limited to wages and salaries, government rent and rate of the media center property, utilities, sub-contracting fees, marketing and advertising, property maintenance, and other media program production costs)	89,576	Up to June 2022
Working capital of the Company and other subsidiaries of the Company (including but not limited to wages and salaries, rental expenses, professional fees, and other administrative and operating expenses)	34,664	Up to June 2022
Working capital of investment and brokerage services business (including but not limited to wages and salaries, rental expenses, professional fees, and other administrative and operating expenses)	1,505	Up to June 2022
Working capital of money lending business (including but not limited to wages and salaries, rental expenses, marketing and advertising, and other administrative and operating expenses)	2,955	Up to June 2022
<b>Total</b>	144,700	



## LETTER FROM THE BOARD

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no other change to the total issued share capital of the Company, set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) Scenario 1 – Immediately after Completion A and assuming full conversion of the Convertible Bonds A in aggregate principal amount of HK\$200,000,000 at the initial Conversion Price A; (iii) Scenario 2 – Immediately after Completion B and assuming full conversion of the Convertible Bonds B in principal amount of HK\$300,000,000 at the initial Conversion Price B; and (iv) Scenario 3 – Immediately after Completions and assuming full conversion of the Convertible Bonds in aggregate principal amount of HK\$500,000,000 at the initial Conversion Price:

	As at the Latest Practicable Date		Scenario 1		Scenario 2		Scenario 3	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
The Subscriber A <sup>1</sup>	921,084,000	9.28	2,921,084,000	24.49	921,084,000	7.13	2,921,084,000	19.57
The Subscriber B	-	-	-	-	3,000,000,000	23.21	3,000,000,000	20.10
China Special Economic Zone Development Limited	1,695,000,000	17.08	1,695,000,000	14.21	1,695,000,000	13.11	1,695,000,000	11.36
Other public Shareholders	7,309,584,000	73.64	7,309,584,000	61.29	7,309,584,000	56.55	7,309,584,000	48.97
<b>Total</b>	<b>9,925,668,000</b>	<b>100.00</b>	<b>11,925,668,000</b>	<b>100.00</b>	<b>12,925,668,000</b>	<b>100.00</b>	<b>14,925,668,000</b>	<b>100.00</b>

*Note:*

- The Subscriber A holds 151,000,000 Shares. Honghu Capital Co. Ltd holds 770,084,000 Shares and is wholly-owned by the Subscriber A. Therefore, the Subscriber A is beneficially interested in 921,084,000 Shares.

## LETTER FROM THE BOARD

### EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

Date of announcements/ circular	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
24 September 2019, 7 November 2019, 11 November 2019, 17 December 2019, 26 February 2020, 1 April 2020, 4 May 2020, 1 June 2020, 3 July 2020, 3 August 2020, 4 September 2020, 29 September 2020	Subscription of convertible bonds under specific mandate	Approximately HK\$399,000,000	(i) As to approximately HK\$349 million for repayment of the borrowings of the Group and the accrued interest due on or before January 2020; and  (ii) as to approximately HK\$50 million for general working capital of the Group.	(i) approximately HK\$331 million used for repayment of the borrowings of the Group;  (ii) approximately HK\$15 million used for purchase of property, plant and equipment of the Group; and  (iii) approximately HK\$53 million used for general working capital of the Group.

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

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber A is the Co-Chairman and non-executive Director of the Company who is beneficially interested in 921,084,000 Shares, representing approximately 9.28% of the total issued share capital of the Company. The Subscriber A is therefore a connected person of the Company and the Subscription A constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' approval requirements under the Listing Rules.

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

## LETTER FROM THE BOARD

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to the Subscription Agreement A and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds A and the Conversion Shares A, and the grant of the Specific Mandate A. Messis Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### (5) PROPOSED REFRESHMENT OF SHARE OPTION SCHEME LIMIT

The existing Share Option Scheme was adopted by the Company on 15 June 2016 (the “Adoption Date”). There has not been any refreshment of the Share Option Scheme Mandate Limit since the Adoption Date. Apart from the Share Option Scheme, the Company has no other share option scheme as at the Latest Practicable Date. Pursuant to the Share Option Scheme Mandate Limit, the maximum number of Shares that may be issued upon exercise of all the options which may be granted under the Share Option Scheme shall not exceed 293,604,000 Shares, being 10% of the total issued share capital as at the Adoption Date.

On 21 May 2021, the Company had granted 290,000,000 options carrying the rights to subscribe for an aggregate of 290,000,000 Shares to (i) three executive Directors, Mr. Leong Wei Ping (梁瑋珮先生\*), Mr. Chan Wai Kit and Ms. Sun Tingting; (ii) two non-executive Directors, Dato’ Sri Lai Chai Suang (拿督斯里賴彩雲博士\*) and Mr. Andy Yong Kim Seng (楊錦成先生\*); and (iii) employees of the Group. Further details of the Outstanding Share Options are set out below:

Name of the grantee	Capacity of the grantee	Number of share options granted	Exercise price per share option	Exercise Period	Status of the share option
<i>Directors</i>					
Mr. Leong Wei Ping (梁瑋珮先生*)	Executive Director	29,000,000	HK\$0.12	From 31 January 2022 to 20 May 2026	Within vesting period
Mr. Chan Wai Kit	Executive Director	29,000,000	HK\$0.12	From 21 May 2021 to 20 May 2026	Vested, subject to exercise
Ms. Sun Tingting	Executive Director	29,000,000	HK\$0.12	From 26 June 2021 to 20 May 2026	Within vesting period
Dato’ Sri Lai Chai Suang (拿督斯里賴彩雲博士*)	Non-executive Director	29,000,000	HK\$0.12	From 31 December 2021 to 20 May 2026	Within vesting period
Mr. Andy Yong Kim Seng (楊錦成先生*)	Non-executive Director	29,000,000	HK\$0.12	From 28 February 2022 to 20 May 2026	Within vesting period

## LETTER FROM THE BOARD

Name of the grantee	Capacity of the grantee	Number of share options granted	Exercise price per share option	Exercise Period	Status of the share option
<i>Other employees</i>					
Mr. Tang Yiu Tin	Digital Media Manager (OTT & Marketing) of the Company	29,000,000	HK\$0.12	From 21 May 2021 to 20 May 2026	Vested, subject to exercise
Ms. Lee Ka Ling	Senior officer (OTT & Marketing) of the Company	29,000,000	HK\$0.12	From 21 May 2021 to 20 May 2026	Vested, subject to exercise
Ms. Tang Po Yi	Business development manager of the Company	29,000,000	HK\$0.12	From 21 May 2021 to 20 May 2026	Vested, subject to exercise
Mr. Liu Qiang	Vice President of ATV Cultural Entertainment (HK) Ltd.	29,000,000	HK\$0.12	From 21 May 2021 to 20 May 2026	Vested, subject to exercise
Mr. Li Qing	Chief executive of Asia Television Digital Media Limited	29,000,000	HK\$0.12	From 30 April 2023 to 20 May 2026	Within vesting period

*Note:* With reference to the announcement of the Company dated 21 May 2021 in relation to the grant of the Outstanding Share Options, those share options granted shall vest on the second anniversary of the last trading day of the month following the grantee's service relationship start date.

As at the Latest Practicable Date, the Company had no current plan to grant further option under the current Share Option Scheme Mandate Limit.

In view of the existing Share Option Scheme had been utilised up to approximately 98.8% and it is a flexible mean to provide incentives to, and recognise the contribution of, the eligible participants under the Share Option Scheme by way of granting options, the Directors consider that it is in the best interests of the Company and the Shareholders as a whole to refresh the Share Option Scheme Mandate Limit.

As at the Latest Practicable Date, there were 9,925,668,000 Shares in issue. Upon the Refreshment and assuming that the total issued share capital in issue remains unchanged prior to the date of the EGM, the Company may grant options to eligible participants under the Share Option Scheme to subscribe for a maximum of 992,566,800 Shares, being 10% of the total issued share capital as at the date of approval of the Refreshment. Options previously granted under the Share Option Schemes (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme), if any, will not be counted for the purpose of calculating the Refreshment. Pursuant to the terms of the Share Option Scheme and in accordance with the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares which may be issued upon

## LETTER FROM THE BOARD

exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time shall not exceed 30% of the total issued share capital from time to time. No options may be granted under the Share Option Scheme if it will result in the aforesaid 30% limit being exceeded.

At the EGM, an ordinary resolution will be proposed to the Shareholders to approve the Refreshment of the Share Option Scheme Mandate.

The Refreshment is conditional upon:

- (i) the passing of an ordinary resolution to approve the Refreshment by the Shareholders at the EGM; and
- (ii) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon the exercise of any options that may be granted pursuant to the Share Option Scheme under the Refreshment.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon the exercise of any options that may be granted pursuant to the Share Option Scheme under the Refreshment.

### **Estimated adjustments to the Outstanding Share Options upon completion of the Capital Reorganisation**

For illustration purpose only, in accordance with the terms and conditions of the Share Option Scheme, set out below is the estimated adjustments on the exercise price and the number of Shares to be issued in relation to the Outstanding Share Options upon completion of the Capital Reorganisation:

<b>Before completion of Capital Reorganisation</b>		<b>Upon completion of Capital Reorganisation</b>	
<b>Exercise price per Share to be issued</b>	<b>Number of Shares to be issued</b>	<b>Exercise price per Adjusted Share to be issued</b>	<b>Number of Adjusted Shares to be issued</b>
HK\$0.12	290,000,000	HK\$1.2	29,000,000

The Company will make further announcement(s) on such adjustment(s) as and when appropriate upon completion of Capital Reorganisation.

## LETTER FROM THE BOARD

### UPDATE ON THE PROCESSING, PRINTING AND SALES OF FINISHED FABRICS (THE “FABRIC BUSINESS”) SEGMENT OF THE GROUP

Reference is made to the announcements of the Company dated 20 October 2020, 6 November 2020, 28 January 2021, 31 May 2021 and 17 June 2021 in relation to the demand letters received from the legal adviser acting on behalf of a holder (the “**Bond Holder**”) of the 8% secured bond in the principal amount of HK\$70,000,000 issued by the Company (the “**Bond**”) on 15 October 2019, claiming for the repayment of the outstanding principal amount of the Bond and together with the interests accruing thereon. On 31 May 2021, the Company received a letter from the legal adviser of the Bond Holder informing the Company that the Bond Holder has enforced the pledged share capital of a wholly owned subsidiary of the Company, namely 協盛(石獅市)染織實業有限公司 (“**Xie Sheng**”), by disposing the entire share capital of Xie Sheng to a third party by way of sale (the “**Disposal**”). Xie Sheng is principally engaged in the provision of knitted fabrics subcontracting services for customers who either provide raw fabrics to the Group for processing or request the Group to source raw fabrics. On 17 June 2021, the Company and the Bond Holder entered into a supplemental agreement to extend the maturity date of the Bond to 31 May 2023.

Before the Disposal, the Fabric Business segment was consisted of two operating subsidiaries, namely Xie Sheng and 協豐(福建)印染有限公司 (Xiefeng (Fujian) Printing & Dyeing Co., Ltd.\*) (“**Xie Feng**”). Xie Feng is a company incorporated in the PRC and a wholly owned subsidiary of the Company as at the Latest Practicable Date. Xie Feng is principally engaged in the provision of woven fabrics subcontracting services for customers who either provide raw fabrics to the Group for processing or request the Group to source raw fabric. As at the Latest Practicable Date, Xie Feng has 75 employees and the production facility of Xie Feng is located in Wubao Industrial Control Zone, Hongshan Town, Shishi City, Fujian Province, the PRC.

Xie Sheng and Xie Feng are focused on different fabric products and are operated independently from each other and therefore the Disposal will not have any impact on Xie Feng. For the year ended 31 December 2020, Xie Feng recorded revenue of approximately RMB36.97 million, which represented approximately 38.2% of total revenue of the Fabric Business and 24.0% of the Group’s total revenue.

## LETTER FROM THE BOARD

### EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-6 of this circular. The EGM will be held at Studio No. 8, G/F., 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Wednesday, 21 July 2021 at 11:30 a.m. for (i) the Shareholders to consider and, if thought fit, approve the Capital Reorganisation, the Subscription Agreement B and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds B and the Conversion Shares B, and the grant of the Specific Mandate B and the Refreshment of Share Option Scheme Mandate Limit; and (ii) the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement A and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds A and the Conversion Shares A, and the grant of the Specific Mandate A.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked. The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the poll results of the EGM.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, save for the Subscriber A and his associate, who was beneficially interested in 921,084,000 Shares (representing approximately 9.28% of the total issued share capital of the Company), no Shareholders are required to abstain from voting on the resolution(s) approving the Subscription Agreement A and the transactions contemplated thereunder at the EGM.

No Shareholders are required to abstain from voting on the resolutions approving the Capital Reorganisation, the Subscription Agreement B and the transactions contemplated thereunder and the Refreshment of Share Option Scheme Mandate Limit to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

## LETTER FROM THE BOARD

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 16 July 2021 to Wednesday, 21 July 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant Share certificates must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 15 July 2021.

### 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.

### RECOMMENDATION

The Board considers that (i) the terms of the Subscriptions Agreements and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) Capital Reorganisation, the Change in Board Lot Size, the Subscriptions and the Refreshment of Share Option Scheme Mandate Limit are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant proposed resolutions for approval of the Capital Reorganisation, the Subscriptions and the Refreshment of Share Option Scheme Mandate Limit at the EGM.

### ADDITIONAL INFORMATION

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

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,  
By order of the Board  
**Asia Television Holdings Limited**  
**Deng Junjie**  
*Co-Chairman and non-executive Director*





**ASIA TELEVISION HOLDINGS LIMITED**

**亞洲電視控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 707)**

28 June 2021

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 28 June 2021 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used herein

We have been appointed by the Board as member to form the Independent Board Committee to consider the Subscription Agreement A and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Subscription Agreement A and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds A and the Conversion Shares A, and the grant of the Specific Mandate A are fair and reasonable so far as the Independent Shareholders are concerned. Details of the advice of Messis Capital Limited, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 41 to 68 of this circular. Your attention is also drawn to the letter from the Board set out on pages 10 to 38 of this circular and the additional information set out in the appendices of this circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

For and on behalf of the Independent Board Committee

**Ms. Han Xingxing    Mr. Li Yu    Ms. Wong Chi Yan    Mr. Lee Cheung Yuet Horace**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



28 June 2021

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

Dear Sir/Madam,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement A and transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds A and the Conversion Shares A, and the grant of the Specific Mandate A, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company dated 28 June 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the announcement of the Company dated 14 May 2021, the Company entered into the Subscription Agreement A with the Subscriber A, pursuant to which the Subscriber A has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds A in two phases in an aggregate principal amount of HK\$200,000,000 at the Conversion Price A of HK\$0.1 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming all the Conversion Shares A are converted in full at the initial Conversion Price A of HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective), an aggregate of 2,000,000,000 Conversion Shares A (or 200,000,000 Conversion Shares A after the Capital Reorganisation becoming effective) will be issued, which represent (i) approximately 20.15% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.77% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares A. The Company will seek the Specific Mandate A from the Independent Shareholders at the EGM for the allotment and issue of the Conversion Shares A.

As at the Latest Practicable Date, the Subscriber A was the Co-Chairman and non-executive Director of the Company who is beneficially interested in 921,084,000 Shares, representing approximately 9.28% of the total issued share capital of the Company. The Subscriber A is therefore a connected person of the Company and the Subscription A constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders in relation to the Subscription Agreement A and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds A and the Conversion Shares A, and the grant of the Specific Mandate A. We, Messis Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the past two years from the date of our appointment, we have acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company for the following transaction (the "**Previous Appointment**"):

<b>Date of the relevant circular and our letter of advice</b>	<b>Nature of the transaction</b>
11 November 2019	Connected transaction in relation to subscription of convertible bonds under specific mandate

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With regard to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointment as well as the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; (ii) we have maintained our independence from the Company during the Previous Appointment; (iii) the service fees received separately or aggregately from the Previous Appointment and the current appointment do not constitute a significant portion of our total revenue; and (iv) our independence from the Company has not been compromised because of the Previous Appointment. Accordingly, we consider that we are eligible to give independent advice pursuant to Rule 13.84 of the Listing Rules.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion and advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the circular, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement contained in the Circular misleading.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analyses were based upon, among other things, the information provided by the Company including the announcements and the Circular and certain published information from the public domain including trading performance of the Shares on the Stock Exchange, information set out in the Circular and the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”). We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we carried out any independent verification of the information provided by the Directors and Management. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. It should be noted that subsequent developments including any material change in market and economic conditions may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion.

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Subscription Agreement A and the transactions contemplated thereunder, we have considered the following principal factors and reasons as set out below:

#### 1. Background information of the Group

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

According to the Letter from the Board, the Subscriber A is the Co-Chairman and non-executive Director of the Company who is beneficially interested in 921,084,000 Shares, representing approximately 9.28% of the total issued share capital of the Company.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Financial Information of the Group

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2018, 2019 and 2020 (“FY2018”, “FY2019” and “FY2020”) as extracted from the 2019 Annual Report and the 2020 Annual Report:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Turnover	166,025	156,892	154,104
Gross loss	(97,807)	(2,329)	(21,298)
Gross loss margin	(58.9%)	(1.5%)	(13.8%)
Loss before taxation	(839,756)	(621,875)	(215,991)
Loss for the year attributable to owners of the Company	(800,530)	(557,550)	(173,121)

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Current assets	726,284	481,800	395,598
Current liabilities	918,963	785,131	644,799
Non-current liabilities	76,721	189,607	142,538
Total assets	1,433,005	1,013,168	809,186
Total borrowings	543,654	510,550	391,129
Total liabilities	995,684	974,738	787,337
Net current assets/(liabilities)	(192,679)	(303,331)	(249,201)
Total Equity	437,321	38,430	21,849
Gearing ratio ( <i>Note</i> )	1.18	5.02	3.10

*Note:* Calculated based on the Group’s lease liabilities, bond payables, convertible bonds, bank loans, loans from other financial institutions and other borrowings as a percentage of the Group’s total equity.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(i) Revenue*

The Group's revenue decreased from approximately RMB166.0 million in FY2018 to approximately RMB156.9 million in FY2019, representing a decrease of approximately RMB9.1 million or 5.5%. According to the 2019 Annual Report, the decrease was mainly attributable to (i) the decrease in revenue generated from the media, cultural and entertainment business due to the decrease of advertising and subscription income from the over-the-top platform; and (ii) the decrease in revenue generated from the investments and brokerage services business mainly due to the overall decrease in revenue generated from brokerage and related services, underwriting and placing services and margin financing interest.

The Group's revenue had further decreased to RMB154.1 million in FY2020, representing a decrease of approximately RMB2.8 million or 1.8% as compared to FY2019. According to the 2020 Annual Report, the decrease was mainly attributable to the decline in turnover of the fabrics and trading business by approximately RMB15.9 million; the money lending business of approximately RMB11.8 million; offsetting by the increase in turnover of entertainment and cultural business of approximately RMB22.8 million.

### *(ii) Loss for the year attributable to the owners of the Company*

The Group's net loss attributable to the owners of the Company was approximately RMB557.6 million for FY2019, representing a decrease of approximately RMB242.9 million or 30.4% as comparing to approximately RMB\$800.5 million for FY2018. The decrease in net loss was mainly attributable to (i) an absence of the recognition of impairment loss on goodwill of approximately RMB114.0 million for the acquisition of Asia Television Limited and its subsidiaries as recognised in the same period in 2018; (ii) a decrease in share of loss of an associate and impairment of an associate of approximately RMB208.0 million as compared to the same period in 2018; and (iii) a decrease in the cost of sales of approximately RMB105.0 million as compared to the same period of 2018 due to the adoption of stringent cost control measures.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a net loss attributable to the owners of the Company of approximately RMB173.1 million for FY2020, representing a decrease of approximately RMB384.5 million or 68.9% as compared to FY2019. The significant improvement in the decrease in net loss is mainly attributable to (i) the gain on the derivative financial instruments of approximately RMB54.7 million; (ii) an absence of the loss on the derivative financial instruments of approximately RMB100.7 million; (iii) the gain on disposal of an associate of approximately RMB74.2 million; (iv) an absence of the impairment loss on interest in an associate of approximately RMB21.1 million; (v) a decrease in finance cost of approximately RMB35.2 million; (vi) an absence of impairment loss on property, plant and equipment of approximately RMB25.9 million; and (vii) a decrease in the impairment loss on right-of-use assets of approximately RMB53.9 million.

### *(iii) Net current liabilities*

The Group's net current liabilities increased from approximately RMB192.7 million as at 31 December 2018 to approximately RMB303.3 million as at 31 December 2019, representing an increase of approximately RMB110.6 million or 57.4%. Such increase was mainly driven by (i) the decrease in trade and other receivables; (ii) the decrease in bank balances and cash; and partly offsetting by (iii) the decrease in other borrowings. The Group's net current liabilities decreased to approximately RMB249.2 million as at 31 December 2020, representing a decrease of approximately RMB54.1 million or 17.8%, which was mainly due to the combined effect of the (i) the decrease in loan receivables, (ii) the decrease in trade and other payables; and (iii) the decrease in loans from other financial institutions.

### *(iv) Gearing Ratio*

The Group's gearing ratio was approximately 1.18, 5.02 and 3.10 as at 31 December 2018, 2019 and 2020, respectively. The increase from approximately 1.18 as at 31 December 2018 to approximately 5.02 as at 31 December 2019 was mainly due to the combined effect of (i) the slight decrease in total borrowings; and (ii) the drastic decrease in total equity. The decrease of gearing ratio from approximately 5.02 as at 31 December 2019 to approximately 3.10 as at 31 December 2020 was mainly due to the combined effect of (i) the decrease in total borrowings; and (ii) the slight decrease in total equity.

**3. Reasons for the Subscriptions and use of proceeds**

As stated in the Letter from the Board, the gross proceeds and the net proceeds (after deducting all relevant expenses) from the Subscriptions (after deduction of placing commission and other relevant costs and expenses) are estimated to be approximately HK\$500 million and HK\$498.5 million respectively, which were intended to be applied (i) as to as to approximately HK\$313.8 million for repayment of the borrowings of the Group; and (ii) as to approximately HK\$184.7million for general working capital of the Group and/or development or enhancement of the Group's existing businesses or any other possible investments in the future, when such opportunities arise.

As per the Letter from the Board, as at the Latest Practicable Date, the alleged outstanding amounts and the accrued interests under Debt I and Debt II were approximately HK\$289 million and HK\$14 million, respectively. As the repayment deadlines of the Statutory Demand I and the Statutory Demand II had been expired, therefore each of the Creditors may present a winding-up petition against the Company at any time. Based on the negotiations between the Company and each of the Creditors, each of the Creditors had agreed that they would not present the winding-up petition if the Company could conduct the Subscriptions to repay the alleged outstanding debt and the accrued interest after the Completions.

We have reviewed the 2020 Annual Report and noted that, as at 31 December 2020, the Company's bank balances and cash amount to approximately RMB47.0 million (excluding client's monies in segregated account of approximately RMB71.4 million) with net current liabilities of approximately RMB249.2 million, indicating the Group's funding need to repay its liability in the short run. We also noted that the Company's gearing ratio was approximately 3.10 as at 31 December 2020. According to the Management, it would impose undue financial risk to the Group for obtaining further borrowings from banks and/or other financial institutions. As such, based on the Company's bank balances and cash and net current liabilities position, it is unlikely that the Company would be able to repay Debt I and Debt II with internal resources. If the Subscriptions were not conducted for the repayment of Debt I and Debt II, the Creditors may proceed to file winding-up petitions against the Company. Therefore, we are of the view that the Subscriptions could avoid further litigation costs arising from the possible winding-up petitions from the Creditors and any potential realisation of the Company's assets for settling Debt I and Debt II.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Group intends to allocate approximately HK\$144.7 million from the net proceeds for working capital of the Group. The detailed allocation of the net proceeds of approximately HK\$144.7 million for working capital of the Group is as follows:

	<i>HK\$' 000</i>	<b>Expected timeline</b>
Working capital of the fabric business for the Group (including but not limited to purchase of raw materials, wages and salaries, sub-contracting fees, delivery costs and other production costs)	16,000	Up to June 2022
Working capital of media, cultural and entertainment business for the Group (including but not limited to wages and salaries, government rent and rate of the media center property, utilities, sub-contracting fees, marketing and advertising, property maintenance, and other media program production costs)	89,576	Up to June 2022
Working capital of the Company and other subsidiaries of the Company (including but not limited to wages and salaries, rental expenses, professional fees, and other administrative and operating expenses)	34,664	Up to June 2022
Working capital of investment and brokerage services business (including but not limited to wages and salaries, rental expenses, professional fees, and other administrative and operating expenses)	1,505	Up to June 2022
Working capital of money lending business (including but not limited to wages and salaries, rental expenses, marketing and advertising, and other administrative and operating expenses)	2,955	Up to June 2022
Total	<hr style="border: 0.5px solid black;"/> <b>144,700</b> <hr style="border: 1.5px solid black;"/>	

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the breakdown of the allocation to each major segment and noticed that the allocation is estimated based on the respective segment's operating expenses for the next 12 months, which included but not limited to staff costs, professional fees, rental expenses, utilities etc. We noticed that the majority of the amount is allocated to the Group's media, cultural and entertainment business segment and to the Company and other subsidiaries of the Company in general, which amount to approximately HK\$89.6 million and approximately HK\$34.7 million, respectively. Approximately HK\$1.5 million and HK\$3.0 million are allocated to the investment and brokerage services business and the money lending business, respectively. We note from the breakdown of the allocation that the Group's media, cultural and entertainment business segment has the largest expenses among the segments, hence requires the most working capital, followed by the Company and other subsidiaries of the Company. Further, as disclosed in the 2020 Annual Report, the media, cultural and entertainment segment recorded a segment loss of approximately RMB77.2 million, while the brokerage services business segment and the money lending business segment recorded segment profits of approximately RMB3.3 million and RMB4.5 million, respectively.

Among the approximately HK\$144.7 million allocated for the Group's working capital, the Group intends to utilise approximately HK\$16 million for the Group's Fabric Business segment. On 31 May 2021, the Company received a letter from the legal adviser of the Bond Holder informing the Company that the Bond Holder has enforced the pledged share capital of a wholly owned subsidiary of the Company, namely Xie Sheng, by disposing the entire share capital of Xie Sheng to a third party by way of sale. Xie Sheng is principally engaged in the provision of knitted fabrics subcontracting services for customers who either provide raw fabrics to the Group for processing or request the Group to source raw fabrics. On 17 June 2021, the Company and the Bond Holder entered into a supplemental agreement to extend the maturity date of the Bond to 31 May 2023.

Before the Disposal, the Fabric Business segment was consisted of two operating subsidiaries, namely Xie Sheng and Xie Feng. Xie Feng is a company incorporated in the PRC and a wholly owned subsidiary of the Company as at the Latest Practicable Date. Xie Feng is principally engaged in the provision of woven fabrics subcontracting services for customers who either provide raw fabrics to the Group for processing or request the Group to source raw fabric. As at the Latest Practicable Date, Xie Feng has 75 employees and the production facility of Xie Feng is located in Wubao Industrial Control Zone, Hongshan Town, Shishi City, Fujian Province, the PRC.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Xie Sheng and Xie Feng are focused on different fabric products and are operated independently from each other and therefore the Disposal will not have any impact on Xie Feng. For the year ended 31 December 2020, Xie Feng recorded revenue of approximately RMB36.97 million, which represented approximately 38.2% of total revenue of the Fabric Business and 24.0% of the Group's total revenue.

We note from the 2020 Annual Report that the Fabric Business is one of the core operating segments of the Group, which generated over 60% of the Group's total revenue for FY2019 and FY2020. As discussed with the Management, the Fabric Business will continue to be one of the core business segments of the Group. We have obtained the management accounts of Xie Feng for the five months ended 31 May 2021, and the estimation of Xie Feng's cash requirement for the next twelve months. We noticed that based on Xie Feng's management accounts, approximately RMB13 million or HK\$15.6 million will be required by Xie Feng for its working capital for the next twelve months.

As such, we consider that the allocation of approximately HK\$144.7 million from the net proceeds to the Group's working capital is fair and reasonable.

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

Given that the net proceeds from the Subscription A would (i) enable the Group raise immediate funding to settle Debt I and Debt II to avoid possible winding-up petitions against the Company; (ii) the Convertible Bonds A will not impose immediate dilution on the shareholding of the existing Shareholders; (iii) improve the Group's financial position in terms of the decrease the gearing ratio of the Group as illustrated in the below section headed "8. Possible financial effects of the Subscription A" in this letter; and (iv) provide additional funds for the Group's working capital, we consider that concur with the Directors' view that the entering into the Subscription Agreement A is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Other financing alternatives of the Group

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

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of net proceeds
24 September 2019, 7 November 2019, 11 November 2019, 17 December 2019, 26 February 2020, 1 April 2020, 4 May 2020, 1 June 2020, 3 July 2020, 3 August 2020, 4 September 2020, 29 September 2020	Subscription of convertible bonds under specific mandate	Approximately HK\$399,000,000	(i) As to approximately HK\$349 million for repayment of the borrowings of the Group and the accrued interest due on or before January 2020; and  (ii) as to approximately HK\$50 million for general working capital of the Group.	(i) approximately HK\$331 million used for repayment of the borrowings of the Group;  (ii) approximately HK\$15 million used for purchase of property, plant and equipment of the Group; and  (iii) approximately HK\$53 million used for general working capital of the Group.

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

According to the Letter from the Board, the Company has considered other financing alternatives to raise funds over the Subscriptions, including but not limited to, bank borrowings and equity financing. We note from the 2019 Annual Report and the 2020 Annual Report that, the Group recorded gross loss of approximately RMB2.3 million to RMB97.8 million and net loss attributable to Shareholders of approximately RMB173.1 million to RMB800.5 million for the three years ended 31 December 2020. The Group also recorded net current liabilities of approximately RMB192.7 million to RMB303.3 million as at 31 December 2018, 2019 and 2020. Net assets of the Group also demonstrated a decreasing trend, which decreased from approximately RMB437.3 million as at 31 December 2018 to approximately RMB21.8 million as at 31 December 2020. We also note that the Creditors may present winding-up petitions against the Company in respect of the overdue Debt I and Debt II. As discussed with the Company, the Company had negotiated with banks in Hong Kong for banking facilities in November/December 2020. We had obtained the email replies from two banks and noted that the two banks had both rejected the Company's applications for banking facilities after reviewing the Company's financial performance. Therefore, we concur with the Company's view that due to the current financial performance and position of the Group, it would be difficult for the Group to obtain new bank borrowings.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Letter from the Board, other equity financing such as rights issue and open offer would be more time consuming and costly as compared to the Subscriptions. We note that the funds to be raised under the Subscription Agreement A is HK\$200,000,000, which is relatively large as compared with the Company's market capitalisation of approximately HK\$486 million as at the date of the Subscription Agreement A (i.e. 14 May 2021). We have conducted research on rights issue and open offer exercise announced by listed companies in Hong Kong for a three-month period from 14 February 2021 up to and including the date of the Subscription Agreement A, and identified 17 companies. We consider a three-month period immediately prior to the date of Subscription Agreement A can provide a reference to the recent market practice. We notice that the discount of the subscription price to the share price on the respective last trading day of the rights issue or open offer exercise ranged from approximately 10.3% to 49.2%. Given the Group's unfavourable financial conditions for FY2018, FY2019 and FY2020, and the share price discount range of approximately 10.3% to 49.2% of recent rights issue or open offer exercise as noted above, a substantial discount of Share price might be required to conduct a rights issue or open offer for raising the same amount of funds.

In view of that (i) the Subscription A could provide immediate funding for the Company without immediate dilution of the shareholding of the existing Shareholders; (ii) the Conversion Price A represented a premium of approximately 104.08% and 122.22% over the closing price of HK\$0.049 per Existing Share on the date of the Subscription Agreement A and the average closing price of HK\$0.045 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreement A, respectively; and (iii) limited financing alternatives are available to raise the required funds as explained above, we concur with the Directors' view that the Subscription A is an appropriate mean of financing exercise and is in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5. Principal terms of the Subscription Agreement A

Set out below is a summary of the principal terms of the Subscription Agreement A, further details of which are set out in the Letter from the Board:

Issuer	:	The Company
Principal amount	:	An aggregate of principal amount of HK\$200,000,000 in two phases, comprising of: <ul style="list-style-type: none"><li>(i) the Convertible Bonds A in principal amount of HK\$100,000,000 on Phase 1 Completion; and</li><li>(ii) the Convertible Bonds A in principal amount of HK\$100,000,000 on Phase 2 Completion.</li></ul>
Maturity	:	The date falling on the second anniversary of the date of issue of the Convertible Bonds A.
Interest	:	8% per annum.
Conversion Price	:	Initially HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective). <p>The Conversion Price A will be subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price.</p>
Conversion Shares	:	Based on the initial Conversion Price A of HK\$0.10 per Conversion Share A, a maximum of 2,000,000,000 Conversion Shares A (or a maximum of 200,000,000 Conversion Shares A after the Capital Reorganisation becoming effective) shall be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds A.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The Conversion Rights A shall only be exercisable as long as:

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

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

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

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Conversion Price A*

The Conversion Price A of HK\$0.10 per Conversion Share A (or HK\$1.0 per Conversion Share A after the Capital Reorganisation becoming effective) represents:

- (i) a premium of approximately 104.08% over the closing price of HK\$0.049 per Existing Share (or the theoretical closing price of HK\$0.49 per Adjusted Share) as quoted on the Stock Exchange on the date of the Subscription Agreement A;
- (ii) a premium of approximately 122.22% over the average closing price of HK\$0.045 per Existing Share (or the theoretical closing price of HK\$0.45 per Adjusted Share) as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreement A;
- (iii) a premium of approximately 138.10% over the closing price of HK\$0.042 per Existing Share (or the theoretical closing price of HK\$0.42 per Adjusted Share) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 566.67% over the unaudited consolidated net assets attributable to the Shareholders per Existing Share of approximately HK\$0.015 (or HK\$0.15 Adjusted Shares assuming the Capital Reorganisation had become effective), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB126,271,000 (equivalent to approximately HK\$151,525,200) as at 31 December 2020 and 9,925,668,000 Existing Shares (or 992,566,800 Adjusted Shares assuming the Capital Reorganisation had become effective) in issue as at the Latest Practicable Date.

The Conversion Price A was arrived at after arm's length negotiation between the Company and the Subscriber A with reference to, among others, the prevailing market price of the Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 6. Analysis of the Conversion Price A

For the purpose of assessing the fairness and reasonableness of the Conversion Price A, we have compared the Conversion Price A with reference to (a) the historical price performance of the Shares; (b) liquidity of the Shares; and (c) the market comparable analysis, as follows:

#### (a) Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 15 May 2020 up to and including the date of the Subscription Agreements (the “**Review Period**”), being the date which is approximately 12 months immediately preceding the date of the Subscription Agreements. We consider a 12-month period to be a reasonable and sufficient timeframe to illustrate the relationship between the historical trend of the closing price of the Shares and the Conversion Price A as the factors affecting the Share price more than a year ago, such as the Company’s financial performance at the then time, may be less relevant to the recent Share prices. A period of 12 months is also commonly adopted by the market for conducting analyses between the conversion price and historical closing prices.



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

As illustrated in the chart above, the closing Share price ranged from HK\$0.02 to HK\$0.086 per Share during the Review Period, with an average closing price of approximately HK\$0.046 per Share. The Conversion Price A represented (i) a premium of approximately 16.28% to the highest closing price of the Shares; (ii) a premium of approximately 400.00% over the lowest closing price of the Shares; and (iii) a premium of approximately 118.04% to the average closing price of the Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The closing price of the Shares showed an increasing trend at the beginning of the Review Period, where the closing price increased from HK\$0.036 (on 26 May 2020) to the highest closing price of the Shares of HK\$0.086 (on 23 July 2020). We noted that several announcements were announced by the Company including but not limited to (i) an announcement regarding a disclosable transaction in relation to the disposal of Million Federal International Limited on 26 May 2020; (ii) an announcement regarding the re-designation of director on 9 June 2020; and (iii) an announcement regarding the conversion of convertible bonds and change in shareholding structure on 2 July 2020, and as advised by the Management, they were not aware of any matters that which might have impact on the Share price saved for the aforesaid announcement.

The closing price of the Shares then showed a downward trend until reaching the lowest closing price of the Shares of HK\$0.02 (on 5, 11, 12 and 13 November 2020) in the Review Period. During the period, the Company issued several announcements including but not limited to (i) an announcement regarding the placing of convertible bonds under general mandate and issue of unlisted warrant under specific mandate on 25 August 2020; (ii) an announcement regarding the expected significant decrease in loss on 27 August 2020; (iii) the interim results announcement for the six months ended 30 June 2020 on 31 August 2020; (iv) lapse of the placing agreement on 6 October 2020; (v) an announcement regarding a demand letter received by the Company on 20 October 2020; and (vi) an announcement regarding to the memorandum of understanding in relation to movie investment on 22 October 2020. According to the Directors, they were not aware of any specific events of the Company during the Review Period that caused the said movement in the Share prices.

The closing price then increased gradually and rebound to HK\$0.064 (on 24 December 2020) and the closing price of the Shares then gradually decreased and fluctuated until May 2021 with the lowest closing price reaching HK\$0.037 (on 19 March 2021 and 13 April 2021) during such period and the closing price reached HK\$0.049 on the date of the Subscription Agreements. During such period, the Company issued several announcements including but not limited to (i) an announcement regarding the disposal of listed securities in Yong Tai Berhad on 8 December 2020; (ii) announcements regarding the conversion of convertible bonds on 24 and 31 December 2021; (iii) an announcement regarding the updates on inside information relating to a demand letter received by the Company on 28 January 2021; (iv) an announcement regarding the expected significant decrease in loss on 29 March 2021; (v) an announcement regarding the disclosable transaction in relation to conversion of 60,000,000 ICPS of Yong Tai Berhad on 31 March 2021; (vi) annual result announcement for FY2020 on 31 March 2021; (vii) an announcement related to the appointment of chief executive officer of a subsidiary on 1 April 2021; and (viii) a voluntary announcement in relation to the strategic framework cooperation agreement on 13 April 2021. According to the Directors, they were not aware of any specific events of the Company during the Review Period that caused the said movement in the Share prices.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Conversion Price A represents a premium of approximately 16.28% and 400.00% over the highest and the lowest closing prices of the Shares as quoted on the Stock Exchange during the Review Period, respectively; and (ii) the Conversion Price A of HK\$0.10 per Conversion Share A represents a premium of approximately 118.04% over the average closing price of HK\$0.046 per Share during the Review Period, we consider that the Conversion Price A is fair and reasonable and in the interests of the Company and its Shareholders as whole.

### (b) *Liquidity of the Shares*

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

Month	Total trading volume of Shares (Shares)	Number of trading days in the month (days)	Average daily trading volume of the Shares (Shares)  (Note 1)	Percentage of average daily trading volume over total number of issued Shares Approximate %  (Note 2)
<b>2020</b>				
May (from the beginning of the Review Period)	97,614,000	11	8,874,000	0.12
June	651,148,000	21	31,007,048	0.42
July	2,801,910,000	22	127,359,545	1.35
August	2,343,486,000	21	111,594,571	1.18
September	3,552,306,000	22	161,468,455	1.71
October	1,460,364,000	18	81,131,333	0.86
November	1,650,068,000	21	78,574,667	0.83
December	3,173,588,000	22	144,254,000	1.45
<b>2021</b>				
January	769,148,000	20	38,457,400	0.39
February	409,358,000	18	22,742,111	0.23
March	192,034,000	23	8,349,304	0.08
April	570,600,000	19	30,031,579	0.30
May (up to the Last Trading Day)	978,146,000	10	97,814,600	0.99

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. For illustrative purpose only, based on total number of Shares in issue at the end of each month/period.

As illustrated in the above table, the average daily trading volume of Shares during the Review Period fluctuated significantly with a range from approximately 8,349,304 Shares to approximately 161,468,455 Shares, representing approximately 0.08% to 1.71% of the total number of the Shares in issue as at the end of the relevant month/period. We note that the trading volume is comparatively higher in July to September and December 2020.

The Company announced several announcements during the period from July to September 2020 including but not limited to (i) an announcement regarding the conversion of convertible bonds and change in shareholding structure on 2 July 2020; (ii) an announcement regarding the placing of convertible bonds under general mandate and issue of unlisted warrant under specific mandate on 25 August 2020; (iii) an announcement regarding the expected significant decrease in loss on 27 August 2020; and (iv) the interim results announcement for the six months ended 30 June 2020 on 31 August 2020. The Company also published several announcements in December 2020 including but not limited to (i) an announcement regarding the disposal of listed securities in Yong Tai Berhad on 8 December 2020; and (ii) announcements regarding the conversion of the convertible bonds on 24 and 31 December 2020. The Directors were not aware of any reason for such unusual volume movements. The daily trading volume of the Shares remained relatively thin during the rest of the Review Period.

Given the large fluctuation in historical average daily trading volume of the Shares during the Review Period, it is uncertain that the overall liquidity of the Shares could be maintained. The relatively low trading volume during the recent months in 2021 may indicate difficulty to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/or placing/underwriting fees.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*(c) Comparison with recent issue of convertible bonds/notes*

We have conducted comparable analysis through identifying 12 companies listed on the Stock Exchange which announced issue of convertible bonds/notes, excluding the issue of convertible bonds/notes as consideration purpose in relevant transaction, during the three-month period from 14 February 2021 up to and including the date of the Subscription Agreement A (the “**Comparable Issues**”). To the best of our endeavour, we believe that the list of the Comparable Issues is an exhaustive list of issue of convertible bonds/notes meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues as (i) a three-month period which in our opinion generated a reasonable and meaningful number of samples for the purpose of our analysis; and (ii) if a longer period (e.g. 6 months) is used, it may generate a wider range of premium and discount of the conversion prices to the respective closing share prices with way too many comparables, which may not reflect the prevailing market condition and thus making the analysis less meaningful.

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

Although the Comparable Issues may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Comparable Issues can serve as market reference for the recent market practice in relation to principal terms of the convertible bonds/notes and to the conversion prices under other issue of convertible bonds/notes as compared to the relevant prevailing market share prices. We consider that including transactions conducted by issuers with different scales in the Comparable Issues can reflect a more comprehensive overall market sentiment in our comparable analysis, we consider that the Comparable Issues are fair and representative samples.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The below table sets out the details of our findings and analysis on the Comparable Issues:

Company name (Stock code)	Date of announcement	Principal amount	Issue to connected person	Maturity Years	Interest rate per annum %	Closing price per share on the last trading day prior to/on the date of the announcement Approx. %	Premium of conversion price over the average closing price per share for the last five consecutive trading days prior to/on the date of the announcement Approx. %	Audited/ unaudited consolidated net asset value attributable to shareholders per share Approx. %
Hope Education Group Co., Ltd. (1765)	22 February 2021	US\$350,000,000	N	5	0	24.19	18.10	333.8
Carrianna Group Holdings Company Limited (126)	8 March 2021	HK\$75,425,251.80	N	2	3	20.00	16.73	(77.7)
XD Inc. (2400)	31 March 2021	US\$280,000,000	N	5	1.25	35.00	27.59	956.5
Sheng Yuan Holdings Limited (851)	1 April 2021	HK\$150,000,000	Y	2	1	0	1.33	N/A (Note 2)
Bonjour Holdings Limited (653)	1 April 2021	HK\$129,500,000	N	5	8	0	2.37	276.6
National Arts Entertainment and Culture Group Limited (8228)	18 April 2021	HK\$25,000,000	N	3	4	66.67	68.35	32.1
Meituan (3690)	20 April 2021	US\$1,483,600,000	N	6	0	49.10	51.20	2,088.8
		US\$1,500,000,000	N	7	0	49.10	51.20	2,088.8
Baofeng Modern International Holdings Company Limited (1121)	20 April 2021/ 21 April 2021 (Note 1)	HK\$50,000,000	N	2	5	0	15.25	N/A (Note 2)
Kirin Group Holdings Limited (8109)	26 April 2021	HK\$14,290,173.66	N	1	2	3.33	2.99	346.3



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Company name (Stock code)	Date of announcement	Principal amount	Issue to connected person	Maturity Years	Interest rate per annum %	Closing price per share on the last trading day prior to/on the date of the announcement Approx. %	Premium of conversion price over the average closing price per share for the last five consecutive trading days prior to/on the date of the announcement Approx. %	Audited/unaudited consolidated net asset value attributable to shareholders per share Approx. %
China Chuanglian Education Financial Group Limited (2371)	28 April 2021	HK\$90,000,000	N	2	3.5	5.04	2.46	144.5
ETS Group Limited (8031)	10 May 2021	HK\$9,500,000	Y	2	0	102.67	102.67	46.0
China Leon Inspection Holding Limited (1586)	12 May 2021	HK\$50,000,000	N	5	2	5.16	7.66	118.6
Maximum				7	8	102.67	102.67	2,088.8
Minimum				1	0	0	1.33	(77.7)
Average				3.6	2.3	27.7	28.3	577.7
Convertible Bonds A	14 May 2021	HK\$200,000,000	Y	2	8	104.08	122.22	566.67

*Source:* The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)), relevant announcements or circulars of the companies comprising the Comparable Issues.

*Notes:*

- 1: Baofeng Modern International Holdings Company Limited entered into a supplemental agreement on 21 April 2021 with the convertible bonds subscriber to revise, among others, (i) the principal amount from HK\$100,000,000 to HK\$50,000,000; and (ii) the initial conversion price from HK\$6.11 to HK\$6.38 per conversion share.
- 2: Not applicable since the companies were in capital deficiency.

As illustrated in the table above, the conversion prices of the Comparable Issues ranged from (i) no premium nor discount to a premium of approximately 102.67% over the respective closing prices of their shares on the last trading day prior to/on the date of the announcements; (ii) a premium of approximately 1.33% to a premium of approximately 102.67% over the respective average closing prices of their shares for the last five consecutive trading days including/immediately prior to the date of the respective subscription agreements; and (iii) a discount of approximately 77.7% to a premium of approximately 2,088.8% over the audited/unaudited consolidated net asset value attributable to shareholders per share.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the above, the premium represented by the Conversion Price A to (a) the closing price per Existing Share as quoted on the Stock Exchange on the date of the Subscription Agreements of approximately 104.08%; and (b) the average closing price per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements of approximately 122.22%, are slightly higher than the maximum premium of the Comparable Issues. Furthermore, the premium represented by the Conversion Price A over the audited consolidated net assets attributable to the Shareholders per Existing Share of approximately 566.67% is within the range of the Comparable Issues.

We note that the maturity dates in respect of the Comparable Issues ranged from 1 year to 7 years, with an average of approximately 3.6 years. The maturity date of the Convertible Bonds A, being 2 years, therefore falls within the range of the maturity dates of the Comparable Issues.

We note that the interest rates in respect of the Comparable Issues ranged from nil to 8.0% per annum, with an average of approximately 2.3% per annum. The interest rate of the Convertible Bonds A, being 8.0% per annum, therefore falls within the range of the interest rates of the Comparable Issues. Though only 1 out of 12 Comparable Issues has the highest interest rate of 8%, a higher interest rate may be required to compensate the risks of the Subscribers given the Company had been continuously making net losses for the recent years and had a gearing ratio of approximately 3.10 times as at 31 December 2020. We have also reviewed the Subscription Agreement B, which was entered between the Company and Subscriber B, an Independent Third Party, and noted that the interest rate of the Convertible Bonds B is also 8% per annum. As such, we consider that the interest rate of 8% of the Convertible Bonds A reflects the market price and is fair and reasonable.

We consider that the Conversion Price A is fair and reasonable so far as the Independent Shareholders are concerned, after taken into account the following factors:

- (i) the premium to the closing price on the date of the Subscription Agreements and the average closing price of the last five consecutive days represented by the Conversion Price A are slightly higher than the respective ranges of Comparable Issues;
- (ii) the maturity period of the Convertible Bonds A, being 2 years, falls within the range of the maturity period of the Comparable Issues;
- (iii) the interest rate of the Convertible Bonds A, being 8% per annum, falls within the range of the interest rates of the Comparable Issues; and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the Convertible Bonds A bear interest at a rate of 8% per annum on the outstanding principal amount of the Convertible Bonds A. We have obtained the breakdown and the respective agreements of the loans that will be settled by the proceeds from the Subscriptions and noted that the interest rates of the loans ranged from 12% to 30% per annum, which is higher than the interest rate of the Convertible Bonds A of 8% per annum. In this sense, we are of the view that the issue of the Convertible Bonds A at this interest rate of 8% per annum represents an appropriate opportunity for refinancing.

### *Analysis on other terms*

Subject to fulfilment of the conditions precedent under the Subscription Agreement A, the Completion shall take place in two phases: (i) Phase 1 Completion shall take place on the Phase 1 Completion Date in respect of the Convertible Bonds A in the principal amount of HK\$100,000,000; and (ii) Phase 2 Completion shall take place on the Phase 2 Completion Date in respect of the Convertible Bonds A in the principal amount of HK\$100,000,000. Phase 1 Completion Date and Phase 2 Completion Date will be within ten business days and within three months respectively after fulfillment of all the conditions precedent set out in the Subscription Agreement or such other date as may be agreed between the Company and the Subscriber.

Based on our research, none of the Comparable Issues has indicated in its announcement regarding bond issue with a similar arrangement of issuing the bonds in two phases or more. Given that a similar arrangement was made in the connected transaction in relation to subscription of convertible bonds under specific mandate as announced by the Company on 24 September 2019 and the time difference of three months from the fulfillment of all the conditions precedent to Phase 2 Completion is relatively short, we concur the Company's view that it is justifiable to provide a buffer to the Subscriber in two phases. As advised by the Company, the Subscriber will deliver the payment to the Company by way of cashier order or such other method as notified by the Company for 100% of the face value of the Convertible Bonds A to be issued on Phase 1 Completion and Phase 2 Completion, respectively, which does not run the risk of non-payment upon the issue of the respective phases of the Convertible Bonds A.

Having considered that (i) the Subscriber will make the payment to the Company for 100% of the face value of the Convertible Bonds A simultaneously upon the issue of Convertible Bonds A on Phase 1 Completion and Phase 2 Completion, respectively; and (ii) the time difference of three months from the fulfilment of all the conditions precedent to Phase 2 Completion is relatively short, we are of the view the arrangement of issuing

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Convertible Bonds A in two phases are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole although it is not in line with the market practice.

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

### **7. Dilution effect on the shareholding structure**

With reference to the section headed “Effects on shareholder structure of the Company” in the Letter from the Board and as shown in the table disclosed therein, assuming there are no other changes in the issued share capital of the Company from the Latest Practicable Date, it is shown that (i) assuming full conversion of the Convertible Bonds A in aggregate principal amount of HK\$200,000,000 at the initial Conversion Price A, the shareholdings of the existing public Shareholders will be diluted from approximately 73.64% of the issued share capital of the Company at the Latest Practicable Date to approximately 61.29% of the enlarged share capital of the Company; (ii) assuming full conversion of the Convertible Bonds B in principal amount of HK\$300,000,000 at the initial Conversion Price B, the shareholdings of the existing public Shareholders will be diluted to approximately 56.55% of the enlarged share capital of the Company; and (iii) assuming full conversion of the Convertible Bonds in aggregate principal amount of HK\$500,000,000 at the initial Conversion Price, the shareholdings of the existing public Shareholders will be diluted to approximately 48.97% of the enlarged share capital of the Company.

Nevertheless, taking into account (i) the benefits and the potential prospect of the entering into of the Subscription Agreement A as discussed in the section headed “3. Reasons for the Subscriptions and use of proceeds” above; and (ii) that the terms of the Convertible Bonds are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the section headed “5. Principal terms of the Subscription Agreement A” above, we are of the view that the aforesaid dilution effect on the shareholding interests of the existing public Shareholders is justifiable.

### **8. Possible financial effects of the Subscription A**

#### *(i) Effect on gearing ratio*

As at 31 December 2020, the gearing ratio (as calculated based on total debt divided by total equity) was approximately 3.10. Upon the Completion A and assuming full conversion of the Convertible Bonds A, the Company’s gearing ratio is expected to improve as total debt would be reduced by the amount of the net proceeds to be utilised for repayment of borrowings of the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(ii) Effect on Liquidity*

As stated in the 2020 Annual Report, the Group had bank balances and cash of approximately RMB47.0 million (excluding client's monies in segregated account of approximately RMB71.4 million) as at 31 December 2020. Immediately upon the Completion A, it is expected that the liquidity position of the Group will increase by approximately HK\$200.0 million less related expenses and the liability portion of the Convertible Bonds A will be treated as a non-current liability of the Group. Accordingly, the liquidity and working capital position of the Group will be improved upon the Completion A.

### *(iii) Effect on net asset value*

As per the 2020 Annual Report, the net asset value of the Company as at 31 December 2020 was approximately RMB21.8 million. Upon the Completion A, given that the Convertible Bonds A when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess the exact impact of the Convertible Bonds A on the net asset value of the Group until reliable estimations of the value of the Convertible Bonds A can be made as at the issue date.

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

### *(iv) Effect on Earnings*

As stated in the 2020 Annual Report, the Group recorded net loss of approximately RMB173.1 million for FY2020. As the Convertible Bonds A carry an interest of 8.0% per annum which is lower than that of the loans from other financial institutions and other borrowings and will mature on the second anniversary of the issue date, the Directors expect that the future earnings of the Group will be enhanced due to the lower finance costs.

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### OPINION AND RECOMMENDATION

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

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Erica Law**  
*Director*

*Ms. Erica Law is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 12 years of experience in corporate finance industry.*

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

The Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (vi) inclusive of this section shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

- (a) (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount so that the holders of the Convertible Bonds shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Convertible Bonds been converted immediately prior to the happening of such event, but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event or any time thereafter. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.
  
- (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) If and whenever the Company shall make any Capital Distribution (as defined in section (b)) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

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

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

Provided that:

- (aa) if in the opinion of the relevant approved financial adviser or the auditors of the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (bb) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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



- (iv) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, open offer or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.
- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80 per cent. of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

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

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

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

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

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

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

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

“**issue**” shall include allot;

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

“reserves” includes unappropriated profits;

“rights” includes rights in whatsoever form issued;

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

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

- (c) The provisions of sub-paragraphs (ii), (iii), (iv), (v) and (vi) above shall not apply to:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Bonds or any other convertible bonds of the same class as this Convertible Bonds) to acquire Shares provided that an adjustment has been made under this Appendix in respect of the issue of such securities or granting of such rights (as the case may be);
  - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
  - (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 120 per cent. of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the “**market value**” of a Share shall mean the average of the closing prices for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or

- (v) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights to acquire Shares where such rights were granted prior to the issue of the Convertible Bonds.
- (d) Any adjustment to the Conversion Price shall be made to the nearest one tenth of a cent so that any amount under half of one tenth of a cent shall be rounded down and any amount of half of one tenth of a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the directors of the Company every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved financial adviser.
- (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Appendix would be less than one tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
- (f) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved financial adviser or the auditors of the Company to consider whether any adjustment to the Conversion Price is appropriate (and if such approved financial adviser or the auditors of the Company shall certify that any such adjustment is appropriate, the Conversion Price shall be adjusted accordingly and the provisions of section (d), (e) and (h) shall apply).

- (g) Notwithstanding the provisions above, in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved financial adviser or the auditors of the Company to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved financial adviser or the auditors of the Company shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved financial adviser or the auditors of the Company to be in its opinion appropriate.
- (h) Whenever the Conversion Price is adjusted as herein provided the Company shall give notice to the holders of the Convertible Bonds forthwith that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the adjustment Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as the Convertible Bonds remains outstanding make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the auditors of the Company or (as the case may be) of the relevant approved financial adviser or the auditors of the Company and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the holders of the Convertible Bonds.
- (i) If application of any of the provisions of this Appendix would but for this sub-paragraph result in the Conversion Price being reduced to less than the nominal value of the Share, then the Conversion Price shall be adjusted to an amount equal to the nominal value of the Share.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests and short positions

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

Name	Capacity	Nature of interest	Total interest held	Percentage of issued share capital as at the Latest Practicable Date
The Subscriber A <sup>1</sup>	Beneficial owner	Ordinary shares	151,000,000 (L) <sup>2</sup>	1.52%
	Interest of controlled corporation	Ordinary shares	770,084,000 (L) <sup>2</sup>	7.76%
Leong Wei Ping <sup>3</sup> 梁瑋珩*	Executive director	Underlying shares	29,000,000 (L)	0.29%
Chan Wai Kit <sup>3</sup>	Executive director	Underlying shares	29,000,000 (L)	0.29%
Sun Tingting <sup>3</sup>	Executive director	Underlying shares	29,000,000 (L)	0.29%
Lai Chai Suang <sup>3</sup> 賴彩雲*	Non-executive director	Underlying shares	29,000,000 (L)	0.29%
Andy Yong Kim Seng <sup>3</sup> 楊錦成*	Non-executive director	Underlying shares	29,000,000 (L)	0.29%

\* For identification purpose only

#### Notes:

- The Subscriber A holds 151,000,000 Shares. Honghu Capital Co. Ltd holds 770,084,000 Shares and is wholly-owned by the Subscriber A. Therefore, the Subscriber A is beneficially interested in 921,084,000 Shares.
- The letters "L" denote long position in the shares of the Company.
- Share options granted to the Directors pursuant to the announcement of the Company dated 21 May 2021.

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

### Interest of substantial shareholders

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

#### *Long positions in the Shares, underlying shares and debentures of the Company*

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Honghu Capital Co. Ltd	Beneficial owner	770,084,000	7.76%
Ma Fai	Interest of Controlled Corporation	1,695,000,000	17.08%
China Special Economic Zone Development Limited ("CSEZD") <sup>1</sup>	Beneficial Owner	1,695,000,000	17.08%
FCG Venture Limited Partnership Fund ("FCG Venture") <sup>2</sup>	Beneficial Owner	1,500,000,000	15.11%
YG Capital Management Limited ("YG Capital") <sup>3</sup>	Investment Manager	1,500,000,000	15.11%
Opportunity Venture (Asia) Limited ("Opportunity Venture") <sup>4</sup>	General Partner	1,500,000,000	15.11%



*Notes:*

1. CSEZD is an investment holding company incorporated under the laws of Hong Kong, 100% of the issued share capital is directly held by Build Rise Capital Group Limited (“**Build Rise**”). Build Rise, a company incorporated in Republic of Seychelles, is wholly-owned by Mr. Ma. Accordingly, Build Rise and Mr. Ma are deemed to be interested in the 1,695,000,000 Shares held by CSEZD by virtue of the Securities and Futures Ordinance
2. On 28 December 2020, Opportunity Venture, as the General Partner of FCG Venture, acquired the convertible bonds in an aggregate principal amount of HK\$150,000,000 at the Conversion Price of HK\$0.1 per Conversion Share at a consideration of HK\$150 million.
3. YG Capital is the investment manager of FCG Venture, and YG Capital is approximately 66.67% beneficially owned by Yplison Asset Management (Cayman) Limited (“**Yplison Asset Management**”). Therefore, both YG Capital and Yplison Asset Management are deemed to have an interest in the underlying shares in which FCG Venture has invested.
4. Opportunity Venture is the General Partner of FCG Venture, and Opportunity Venture are 50% owned by Mr. Cheung Wai On Simon (“**Mr. Cheung**”) and 50% owned by Ms. Chan Wah Man Carman (“**Ms. Chan**”). Therefore, Opportunity Venture, Mr. Cheung and Ms. Chan are deemed to have an interest in the underlying shares in which FCG Venture has invested.

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

### 3. MATERIAL ADVERSE CHANGE

Reference is made to the announcements of the Company dated 20 October 2020, 6 November 2020, 28 January 2021, 31 May 2021 and 17 June 2021 in relation to the demand letters received from the legal adviser acting on behalf of a holder (the “**Bond Holder**”) of the 8% secured bond in the principal amount of HK\$70,000,000 issued by the Company (the “**Bond**”) on 15 October 2019, claiming for the repayment of the outstanding principal amount of the Bond and together with the interests accruing thereon. On 31 May 2021, the Company received a letter from the legal adviser of the Bond Holder informing the Company that the Bond Holder has enforced the pledged share capital of a wholly owned subsidiary of the Company, namely 協盛(石獅市)染織實業有限公司 (“**Xie Sheng**”), by disposing the entire share capital of Xie Sheng to a third party by way of sale. Xie Sheng is principally engaged in the provision of knitted fabrics subcontracting services for customers who either provide raw fabrics to the Group for processing or request the Group to source raw fabrics. On 17 June 2021, the Company and the Bond Holder entered into a supplemental agreement to extend the maturity date of the Bond to 31 May 2023.

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 or prospects of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

### 4. SERVICE CONTRACTS

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

## 5. COMPETING INTERESTS

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

## 6. OTHER INTERESTS OF THE DIRECTORS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor has any Director or their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. LITIGATION

### I. Litigation in Relation to Statutory Demands

Reference is made to the announcements of the Company dated 21 October 2019, 24 October 2019 and 28 October 2019, in relation to, among others, the Statutory Demand I served on the Company by the Creditor I to demand the Company to pay the alleged outstanding debt and the accrued interest in the amount of approximately HK\$222,707,496 (i.e. the Debt I).

Reference is also made to the announcements of the Company dated 7 April 2020 and 12 May 2020, in relation to, among others, a statutory demand under the Ordinance served on the Company by the Creditor II to demand the Company to pay the alleged outstanding debt and the accrued interest in the amount of approximately HK\$45,978,301.36 (i.e. the Debt II). On 12 May 2020, the Company had reached the Settlement Agreement with the Creditor II. Pursuant to the terms and conditions of the Settlement Agreement, the Company shall pay and discharge the outstanding debts to the Creditor II in accordance with the repayment schedule in the Settlement Agreement. Therefore, the aforesaid statutory demand was withdrawn by the Creditor II with immediate effect on 12 May 2020. However, on 11 August 2020, the Statutory Demand II under the Ordinance was served on the Company by the Creditor II again to demand the Company to repay the outstanding debt and the accrued interests of the Debt II.

## II. Litigation in Relation to writ of Summons

On 22 May 2020, Asia Television Limited, an indirect non-wholly owned subsidiary of the Company, received a writ of summons under action number HCA 774/2020 (the “**Writ of Summons**”) together with statement of claim issued in the Court of First Instance of High Court of Hong Kong by HONG KONG SCIENCE TECHNOLOGY PARKS CORPORATION (the “**Plaintiff**”) against Asia Television Limited, as defendant (the “**Defendant**”). According to the Writ of Summons, the Defendant purchased the property located at 25-37 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong (the “**Property**”) in September 2005 and signed the deed of variation (the “**Deed of Variation**”) with the Plaintiff. According to the Deed of Variation and the lease documents, the Defendant must abide by certain terms when using the Property, including only for television programme and film production, broadcasting programme, distribution, publications, multi-media entertainment and other related business. Otherwise, an additional premium of HK\$3,721.00 needs to be paid daily (the “**Additional Premium**”), and the Plaintiff also has the right to re-enter the Property. The Plaintiff believed that the Defendant violated the terms of the lease documents and the Deed of Variation, so it requested the Defendant to return the Property and recover the additional premium from 1 August 2017. The Plaintiff claims against the Defendant, among others (i) vacant possession of the Property; (ii) additional premium at HK\$3,721.00 per day from 1 August 2017 to 22 May 2020; (iii) mesne profits from 23 May 2020 to the date of the Defendant delivers vacant possession of the Property to the Plaintiff; (iv) costs on an indemnity basis; and (v) further or other relief as the Court may order.

The Defendant is seeking legal advice in respect of the above proceeding in HCA 774/2020 and would defend its position. The Company will make further announcement(s) to update the shareholders of the Company and the potential investors on any significant development regarding the above claim as and when appropriate. As the Latest Practicable Date, there was no other development for this litigation.

## 8. EXPERT AND CONSENT

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

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

As at the Latest Practicable Date, Mesis Capital Limited did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Mesis Capital Limited did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday) at the principal place of business of the Company in Hong Kong, Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong from 28 June 2021, the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreements;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;
- (c) the letter of advice from Mesis Capital Limited, the text of which is set out on pages 41 to 68 of this circular;
- (d) the written consent referred to under the paragraph headed "Expert and Consent" in this Appendix; and
- (e) this circular.

## NOTICE OF EXTRAORDINARY GENERAL MEETING



### ASIA TELEVISION HOLDINGS LIMITED

### 亞洲電視控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 707)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Asia Television Holdings Limited (the “**Company**”) will be held at Studio No. 8, G/F., 33 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Wednesday, 21 July 2021 at 11:30 a.m. to consider and, if thought fit, approve, with or without modifications, the following resolutions as a special resolution and/or ordinary resolutions:

### SPECIAL RESOLUTION

1. “**THAT** subject to: (i) an order being made by the Grand Court of the Cayman Islands (the “**Court**”) confirming the Capital Reduction (as defined below); (ii) compliance with any conditions which the Court may impose in relation to the Capital Reduction; (iii) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and (iv) The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) arising from the Capital Reorganisation (as defined below), with effect from the date on which these conditions are fulfilled:
  - (a) every ten (10) issued and unissued ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company (the “**Existing Shares**”) be consolidated into one (1) ordinary share of par value of HK\$1.0 each (the “**Consolidated Shares**”) (the “**Share Consolidation**”);
  - (b) immediately following the Share Consolidation, the par value of each of the issued Consolidated Shares be and is hereby reduced from par value of HK\$1.0 each to par value of HK\$0.01 each (the “**Issued Adjusted Shares**”) by cancelling the paid-up capital of the Company thereon to the extent of HK\$0.99 on each of the issued Consolidated Shares (the “**Capital Reduction**”);
  - (c) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company which may be utilized by Company as the directors of the Company (the “**Directors**”) may deem fit and permitted in accordance with the memorandum and articles of

## NOTICE OF EXTRAORDINARY GENERAL MEETING

association of the Company and all applicable laws, including, without limitation, eliminating or setting off any accumulated losses of the Company from time to time;

- (d) immediately following the Capital Reduction, each authorised but unissued Consolidated Share be subdivided into one hundred (100) ordinary shares of par value of HK\$0.01 each (together with the Issued Adjusted Shares, the “**Adjusted Shares**”) (the “**Share Subdivision**”, together with the Share Consolidation and the Capital Reduction, the “**Capital Reorganisation**”);
- (e) the amount of the issued share capital of the Company cancelled pursuant to the Capital Reduction be made available for the issue of the Adjusted Shares so that immediately following the Capital Reorganisation, the authorised share capital of the Company shall be HK\$2,000,000,000 divided into 200,000,000,000 Adjusted Shares of par value of HK\$0.01 each;
- (f) all fractional Adjusted Shares resulting from the Capital Reorganisation will not be issued to holders of the same but all such fractional entitlements of the Adjusted Shares will be aggregated and sold for the benefit of the Company in such manner and on such terms as the Directors may think fit; and
- (g) the Directors be and are hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to or in connection with the matters contemplated in this resolution.”

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### ORDINARY RESOLUTIONS

2. “THAT:
- (a) the conditional subscription agreement dated 14 May 2021 (the “**Subscription Agreement A**”) entered into between the Company as issuer and Mr. Deng Junjie as subscriber in relation to the issue of unlisted convertible bonds (the “**Convertible Bonds A**”) in an aggregate principal amount of HK\$200,000,000 at the conversion price of HK\$0.1 per conversion share (subject to adjustments) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bond A and the allotment and issue of the conversion shares (the “**Conversion Shares A**”) upon exercise of conversion rights attaching to the Convertible Bonds A) be and are hereby approved, confirmed and ratified;
  - (b) the Directors be and is hereby granted a specific mandate to allot and issue the Conversion Shares A upon exercise of the conversion rights attached to the Convertible Bonds A in accordance with the terms and conditions of the Convertible Bonds A; and
  - (c) any one Director of the Company be and is hereby authorised to do all such acts and things as he in his sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Subscription Agreement A including without limitation the issue of the Convertible Bonds A and the issue and allotment of the Conversion Shares A from time to time upon exercise of the conversion rights pursuant to the terms of the Convertible Bonds A and to agree to any variation, amendment or waiver of terms of the Subscription Agreement A as are, in the opinion of such Director, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement A.”



## NOTICE OF EXTRAORDINARY GENERAL MEETING

3. **“THAT:**
- (a) the conditional subscription agreement dated 14 May 2021 (the **“Subscription Agreement B”**) entered into between the Company as issuer and Nanotechnology Singapore Pte. Ltd. as subscriber in relation to the issue of unlisted convertible bonds (the **“Convertible Bonds B”**) in an aggregate principal amount of HK\$300,000,000 at the conversion price of HK\$0.1 per conversion share (subject to adjustments) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bond B and the allotment and issue of the conversion shares (the **“Conversion Shares B”**) upon exercise of conversion rights attaching to the Convertible Bonds B) be and are hereby approved, confirmed and ratified;
  - (b) the Directors be and is hereby granted a specific mandate to allot and issue the Conversion Shares B upon exercise of the conversion rights attached to the Convertible Bonds B in accordance with the terms and conditions of the Convertible Bonds B; and
  - (c) any one Director of the Company be and is hereby authorised to do all such acts and things as he in his sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Subscription Agreement B including without limitation the issue of the Convertible Bonds B and the issue and allotment of the Conversion Shares B from time to time upon exercise of the conversion rights pursuant to the terms of the Convertible Bonds B and to agree to any variation, amendment or waiver of terms of the Subscription Agreement B as are, in the opinion of such Director, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement B.”

## NOTICE OF EXTRAORDINARY GENERAL MEETING

4. "THAT:
- (a) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the ordinary shares of the Company (the "**Shares**") to be issued upon the exercise of share options under the share option scheme adopted by the Company on 15 June 2016 (the "**Share Option Scheme**"), the existing share option scheme mandate limit in respect of the granting of share options to subscribe for Shares under the Share Option Scheme be refreshed and renewed provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of the share options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the Shares in issue as at the date of passing this resolution; and
  - (b) any one Director of the Company be and is hereby authorised to do all such acts and things as he in his sole and absolute discretion deems necessary, desirable or expedient, subject to compliance with the rules governing the Listing of securities on the Stock Exchange, to grant share options under the Share Option Scheme up to the refreshed limit and to exercise all the powers of the Company to allot, issue and deal with the Shares pursuant to the exercise of such share options."

Yours faithfully,  
By order of the Board  
**Asia Television Holdings Limited**  
**Deng Junjie**  
*Co-Chairman and non-executive Director*

Hong Kong, 28 June 2021

*Registered office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong:*  
Room 903, 9/F., Tower A  
New Mandarin Plaza,  
14 Science Museum Road  
Tsim Sha Tsui East  
Kowloon  
Hong Kong

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint in written form one or, if he is the holder of two or more Shares, more proxy(ies) to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same, and must be delivered to the office of the Hong Kong share registrar and transfer office of the Company (the "**Registrar**"), Tricor Investor Services Ltd. at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the EGM (i.e. by 11:30 a.m. on Monday, 19 July 2021) or any adjournment thereof.
3. For determining the entitlement of the shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 16 July 2021 to Wednesday, 21 July 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 July 2021.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.