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

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

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CMMB VISION HOLDINGS LIMITED
中國移動多媒體廣播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

**(1) CONNECTED TRANSACTION PROPOSED ISSUE
OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

VEDA | CAPITAL
智略資本

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise. A notice convening the EGM to be held at Board Room, Level 3, Core C, Cyberport 3, 100 Cyberport Road, Hong Kong on Thursday, 19 August 2021 at 10:00 a.m. is set out on pages 55 to 57 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the meeting or any adjournment thereof if they so wish. Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.

2 August 2021

CONTENT

	<i>Page</i>
Precautionary Measures for the EGM	ii
Definitions	1
Letter from the Board	5
Letter from Independent Board Committee	30
Letter from the Independent Financial Adviser	31
Appendix – General Information	50
Notice of the Extraordinary General Meeting	55

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing development of coronavirus epidemic and recent requirements for prevention and control of its spread by the Hong Kong government, the Company strongly encourages Shareholders not to attend the EGM in person and the Company strongly recommends Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person. Shareholders are reminded that physical attendance at the EGM is not necessary for the purpose of exercising the voting rights. Shareholders who choose to appoint a proxy should take action as soon as possible to ensure the proxy instructions reach our share registrar not less than 48 hours before the time fixed for holding the EGM.

Taking into consideration the guidelines issued by the Hong Kong government and the Joint Statement dated 1 April 2020 made by the SFC and the Stock Exchange in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G), the Company will implement the following preventive measures at the EGM to protect attending Shareholders from the risk of infection:

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue and anyone with abnormal body temperature may be denied entry into the venue;
- every Shareholder or proxy is required to put on surgical face masks during their attendance of the EGM; and
- no distribution of corporate gifts and no refreshment.

Shareholders are in any event asked (a) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment; (b) to follow any requirements or guidelines of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the EGM; and (c) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 June 2021 in relation to, the issue of the Convertible Notes to the Subscriber
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	means a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Chi Capital” or “the Subscriber”	Chi Capital Holdings Ltd, a company incorporated under the laws of the British Virgin Islands with limited liability, which is wholly-owned by Mr. Wong, the chief executive of the Group, an executive Director and the chairman of the Board
“Company”	CMMB Vision Holdings Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 471)
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Price”	the conversion price of HK\$0.35 per Conversion Share
“Conversion Share(s)”	the Share(s) to be allotted and issued upon conversion of the Convertible Notes or otherwise pursuant to the terms and conditions of the Convertible Notes

DEFINITIONS

“Convertible Notes”	the 7-year zero coupon unsecured unlisted Convertible Notes in the aggregate principal amount of US\$65,000,000 to be issued by the Company in accordance with the terms of the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened to be held at Board Room, Level 3, Core C, Cyberport 3, 100 Cyberport Road, Hong Kong at 10:00 a.m. on Thursday, 19 August 2021
“Existing Convertible Notes”	the 7-year zero coupon unlisted convertible notes issued by the Company on 29 May 2018 with an outstanding principal amount of US\$87,000,000 as at the date of the Announcement, which fall due on 28 May 2025
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription
“Independent Shareholders”	Shareholders other than Chi Capital and the connected persons of the Company and their respective associates

DEFINITIONS

“Latest Practicable Date”	26 July 2021, being the latest practicable date prior to the printing of this circular for the purpose of 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
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Mr. Wong”	Mr. Wong Chau Chi
“Noteholder”	the holder of the Existing Convertible Notes
“PRC”	the People’s Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot and issue the Conversion Shares to be sought from the Shareholders at a EGM of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of the Convertible Notes by Chi Capital pursuant to the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 29 June 2021 and entered into between the Company as issuer and Chi Capital as the subscriber in relation to the issue of the Convertible Notes
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US”	The United States of America
“US\$”	United States Dollars, the lawful currency of the US
“%”	per cent

LETTER FROM THE BOARD



CMMB VISION HOLDINGS LIMITED 中國移動多媒體廣播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

Executive Director:

Mr. WONG Chau Chi

Non-executive Directors:

Dr. LIU Hui

Mr. CHOU Tsan-Hsiung

Mr. YANG Yi

Independent Non-executive Directors:

Dr. LI Shan

Dr. LI Jun

Mr. CHOW Kin Wing

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 1211, Level 12, Core F

Cyberport 3

100 Cyberport Road, Cyberport

Hong Kong

2 August 2021

To the Shareholders of the Company

Dear Sir or Madam,

CONNECTED TRANSACTION – PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

INTRODUCTION

References are made to the Announcement of the Company dated 29 June 2021 in relation to the proposed Subscription. The purpose of this circular is to provide you with further information relating to (i) further details of the Subscription; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM to be convened and held for purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder including the issue of the Convertible Notes and the Conversion Shares under the Specific Mandate.

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT

On 29 June 2021 (after trading hours), the Company entered into a conditional Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes.

Date

29 June 2021 (after trading hours)

Parties

- (i) The Company as the issuer; and
- (ii) Chi Capital as the Subscriber

Chi Capital, as the Subscriber, is a company incorporated in the British Virgin Islands with limited liability wholly-owned by Mr. Wong and is principally engaged in investment holdings. As at the Latest Practicable Date, Chi Capital is a substantial Shareholder holding 48,429,268 Shares, representing approximately 13.43% of the issued share capital of the Company. Chi Capital also holds the Existing Convertible Notes in the outstanding principal amount of US\$87,000,000 which shall fall due on 28 May 2025. Accordingly, Chi Capital is a connected person of the Company.

Subject matter

Subject to fulfilment of the conditions precedent to the Subscription as set out below, Chi Capital shall subscribe for the Convertible Notes in principal amount of US\$65,000,000 under the Subscription Agreement and the said amounts shall be satisfied by fully setting off against the amounts due by the Company to the Subscriber under the Existing Convertible Notes held by Chi Capital in the outstanding principal amount of US\$87,000,000.

LETTER FROM THE BOARD

Conditions precedent to the Subscription

The Subscription are conditional upon:

- (i) the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (ii) the Independent Shareholders passing the necessary resolution(s) at the EGM to approve the Subscription Agreement and the transaction contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares;
- (iii) the Company having obtained, as the case may be, any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the Subscription Agreement; and
- (iv) all necessary consents and approvals required to be obtained by the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereby, including but not limited to the Subscription, having been obtained.

As at the Latest Practicable Date, condition (iv) has been fulfilled.

As at the Latest Practicable Date, save for condition (iv) above, none of the conditions above has been fulfilled or waived.

The conditions set out in (i), (ii) and (iii) above are incapable of being waived. In the event that the conditions of the Subscription are not fulfilled by 5:00 p.m. on or before 30 September 2021 or such other time and date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the third business days after the conditions of the Subscription are fulfilled (or such other date as may be agreed between the respective parties).

LETTER FROM THE BOARD

Principal terms of the Convertible Notes

Issuer:	The Company
Principal amount:	US\$65,000,000 to be subscribed by Chi Capital.
Maturity date:	The Convertible Notes shall mature on the seventh anniversary of the date of issue thereof.
Interest:	The Convertible Notes shall not bear any interest.
Voting rights:	The Noteholder(s) will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Notes.
Ranking:	<p>The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.</p> <p>The Conversion Shares issued upon conversion of the Convertible Notes will in all respects rank <i>pari passu</i> with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.</p>
Listing:	The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

- Redemption: The Company may at any time before the maturity date redeem the Convertible Notes (in whole or in part) at 100% to the principal amount of the part of the Convertible Notes to be redeemed.
- Any amount of the Convertible Notes which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount.
- Any amount of the Convertible Notes which is redeemed by the Company will be forthwith cancelled.
- Transferability: The Convertible Notes may be assigned or transferred to any transferee subject to prior notification to the Company. The Convertible Notes may not be assigned or transferred to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company.
- Number of Conversion Shares to be issued: Provided that (i) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder which exercised the conversion rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules and the right of the Company to redeem, the holder of the Convertible Notes shall have the right at any time from the date of issue of the Convertible Notes up to five (5) business days prior to the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares.

LETTER FROM THE BOARD

Adjustment of
conversion price:

Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions:–

(a) consolidation or subdivision:

If and whenever by reason of any consolidation or subdivision, the Shares become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:–

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

where:–

A = the revised nominal amount; and

B = the former nominal amount.

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.

(b) capitalisation of profits or reserves:

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 following fraction:–

$$\frac{C}{D}$$

where:–

C = the aggregate nominal amount of the issued Shares immediately before such issue; and

LETTER FROM THE BOARD

D = the aggregate nominal amount of the issued Shares immediately after such issue.

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

(c) capital distribution:

If and whenever the Company shall make any capital distribution (except where, and to the extent that, the Conversion Price falls to be adjusted under sub paragraph (b) above) 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:—

$$\frac{E-F}{E}$$

where:—

E = the market price 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 day preceding the date of the capital distribution or, as the case may be, of the grant; and

F = the fair market value on the day of such announcement or (as the case may require) the last preceding day, as determined in good faith by an approved merchant bank or auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share,

LETTER FROM THE BOARD

Provided that:–

- (i) if in the opinion of the relevant approved merchant bank or auditors of the Company (as the case may be), 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 F meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (ii) the provisions of this sub-paragraph (c) 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.

LETTER FROM THE BOARD

(d) rights issues of shares or options over shares or warrants:

If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options, warrants or other rights to subscribe for or purchase any Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before (i) the date of the announcement of such offer; or (ii) where approval by the shareholders of the Company is required for the offer under the Listing Rules, the date of the approval of the offer by the shareholders of the Company (the “**Rights Reference Date**”), by the following fraction:–

$$\frac{G + \frac{HI}{J}}{G+H}$$

where:–

G = the number of Shares in issue immediately before the Rights Reference Date;

H = the aggregate number of Shares so offered for subscription;

I = the amount (if any) payable for the rights, options or warrants or other rights to subscribe for each new Share, plus the subscription price payable for each new Share;

J = the market price of one Share on the Rights Reference Date.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer.

LETTER FROM THE BOARD

- (e) issues of other securities:
 - (i) 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 in this paragraph (e)) initially receivable for such securities is less than 90 per cent of the market price at 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 retrospectively) from the close of business in Hong Kong on the last preceding Business Day 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.

LETTER FROM THE BOARD

- (ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (i) of this sub-paragraph (e) are modified so that the total effective consideration (as defined in this paragraph (e) per Share initially receivable for such securities shall be less than 90 per cent of the market price at 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 take effect as at the date upon which such modification taken 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.

LETTER FROM THE BOARD

For the purposes of this sub-paragraph (e), 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.

- (f) shares issues at less than market price for cash:

If and whenever the Company shall issue wholly for cash any Shares at a price per share which is less than 90 per cent. of the market price at 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.

LETTER FROM THE BOARD

- (g) share dividends

In the event that the Company makes a dividend or other distribution in Shares to holders of Shares, the Conversion Price shall be reduced by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to such dividend or distribution by a fraction, the numerator of which is the number of Shares in issue at the close of business on the date fixed for such determination and the denominator of which is such number of Shares plus the total number of Shares constituting such dividend or other distribution, such decrease in the Conversion Price to become effective immediately prior to the opening of business on the day following the date fixed for such determination.

Events of default:

The holder of the Convertible Notes may give notice to the Company that the Convertible Notes are, and they shall on the giving of such notice immediately become, due and payable at their principal amount and all other sums payable under the Convertible Notes if:

- (i) the Company fails to pay any principal amount in respect of the Convertible Notes when due, unless non-payment of such amount is due to administrative or technical error and payment is made within 3 business days of the due date thereof; or
- (ii) the Company defaults in the performance or observance of or compliance with any of its other obligations set out in the instrument constituting the Convertible Notes which default is incapable of remedy or, if capable of remedy, is not remedied within 14 days after notice of the occurrence of such default by the holder of the Convertible Notes; or

LETTER FROM THE BOARD

- (iii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged within 14 days of it being made); or
- (iv) the Company or any of its major subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged or withdrawn within 14 days of it being made) or takes any proceeding under any law for a readjustment or deferment of its respective obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or
- (v) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any of its major Subsidiaries (and where any such petition, proceeding or order is presented, commenced or made in relation to a major subsidiary, such petition, proceeding or order is not set aside or withdrawn within 14 days of it being filed, commenced or made), except in the case of winding-up of any Subsidiaries of the Company in the course of internal reorganisation without involving insolvency; or

LETTER FROM THE BOARD

- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its major Subsidiaries (and, in the case of a major subsidiary, is not lifted within 14 days of it being agreed or declared) or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its major subsidiaries; or
- (vii) the Shares cease to be listed on the Stock Exchange; or
- (viii) a “Change of Control” event occurs, when (i) any person or persons acting together, other than Chi Capital and parties acting in concert with it, acquires Control of the Company; or (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons, acting together.

For the purpose of the definition of “Change of Control”, “Control” means (i) the direct or indirect ownership or control of more than 50% of the outstanding voting securities of the Company; (ii) the ability to appoint or remove more than one-third of the directors of the board (or equivalent governing body) of the Company; (iii) the right to control the votes at a meeting of the board of directors (or equivalent governing body) of the Company; or (iv) the ability to direct or cause the direction of the management and policies of the Company (whether by contract or howsoever arising).

Consequence
of Default:

Following the occurrence of an Event of Default, the holders of the Convertible Notes will have the right, at the option of such holder of Convertible Notes, to require the Company to immediately redeem all of such holder’s Convertible Notes at an amount equal to the higher of (i) 130% of the principal amount outstanding of the Convertible Notes to be redeemed; and (ii) 110% of the fair market value of the Convertible Notes.

LETTER FROM THE BOARD

Conversion Shares

Based on the Conversion Price of HK\$0.35 per Conversion Share, a maximum number of 1,444,857,142 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 412.76% of the issued share capital of the Company as at the date of the Announcement; and (ii) approximately 80.50% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

Conversion Price

The Conversion Price of HK\$0.35 per Conversion Share would be:

- (i) a premium of approximately 22.81% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 29 June 2021, being the date of the Subscription Agreement;
- (ii) a premium of approximately 20.69% to the average closing price of HK\$0.290 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Subscription Agreement; and
- (iii) a premium of approximately 19.25% to the average closing price of HK\$0.294 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Company has considered the trading performance of the Shares for the past two months immediately before the entering into of the Subscription Agreement. The minimum closing price per Share for the two months immediately before the date of the Subscription Agreement was HK\$0.290 per Share and the average closing price per Share for the two months immediately before the date of the Subscription Agreement was approximately HK\$0.315 per Share. Accordingly, the Board considers that it would be appropriate to determine the Conversion Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange. In order to protect the interest of the Company and its Shareholders as a whole, the Board insisted to set the Conversion Price at a high premium (instead of at a discount to the closing prices of the Shares) which is a common practice for listed issuers in Hong Kong. As such, the Directors consider that the Conversion Price is fair and reasonable having considered the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Given that the Conversion Price is set at a premium, there is no value dilution to the existing public Shareholder under Rule 7.27B of the Listing Rules.

The Hong Kong dollar equivalent to the principal amount of the Convertible Notes being converted shall be calculated by using the fixed exchange rate of HK\$7.78 per US\$1.00.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

REASONS FOR THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in the provision of converged mobile multimedia broadcasting and trading of printed circuit board materials. The Group is in the process of developing into a mobile multimedia service and technology provider, with a view of delivering low-cost and mass-market digital television and multimedia data services to mobile devices.

The large size Existing Convertible Notes liability (approximately seven (7) times of Company current market capitalization) and the exceedingly out-of-money Conversion Price (twenty-eight (28) times of current market spot price) are putting the Company in a real default prospect at Existing Convertible Notes maturity albeit it is in four years. This also hampers the Company's ability to access the normal credit and capital markets to engage in significant business expansion and development, hence putting the Company in the vicious cycle of limited cash flow and limited operation. To resolve the situation, and in light of the fact that the Company is in business development stage and will require ample long term capital support, both the Company and the major shareholder Chi Capital have reached this debt reduction agreement today so as to avoid the default prospect of the Company and continue to support Company's long term development. In particular: the Noteholder and the Company have agreed to fully set off and cancel the Existing Convertible Notes and replace it with a new issue to be fully subscribed by the Noteholder with the Conversion Price to be closed to the current market but the notional liability to be reduced by approximately 25.3% or US\$22 million, a huge saving and windfall for the Company and its shareholders. The lower Conversion Price plus three additional years of extension to original maturity from the subscription date will ensure high probability the Convertible Notes to be converted into equity and hence reduce the Company debt. In addition, the Subscription will greatly improve the Company balance sheet and enable it to access fresh financial opportunities to expand and develop in scale and scope to be a significant operating concern.

LETTER FROM THE BOARD

Far out-of-money conversion price makes it unlikely the Existing Convertible Notes will be converted and hence putting the Company in real default risk

As at the Latest Practicable Date, the Existing Convertible Notes aggregate outstanding principal amount is US\$87,000,000 (equivalent to approximately HK\$676,860,000) with maturity on 28 May 2025. This amount is about 677% of the Company's current total market capitalization (HK\$100 million). The Existing Convertible Notes' Conversion Price is HK\$8.088, which represents almost a 2700% premium to the closing price of the Company's stock HK\$0.285 per Share as quoted on the Stock Exchange on 29 June 2021. Despite the maturity date of the Existing Convertible Notes is 28 May 2025, 4 years away, it is unrealistic to expect the Share price would rally 2700% and induce the Existing Convertible Notes to be converted.

Foreseeable company operating revenues not likely to support repayment

As disclosed in the annual report of the Company for the year ended 31 December 2020, the bank balances and cash of the Group for the year ended 31 December 2020 was approximately US\$447,000, which is insufficient to redeem the Existing Convertible Notes at its original maturity date. For the past two years, the Company's year-end cash balance hovers between US\$0.3 million to US\$0.4 million. Such amount represents only a small fraction of the outstanding amount of the Existing Convertible Notes. Although the Company remains optimistic of its businesses and it is planning to grow its operations, as explained in the annual report of the Company for the year ended 31 December 2020, there is little prospect the Company can generate nearly enough cash flow to repay the Existing Convertible Notes.

External financing to settle the Existing Convertible Notes, including bank borrowings, capital markets, and rights issue are unrealistic

In respect of bank borrowings, given the Company's profitability, cash flow, and financial position it is not likely to be able to access the normal banking credit or the debt capital markets for financing as it will probably not pass the necessary lending criteria risk assessment. It cannot demonstrate any meaningful cash flow support for a large scale financing needed for the Convertible Notes repayment. It is also impracticable for the Company to obtain financing from the debt capital markets on terms favourable to the Group in the absence of material assets as security, i.e., assets with significant income generating capability. Since early 2020, the Company had approached not less than 5 financial institutions to explore available financing options. However, due to limited scale of operation and cashflow generated, it would not support any sizeable re-financing option for the purpose of repayment of Existing Convertible Notes. It is also unlikely that such external financing, even possible, will be interest-free, like the Convertible Notes under Subscription.

LETTER FROM THE BOARD

In respect of equity financing such as large-scale rights issue and placement, taking into account of the financial performance of the Company, the small market capitalization and the thin liquidity of the Shares, there simply will be little interest from investors. Even if such exercises are possible, the subscription price would have to be set at a very large discount to the market price of the Shares in order to attract potential investors, and this which will be much more dilutive than the Subscription. The Company had completed a rights issue in February 2020, but only approximately 40% of total number of rights shares available for subscription under the right issue was subscribed, amounted to approximately US\$3million. For scale that large enough to repay of Convertible Note, deep discount are expected in order to attract enough interest from investors and hence a far more serious dilution to existing shareholders. Also, large-scale equity placements and rights issue are normally conducted on a best-effort basis, which provides little certainty as to the outcome, and the Company will need to undergo a much more complicated and longer process and at higher cost. For example, the Company will need to identify underwriter(s) and the placing agent and for the financial institutions to identify potential places. The administrative costs involved will also be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission would be incurred. There will be immediate dilutive effect and excessive market volatility on both rights issue or share placement will cause new shares to be issued to new investors immediately, which will have immediate dilution effect on the shareholding interests of the non-participating Shareholders. In addition, large volume of new shares flooding the market all at once will cause erratic market volatility of share price.

However, the Subscription will not result in immediate dilution effect on the shareholding of the existing Shareholders in comparison with all external financing method discussed above. The conversion price of the proposed Convertible Notes is HK\$0.35, which is at 30%-40% premium of current Company share market price, such a price is far less dilutive to existing shareholders than other alternatives. In the same token, it will also cause less volatility to share market price as share conversion is expected to be gradual and over time. In the event the Subscriber choose to convert the Convertible Notes into new Shares, despite a dilution to the existing Shareholders in terms of their percentage shareholding in the Company, the Board is of the view that the terms of the Convertible Notes are in the interests of the Company and its Shareholders as a whole.

As such, the Company currently does not have any plan or intention for any potential fundraising activities in the coming twelve months.

Large liability saddled on Company balance sheet with little repayment prospect hampers Company growth prospect

The Company's large Existing Convertible Notes liability with a lack of repayment prospect has rendered the Company de facto financially undesirable and steered away potential investors, who are worried that any significant investment into the Company to generate new business and profitability will be drained away by the Existing Convertible Notes liability. Hence, the Company is effectively shut out from many capital market opportunities to grow and expand business in scale and scope. The Existing Convertible Notes has a high conversion price, which makes conversion prospect very unrealistic, and the Company is stuck with the large liability

LETTER FROM THE BOARD

with potential default, which also hampers willingness and confidence of prospective strategic investors in developing business opportunities with the Company. The Convertible Notes has an immediate cut of 25.3% or US\$22 million from Company's existing liabilities and improvement of its balance sheet and financial prospect. The lower conversion price with longer tenor of the Convertible Notes will convey optimism to the market the Company has a high chance of eliminating or significantly its debt. Such progress will embolden confidence of potential investors and strategic partners to support Company's business expansion and new development, as the Company now has a tangible and credible path to de-risking, and new investment activities undertake by the Company will have a much higher probability go toward generating return for investors and not repayment.

Subscription will reduce the Company liabilities by US\$22million and lowers Conversion Price to near market with maturity extension at zero interest coupon offers the most optimal solution to address the Company's problem quickly

As part of the negotiation, the Noteholder has agreed to waive US\$22million or approximately 25.3% of outstanding amount, hence reducing the liability of outstanding Convertible Notes from US\$87million to US\$65million. This haircut is equivalent to nearly 170% of Company's current market capitalization, which represents a huge saving and windfall for the Company and its shareholders. This haircut will allow the Group to release debt pressure and allocate its resources in developing its business. In addition, the Subscription has lowered the new Conversion Price to near the current market share price, and extends three more years to the original maturity for a total of seven years after the Subscription, these altogether would ensure a very high probability for the new Convertible Notes to be entirely converted into equity, and if not, ample time for the Company to generate resources to repay the remaining unconverted Notes, which has been reduced by \$22million after the Subscription. The zero coupon of the new Convertible Notes will also benefit the Company for paying no interest.

The Subscriber while cannot convert more than 30% of the shares, it can trade, sell, or assign the Convertible Notes to other potential investors and strategic partners who in turn can convert into equity, hence Company indebtedness will be reduced accordingly. The Convertible Notes will appear to be a much more desirable investment securities compared to the Existing Convertible Notes.

The equity base of the Company over years is expected to enlarge through issue of Shares under the annual general mandate and exercise of stock option, as it has done so over the past years, although the Company currently does not have any plan for the issue of Shares under the annual general mandate. And depending on business need, the Company may also conduct right issue exercise to raise capital, which will further enlarge the Company's equity base. Enlarged capital base will turn allow the Subscriber and potential Convertible Notes investors to convert more into shares at a given time, hence further reducing Company's indebtedness.

LETTER FROM THE BOARD

Based on the above, in particular that (i) the Group's weak financial position such as its loss-making in recent years and is in net current liabilities position; (ii) the Group is not expected to have sufficient internal resources to redeem the Existing Convertible Notes upon maturity; (iii) the Subscription reduces the indebtedness of the Group and provides it with an extension of time to repay its indebtedness which has a high likelihood to be eliminated due to conversion into equity; (iv) any other re-financing alternative in the scale of the Existing Convertible Notes is unrealistic and will impose far more burden on the Group; and (v) the Subscription is the most cost-effective way of raising capital and can be executed with relatively higher certainty, the Directors are of the view that the terms of the Convertible Notes are in the interests of the Company and its Shareholders as a whole and that the Subscription is the appropriate method to settle the Existing Convertible Notes held by the Noteholder.

The Convertible Notes bear similar salient features as the Existing Convertible Notes such as conversion restriction and essentially are an extension of the Existing Convertible Notes, except that the conversion price is adjusted to reflect the prevailing market price of the Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price (assuming that, there are no other changes to the issued share capital of the Company from the Latest Practicable Date); and (iii) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes at the Conversion Price to the extent that Chi Capital will hold 29.99% of the enlarged issued share capital of the Company (assuming that, there are no other changes to the issued share capital of the Company from the Latest Practicable Date):

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 2)		(iii) Immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes at the Conversion Price to the extent that Chi Capital will hold 29.99% of the enlarged issued share capital of the Company (assuming that, there are no other changes to the issued share capital of the Company from the Latest Practicable Date) (Note 2)	
	Number of Shares	Approximate	Number of Shares	Approximate	Number of Shares	Approximate
		percentage		percentage		percentage
Chi Capital (Note 1)	48,429,268	13.43%	1,493,286,410	82.71%	133,700,000	29.99%
Other Shareholders	312,083,064	86.57%	312,083,064	17.29%	312,083,064	70.01%
Total	360,512,332	100%	1,805,369,474	100%	445,783,064	100%

LETTER FROM THE BOARD

Notes:

1. Chi Capital beneficially owns 48,429,268 Shares and US\$87,000,000 Existing Convertible Notes. Chi Capital is beneficially owned by Mr. Wong. By virtue of the SFO, Mr. Wong are deemed to be interested in those Shares held by Chi Capital.
2. This is for illustrative purpose only as there are restrictions under the terms of the Convertible Notes that prohibit any conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code or will cause the public float of the Shares to be less than 25% (or any given percentage under the Listing Rules).

PROPOSED USE OF PROCEEDS

Since the aggregate subscription price of US\$65,000,000 will be fully set off by the Existing Convertible Notes held by the Subscriber, there will be no additional cash or fund injected into the Company upon Completion.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of proceeds as at the date of announcement
24 May 2021	Placing of 58,342,055 new shares under general mandate granted by the Shareholders at the annual general meeting on 24 May 2021	Approximately HK\$20,343,279 for the repayment of advances from shareholders and general working capital for operations	<ul style="list-style-type: none">• Repayment of advances from shareholders of HK\$20,273,279• Administrative and other operations expenses of HK\$70,000

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this circular.

As at the Latest Practicable Date, all of the proceeds raised from the placing has been fully utilized.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder holding 48,429,268 Shares, representing approximately 13.43% of the issued Shares, which is in turn wholly-owned by Mr. Wong, an executive Director and the chairman of the Board, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Wong abstained from voting on the relevant Board resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder by virtue of him having a material interest in the Subscription. Save as Mr. Wong, none of the other directors has a material interest in the Subscription and the transaction contemplated thereunder and has abstained from voting on the Board resolution to approve the proposed Subscription.

As Chi Capital has a material interest in the Subscription and the transactions contemplated thereunder, Chi Capital and his associates shall abstain from voting on the relevant resolution to be proposed at the EGM to approve the proposed Subscription. Save as the aforesaid, no other Shareholder has a material interest in the proposed Subscription which is different from the other Shareholders, and is required to abstain from voting in respect of the proposed Subscription at the EGM under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Li Shan, Dr. Li Jun and Mr. Chow Kin Wing, has been established by the Company to provide recommendation to the Independent Shareholders on the proposed Subscription. Veda Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed Subscription.

EGM

Set out on pages 55 to 57 of this circular is a notice convening the EGM to be held at Board Room, Level 3, Core C, Cyberport 3, 100 Cyberport Road, Hong Kong on Thursday, 19 August 2021 at 10:00 a.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares).

LETTER FROM THE BOARD

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 return the same to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, so as to be received no later than 17 August 2021 at 10:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

To the best of the Directors' knowledge, information and belief, save for Chi Capital and its associates, no Shareholders have a material interest in the Subscription Agreement which is different from other Shareholders, and accordingly save for Mr. Wong, Chi Capital and their respective associates, no Shareholders are required to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Taking into account the reasons as set out in the paragraph headed "Reasons for the Subscription Agreement" above, the Directors (excluding Mr. Wong) are of the view that the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into consideration the advice of the Independent Financial Adviser, is of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser contained in this circular.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of Shareholders to attend and vote at the EGM, which is to be held on 19 August 2021, the register of members of the Company will be closed from 17 August 2021 to 19 August 2021, both days inclusive, during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 16 August 2021.

WARNING

Shareholders and potential investors should be aware that the Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the conditions. Accordingly, completion of the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
CMMB Vision Holdings Limited
Mr. WONG Chau Chi
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Subscription.



CMMB VISION HOLDINGS LIMITED **中國移動多媒體廣播控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

2 August 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS – PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

We refer to the circular (the “**Circular**”) dated 2 August 2021 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. Veda Capital has been appointed by the Company as the independent financial adviser to advise us in this regard. Details of the advice of Veda Capital, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 31 to 49 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by Veda Capital and its conclusion and advice, we concur with their views and consider that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Dr. Li Shan

Dr. Li Jun

Mr. Chow Kin Wing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL
智 略 資 本

Suites 1001-1002, 10/F., 299 QRC
299 Queen's Road Central
Hong Kong

2 August 2021

To: Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION – PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the Circular dated 2 August 2021 issued by the Company to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Circular.

As set out in the Board Letter, among other matters, on 29 June 2021 (after trading hours), the Company entered into a conditional Subscription Agreement with Chi Capital, pursuant to which, Chi Capital has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Chi Capital is a substantial Shareholder holding 48,429,268 Shares, representing approximately 13.43% of the total issued share capital of the Company, which in turn is wholly-owned by Mr. Wong, an executive Director and the chairman of the Board, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes connected transactions of the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, save for Chi Capital and its associates, no other Shareholders is interested in the Subscription and is required to be abstained from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. Mr. Wong, who has a material interest in the Subscription Agreement and the transactions contemplated thereunder, has abstained from voting on the relevant Board resolution. Save for Mr. Wong, none of the other Directors has a material interest in the Subscription Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution to approve the proposed Subscription.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. We, Veda Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into the Subscription Agreement and the transactions contemplated thereunder is conducted in the ordinary and usual course of business of the Company, and whether the terms of the Subscription Agreement and the transactions contemplated thereunder are (i) on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder, there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Subscription Agreement 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 purpose without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

The Group is principally engaged in (i) the provision of transmission and broadcasting of TV programs (the “**CMMB Business**”); and (ii) trading of printed circuit board materials (the “**Trading Business**”)

Business and financial information of the Group

Set out below is a summary of the consolidated financial information of the Group for the two financial years ended 31 December 2019 and 2020 respectively which were extracted from the annual reports of the Company for the financial years ended 31 December 2019 and 2020 respectively:

For the financial year ended 31 December 2020

	For the financial years ended 31 December		YOY changes
	2020	2019	
	US\$'000	US\$'000	%
	(audited)	(audited)	
Revenue	3,876	7,153	(45.81)
– CMMB Business	1,968	4,039	(51.28)
– Trading Business	1,908	3,114	(38.73)
Loss attributable to the Shareholders	(127,700)	(28,404)	349.58

	As at 31 December		YOY changes
	2020	2019	
	US\$'000	US\$'000	%
	(audited)	(audited)	
Total assets	185,609	316,063	(41.27)
Net assets attributable to the Shareholders	106,103	227,553	(53.37)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded revenue for the financial year ended 31 December 2020 in the amount of approximately US\$3.88 million, representing a decrease of approximately 45.81% as compared to that for the financial year ended 31 December 2019 in the amount of approximately US\$7.15 million. As advised by the Company, the decrease in revenue was mainly due to, among others, temporary shutdown of TV stations as a result of repack and upgrade of TV stations and such upgrading work had delayed by outbreak of COVID-19 that resulted in the decrease in television rental income and trading of printed circuit board materials by approximately US\$2.30 million and approximately US\$1.21 million respectively.

The Group's loss attributable to the Shareholders for the financial year ended 31 December 2020 was approximately US\$127.70 million, representing an increase of approximately 349.58% as compared to that for the financial year ended 31 December 2019 in the amount of approximately US\$28.40 million. The increase in loss was mainly due to, among others, that the Group shared a loss of approximately US\$99.45 million for the financial year ended 31 December 2020, as compared to that for the financial year ended 31 December 2019 in the amount of approximately US\$8.68 million for its 20% interest in Silkwave Holding Limited (“**Silkwave**”, together with its subsidiaries, “**Silkwave Group**”), due to the delay of regulatory approval for Silkwave Group to deploy commercial services in the PRC and the prolonged fund-raising for constructing new satellite for mass-market commercial rollout due to COVID-19.

The Group's audited total assets as at 31 December 2020 amounted to approximately US\$185.61 million, including but not limited to, intangible assets in the amount of approximately US\$54.72 million, interest in an associate in the amount of approximately US\$124.87 million and amount due from a related company in the amount of approximately US\$2.21 million. The Group's audited net asset value attributable to the Shareholders amounted to approximately US\$106.10 million as at 31 December 2020, representing a decrease of approximately 53.37% as compared to the amount of approximately US\$227.55 million as at 31 December 2019 which was mainly derived from the operation loss for the year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the financial year ended 31 December 2019

	For the		YOY changes
	financial years ended		
	31 December		
	2019	2018	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>%</i>
	(audited)	(audited)	
Revenue	7,153	6,470	10.56
– CMMB Business	4,039	3,639	10.99
– Trading Business	3,114	2,831	10.00
Profit/(loss) attributable to the Shareholders	(28,404)	24,808	N/A

	As at		YOY changes
	31 December		
	2019	2018	
	<i>US\$'000</i>	<i>US\$'000</i>	
	(audited)	(audited)	<i>%</i>
Total assets	316,063	345,732	(8.58)
Net assets attributable to the Shareholders	227,553	259,356	(12.26)

The Group recorded revenue for the financial year ended 31 December 2019 in the amount of approximately US\$7.15 million, representing an increase of approximately 10.56% as compared to that for the financial year ended 31 December 2018 in the amount of approximately US\$6.47 million. As advised by the Company, the increase in revenue was mainly attributable to the increase in rental charge and slight increase in the sales volume of our trading business that result in an increase in television rental income and trading of printed circuit board materials by approximately US\$0.40 million and approximately US\$0.28 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a loss attributable to the Shareholders for the financial year ended 31 December 2019 in the amount of approximately US\$28.40 million, representing a turnaround from profit to loss as compared to the profit attributable to the Shareholders for the financial year ended 31 December 2018 of approximately US\$24.81 million. The turnaround from profit to loss was mainly attributable to the sharing of a loss of approximately US\$8.68 million for its 20% interest in Silkwave, for the financial year ended 31 December 2019, as compared to the loss in the amount of approximately US\$5.37 million for the period from 29 May 2018 to 31 December 2018. We were given to understand that the loss primarily comprised of depreciation and amortization expense, research and development and other operating expenses for the year.

The Group's audited total assets as at 31 December 2019 amounted to approximately US\$316.06 million, including but not limited to, intangible assets in the amount of approximately US\$80.56 million, interest in an associate in the amount of approximately US\$224.30 million and amount due from a related company in the amount of approximately HK\$6.66 million. The Group's audited net asset value attributable to the Shareholders amounted to approximately HK\$227.55 million as at 31 December 2019, representing a decrease of approximately 12.26% as compared to the amount of approximately HK\$259.36 million as at 31 December 2018 which was mainly derived from the operation loss for the year.

We note that the Group has turned from profit making to loss making since the financial year ended 31 December 2019 and the net loss has further increased during the financial year ended 31 December 2020. The net asset value attributable to the Shareholders has also been in a decreasing trend and as at 31 December 2020, the Group's current liabilities exceeded its current asset by approximately US\$3.1 million. In light of the above, we are of the view that the Group's financial position is not optimal.

2. Reasons for and benefits of the entering of the Subscription Agreement

As stated in the Board Letter, the large size Existing Convertible Notes liability (approximately seven (7) times of Company current market capitalization) and the exceedingly out-of-money Conversion Price (twenty-eight (28) times of current market spot price) are putting the Company in a real default prospect at Existing Convertible Notes maturity albeit it is in four years. This also hampers the Company's ability to access the normal credit and capital markets to engage in significant business expansion and development, hence putting the Company in the vicious cycle of limited cash flow and limited operation. To resolve the situation, the Noteholder and the Company have agreed to fully set off and cancel the Existing Convertible Notes and replace it with a new issue Convertible Note to be fully subscribed by the Noteholder with the Conversion Price to be closed to the current market but the notional liability to be reduced by

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately 25.3% or US\$22.0 million. The lower Conversion Price plus three additional years of extension to original maturity from the subscription date will ensure higher probability the Convertible Notes to be converted into equity and hence reduce the company debt. In addition, the Subscription will greatly improve the Company balance sheet and enable it to access fresh financial opportunities to expand and develop in scale and scope to be a significant operating concern.

As at the Latest Practicable Date, the Existing Convertible Notes aggregate outstanding principal amount is US\$87,000,000 (equivalent to approximately HK\$676,860,000) with maturity on 28 May 2025. This amount is about 677% of the Company's current total market capitalization (HK\$100 million). The Existing Convertible Notes' Conversion Price is HK\$8.088, which represents almost a 2700% premium to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 29 June 2021. Despite the maturity date of the Existing Convertible Notes is 28 May 2025, 4 years away, it is unrealistic to expect the Share price would rally 2700% and induce the Convertible Notes to be converted.

As discussed under the section headed "1. Information of the Group" above, the Group recorded net losses for the two financial years ended 31 December 2019 and 2020 and as at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately US\$3.1 million. With reference to the Company's annual report for the financial year ended 31 December 2020, the Group's cash and cash equivalents amounted to approximately US\$447,000 as at 31 December 2020, which without additional cash generation, is expected to be insufficient to redeem the Existing Convertible Notes at its original maturity date. Pursuant to the Subscription Agreement, the Convertible Notes in the principal amount of US\$65,000,000 shall be in exchange for the indebtedness under the Existing Convertible Notes held by Chi Capital in the outstanding principal amount of US\$87,000,000, representing a cut in debt by 25.29% or US\$22,000,000 (the "**Debt Cut**"). Given the net current liabilities financial position of the Group, the Debt Cut will allow the Group to release partial of its debt and allocate its resources in developing its business, namely the CMMB Business and the Trading Business. Accordingly, we are of the view that the Debt Cut is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, the maturity date of the Convertible Notes shall be on the seventh anniversary of the date of the Subscription Agreement, representing an extension of maturity for additional three years as compared to the maturity date of the Existing Convertible Notes which is on 28 May 2025. Having considered the above financial situation of the Company, we concur with the Director's view that the reduce in debt will improve the Group's financial position and provides the Group with an extension of time to repay its indebtedness.

We were given to understand that the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, with an ultimate goal to refinance business operations and restructure its debts. As advised by the management of the Group, the Company has considered other alternative financing methods, including other debt financing and equity financing.

The Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with financial institutions. In addition, any debt financing in the scale the Convertible Notes will impose further debt burden on the Group. Given the Group's current financial position and loss-making record in recent years, the Directors consider that it is impracticable to obtain third party financing on terms favourable to the Group in the absence of material assets as security.

In comparing to equity financing, taking into account of the financial performance of the Group for the recent financial years and the thin liquidity of the Shares, if the Company were to raise the necessary funds by way of placing or rights issue or open offer of new Shares, the subscription price would have to be set at a deeper discount to the market price of the Shares in order to attract potential investors while such equity financing methods will result in a bigger dilution for the existing Shareholders. In addition, equity placements are normally conducted on best-effort basis which provides little certainty as to the outcome.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above alternatives, the Directors are of the view that the Subscription is the most cost-effective way of raising capital in order to settle the indebtedness of the Group. The Group has reached out and engaged in negotiations with the Noteholders to settle the existing indebtedness of the Group. Notwithstanding that the Subscription is subject to the approval of the Independent Shareholders, the implementation of which is not susceptible to short-term market uncertainties and it can be executed with relatively higher certainty on the outcome of the fund-raising as compared to other fund-raising alternatives such as rights issue or open offer.

Based on the above, we considered in particular that (i) the Group had been loss-making in recent years and is in net current liabilities position; (ii) the Existing Convertible Notes will become mature on 28 May 2025 and it is not expected that the Company would have sufficient internal resources to redeem all the Existing Convertible Notes upon maturity; (iii) the Subscription reduces the indebtedness of the Group provides the Group with an extension of time to repay its indebtedness; (iv) any debt financing in the scale the Convertible Notes will impose further debt burden on the Group and it is impracticable to obtain third party financing on terms favourable to the Group in the absence of material assets as security; (v) the Subscription is a cost-effective way of raising capital and can be executed with relatively higher certainty on the outcome of the fund-raising as compared to other fund-raising alternatives such as rights issue or open offer; and (vi) the Company currently does not have any plan or intention for any potential fundraising activities in the coming 12 months as stated in the Board Letter, we concur with the Directors' view that the Subscription Agreement is fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Subscription Agreement is in the interests of the Company and Independent Shareholders as a whole.

3. Principal terms of the Subscription Agreement and the Convertible Notes

Principal terms of the Subscription Agreement

Date	29 June 2021 (after trading hours)
Parties	(1) The Company as the issuer; and (2) Chi Capital as the Subscriber
Subject matter	Chi Capital shall subscribe for the Convertible Notes in principal amount of US\$65,000,000 under the Subscription Agreement and the said amounts shall be satisfied by fully settling off against the amounts due by the Company to Chi Capital under the Existing Convertible Notes held by Chi Capital in the outstanding principal amount of US\$87,000,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the principal terms of the Convertible Notes

Issuer	The Company
Principal amount	US\$65,000,000 to be subscribed by Chi Capital
Maturity date	The Convertible Notes shall mature on the seventh anniversary of the date of issue thereof.
Interest	The Convertible Notes shall not bear any interest.
Voting rights	The Noteholder(s) will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Notes.
Transferability	The Convertible Notes may be assigned or transferred to any transferee subject to prior notification to the Company. The Convertible Notes may not be assigned or transferred to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company
Conversion Price	HK\$0.35 per Conversion Share
Conversion Shares	Based on the Conversion Price of HK\$0.35 per Conversion Share, a maximum number of 1,444,857,142 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 412.76% of the issued share capital of the Company as at the date the Announcement; and (ii) approximately 80.50% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

Please refer to the section headed “Principal terms of the Convertible Notes” in the Board Letter of the Circular for more details of the terms of the Convertible Notes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter, the Conversion Price of HK\$0.35 per Share represents:

- (i) a premium of approximately 22.81% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 29 June 2021, being the date of the Subscription Agreement;
- (ii) a premium of approximately 20.69% to the average closing price of HK\$0.290 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Subscription Agreement; and
- (iii) a premium of approximately 19.25% to the average closing price of HK\$0.294 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Company has considered the trading performance of the Shares for the past two months immediately before the entering into of the Subscription Agreement. The minimum closing price per Share for the two months immediately before the date of the Subscription Agreement was HK\$0.290 per Share and the average closing price per Share for the two months immediately before the date of the Subscription Agreement was approximately HK\$0.315 per Share. Accordingly, the Board considers that it would be appropriate to determine the Conversion Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange. In order to protect the interest of the Company and its Shareholders as a whole, the Board insisted to set the Conversion Price at a high premium (instead of at a discount to the closing prices of the Shares) which is a common practice for listed issuers in Hong Kong. As such, the Directors consider that the Conversion Price is fair and reasonable having considered the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period from 1 June 2020 (being the date approximately one year prior to the date of the Subscription Agreement) up to and including the date of the Announcement (the “**Last Trading Day**”) (the “**Review Period**”). It is a common market practice to adopt a sampling period of approximately one year as it demonstrates the fluctuation of the recent closing prices of the Shares and we consider that the Review Period is fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing prices of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Conversion Price. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:



Source: Website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above, during the Review Period, the closing prices of the Shares fluctuated between a range from HK\$0.238 per Share recorded on 17 December 2020 to HK\$0.465 per Share recorded on 23 June 2020 respectively, with an average closing price of the Share of approximately HK\$0.310 per Share (the “**Average Closing Price**”). The Conversion Price represents a premium of approximately 12.90% over the Average Closing Price during the Review Period. During the Review Period, there were 210 out of 267 trading days on which the closing price of the Shares was below the Conversion Price. Having considered the above, we are of the view that the Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Market comparables analysis

In order to assess the fairness and reasonableness of the principal terms of the Subscription Agreement and the Convertible Notes, we have conducted a search on the website of the Stock Exchange for all transactions involving the issuance of convertible bonds/notes by companies listed on the Stock Exchange which were announced from 29 December 2020 to the Last Trading Day (i.e. six months period prior to the date of the Subscription Agreement) (the “**Comparable Period**”). We have considered the proposed issue of convertible bonds/notes to either connected persons or independent third parties in our research, since the terms of such issuance were arrived at based on prevailing market conditions regardless of whether the subscribers were connected persons or not and represent an unbiased reference on market terms, therefore providing a good reference in our evaluation of the terms of the Convertible Notes. We considered the Comparable Period as sufficient and appropriate for the analysis because (a) comparable transactions during such period are close to the date of Subscription Agreement; and (b) there are sufficient comparable companies in this period for our analysis.

Based on the said Criteria, we have identified 54 comparable issues (the “**CB Comparables**”) which we consider to be exhaustive and sufficient to assess the fairness and reasonableness of the Conversion Price. Independent Shareholders should note that the subject companies involved in the CB Comparables may have different nature of business operations, market capitalizations, financial performance and financial position as compared with those of the Company. However, as the CB Comparables can provide a general reference of the conversion price and interest rate in the market, we consider the CB Comparables are exhaustive, fair and representative and may be used as a reference to assess the fairness and reasonableness of the Conversion Price and the interest rate of the Convertible Notes. Below is the summary of the respective discount of the conversion price to the closing price on last trading day and the respective interest rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (stock code)	Date of initial announcement	Premium/ (discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the initial announcement (%)	Interest rate per annum (%)
1. China VAST Industrial Urban Development Company Limited (6166)	28 June 2021	0.00	6.00
2. Beijing Energy International Holding Co., Ltd. (686)	23 June 2021	20.00	3.80
3. Carrianna Group Holdings Company Limited (126)	21 June 2021	3.50	3.00
4. Millennium Pacific Group Holdings Limited (8147)	17 June 2021	16.50	4.00
5. Kirin Group Holdings Limited (8109)	17 June 2021	12.28	2.00
6. Xtep International Holdings Limited (1368)	15 June 2021	15.40	1.80
7. VBG International Holdings Limited (8365)	11 June 2021	11.11	5.00
8. Pharmaron Beijing Co., Ltd. (3759)	9 June 2021	41.27	0.00
9. Pharmaron Beijing Co., Ltd. (3759)	9 June 2021	41.27	0.00
10. Wisdom Wealth Resources Investment Holding Group Limited (7) (note)	7 June 2021	671.65	2.00
11. Zhi Sheng Group Holdings Limited (8370)	2 June 2021	49.25	6.00
12. MicroPort Scientific Corporation (853)	2 June 2021	32.50	3.00
13. Hong Kong Resources Holdings Company Limited (2882)	31 May 2021	10.17	4.00
14. China Technology Industry Group Limited (8111) (note)	31 May 2021	461.80	0.00
15. Weimob Inc. (2013)	25 May 2021	30.76	0.00
16. Country Garden Services Holdings Company Limited (6098)	25 May 2021	22.21	0.00
17. Asia Television Holdings Limited (707) (note)	14 May 2021	104.08	8.00
18. China Leon Inspection Holding Limited (1586)	12 May 2021	5.16	2.00
19. ETS Group Limited (8031) (note)	10 May 2021	102.67	0.00
20. Jiangxi Bank Co., Ltd (1916)	5 May 2021	0.00	Shall match with the corresponding local government special bond issuance interest rate
21. China Chuanglian Education Financial Group Limited (2371)	28 April 2021	5.04	3.50
22. Kirin Group Holdings Limited (8109)	26 April 2021	3.33	2.00
23. Baofeng Modern International Holdings Company Limited (1121)	20 April 2021	(4.23)	5.00
24. Meituan (3690)	20 April 2021	49.10	0.00
25. National Arts Entertainment and Culture Group Limited (Provisional Liquidators Appointed) (8228)	18 April 2021	66.67	4.00
26. New Concepts Holdings Limited (2221)	15 April 2021	0.00	6.00
27. China Hongguang Holdings Limited (8646)	13 April 2021	6.67	0.00
28. Bonjour Holdings Limited (653)	1 April 2021	0.00	8.00
29. Sheng Yuan Holdings Limited (851)	1 April 2021	0.00	1.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (stock code)	Date of initial announcement	Premium/ (discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the initial announcement (%)	Interest rate per annum (%)
30. XD Inc. (2400)	31 March 2021	35.00	1.25
31. Qingdao Holdings International Limited (499) (note)	17 March 2021	289.60	0.00
32. Carrianna Group Holdings Company Limited (126)	8 March 2021	20.00	3.00
33. Hope Education Group Co., Ltd. (1765)	22 February 2021	24.19	0.00
34. China Parenting Network Holdings Limited (1736)	9 February 2021	(19.60)	5.00
35. Tibet Water Resources Ltd. (1115)	2 February 2021	0.82	5.00
36. Chinese Energy Holdings Limited (8009)	2 February 2021	3.75	8.00
37. Cathay Pacific Airways Limited (293)	28 January 2021	30.00	2.75
38. China Tontine Wines Group Limited (389)	27 January 2021	21.95	15.00
39. i-CABLE Communications Limited (1097)	27 January 2021	13.30	2.00
40. Target Insurance (Holdings) Limited (6161)	26 January 2021	(8.06)	0.00
41. Sparkle Roll Group Limited (970)	25 January 2021	7.30	0.00
42. China Mengniu Dairy Company Limited (2319)	24 January 2021	20.00	From 2 to 4
43. Asiaray Media Group Limited (1993)	22 January 2021	9.90	4.50
44. Earthasia International Holdings Limited (6128)	19 January 2021	14.03	5.50
45. Jiayuan International Group Limited (2768)	13 January 2021	5.10	0.00
46. China Maple Leaf Educational Systems Limited (1317)	13 January 2021	25.00	2.25
47. China Hongqiao Group Limited (1378)	8 January 2021	14.97	5.25
48. Hansoh Pharmaceutical Group Company Limited (3692)	8 January 2021	44.06	0.00
49. Standard Chartered PLC (2888)	6 January 2021	1.13	4.75
50. Zhejiang Expressway Co., Ltd. (576)	6 January 2021	35.00	0.00
51. SDM Group Holdings Limited (8363)	5 January 2021	3.74	8.00
52. Mobvista Inc. (1860)	3 January 2021	14.94	3.50
53. Century Entertainment International Holdings Limited (959)	30 December 2020	8.70	0.00
54. Genertec Universal Medical Group Company Limited (2666)	29 December 2020	14.29	2.00
		(Excluding outliers) (note)	
	Maximum	66.67	
	Minimum	(19.60)	
	Average	15.82	
	Median	13.30	
The Company	29 June 2021	22.81	0.00

Note: Tukey's Fences (reference: Exploratory Data Analysis, John Wilder Tukey (1977)) is an outlier detection method where an outlier of a data set is identified if it is outside the range between 1.5 times interquartile range above the third quartile and 1.5 times interquartile range below the first quartile (the "Tukey's Fence"). For the CB Comparables, the Tukey's Fence ranges from a discount of approximately 37.92% to a premium of approximately 74.05%, and hence, the premiums of conversion price of these five CB Comparables are considered as outliers and excluded from comparison.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the conversion price of the relevant CB Comparables (excluding outliers) ranged from a discount of approximately 19.60% to a premium of approximately 66.67% with an average and a median of premiums of approximately 15.82% and approximately 13.30% respectively. We note that the premium of the Conversion Price to the closing price of the Shares on the Last Trading Day of approximately 22.81% is within the range and above the average and the median of the CB Comparables. We also note that the interest rates of the CB Comparables ranged from nil to 15%. The interest rate of the Convertible Notes of 0% is at the bottom of such range and thus not less favourable to the Company and the Independent Shareholders than that of the CB Comparables.

Given that (i) the CB Comparables has a sufficient sample size and the outliers have been excluded from comparison; (ii) the premium of the Conversion Price is above the average and the median of the CB Comparables; and (iii) the interest rate of the Convertible Notes is not less favourable to the Company and Independent Shareholders than that of the CB Comparables, we are of the view that the market comparable analysis is fair and representative and the Conversion Price is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

Based on the above comparisons with the historical closing prices of the Shares during the Relevant Period and the CB Comparables, we are of the view that the Conversion Price is fair and reasonable.

Dilution effect

As shown in the Board Letter under the section headed “Effect on shareholding structure of the Company”, assuming that save for the Subscription, there will be no other changes to the issued share capital of the Company from the Latest Practicable Date and prior to conversion, the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 86.57% as at the Latest Practicable Date to:

- (i) approximately 17.29% immediately after full conversion of the Convertible Notes at the Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date); and
- (ii) approximately 70.01% immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes at the Conversion Price to the extent that Chi Capital will hold 29.99% of the enlarged issued share capital of the Company (assuming that, there are no other changes to the issued share capital of the Company from the Latest Practicable Date).

Given that the Conversion Price is set at a premium over the closing price of the Share on the Last Trading Day, there is no value dilution to the existing public Shareholder under Rule 7.27B of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted that pursuant to the terms of the convertible notes instrument, the holder of the Convertible Notes may only exercise a conversion right provided that (i) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder which exercised the conversion rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules and the right of the Company to redeem. Moreover, if necessary, pursuant to the terms of the Convertible Notes, the Convertible Notes may be assigned or transferred to any transferee subject to prior notification to the Company.

For the Convertible Notes which are unconverted, i.e. due to restrictions in relation to obligations under the Takeovers Code and public float requirement, the Subscriber may assign or transfer to any transferee subject to prior notification to the Company pursuant to the terms of the Convertible Notes. The decrease in the Conversion Price will incentivize potential investors to accept the Convertible Notes and accordingly increase the likelihood of converting the Convertible Bonds which, upon their respective conversions, reduce the Group's indebtedness. As compared to the extremely out-of-money Existing Convertible Notes, the Convertible Notes will provide a more practicable conversion option for its holders and will also provide the Company an easier solution to improve its financial position assuming, most if not all, the Convertible Notes will be converted before they mature. We are of the view that, although the full conversion of the Convertible Notes may result in a further dilution on the existing Shareholders, having factoring all the benefits as discussed above, it is justifiable for the Company to undertake the Subscription in order to hinder the risk of having to become insolvency when the Existing Convertible Notes are not converted and become matured.

Taking into account (i) the financial position of the Group; (ii) that the out-of-money Existing Convertible Notes will become mature on 28 May 2025 and it is unlikely that the Company would have sufficient internal resources to redeem all the Existing Convertible Notes upon maturity; (iii) that the Subscription immediately reduces the indebtedness of the Group and provides the Group with an extension of time to repay its indebtedness; (iv) the decrease in Conversion Price which incentivized the conversion of the Convertible Notes by the Subscriber and reduce the indebtedness of the Group; (v) in the event of improvement in financial performance of the Group which attracts potential investors and strategic partners, the Convertible Notes can be trade, sold or assigned to other parties which would further reduce the Group's indebtedness upon potential conversion of the Convertible Notes, we are of the view that the dilution effect on the shareholding of existing public Shareholders is acceptable and justifiable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Possible financial effects of the Subscription

Earnings

The non-interest bearing Convertible Note is expected to record finance cost in the income statement of the Group as its liability will be measured with the effective interest method at amortized cost over its relevant period. Given that the principal amount of the Convertible Notes is smaller than that of the Existing Convertible Notes, such amortized cost will decrease and result in a net positive impact on the earnings of the Group. Moreover, the Group is also expected to recognize a gain due to the reduction of the liability component the Debt Cut. The calculation of such gain associated with the Debt Cut will be subject to audit.

Net asset value

As disclosed in the annual report of the Company for the financial year ended 31 December 2020, the net asset value attributable to the Shareholders amounted to approximately US\$106.10 million as at 31 December 2020. Given that the principal amount of the Convertible Notes is less than that of the Existing Convertible Notes, the net asset value attributable to the Shareholders is expected to improve (i) after the Subscription but prior to the conversion of the Convertible Notes; and (ii) upon the conversion of the Convertible Notes.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that, despite the Subscription Agreement and the transactions contemplated thereunder is not conducted in the ordinary and usual course of business of the Company, such terms are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in respect of the Subscription Agreement and the transactions contemplated thereunder.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 24 years of experience in corporate finance industry.

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.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES**(a) Directors and chief executive**

As at the Latest Practicable Date, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under provisions of the SFO), or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

Long positions in the Shares and underlying Shares of the share options granted under the share option scheme of the Company

Names of Director	Number of Shares		Interests in a		Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interest of family	controlled corporation	Share options (Note 1)		
Mr. Wong	-	-	48,429,268 (Note 3)	270,000	48,699,268	13.51%

Notes:

- (1) These represents the awarded underlying Shares granted to the Directors under the share option scheme of the Company which was adopted on 15 December 2015.

(2) These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 360,512,332 Shares).

(3) These Shares are held by Chi Capital, which is wholly and beneficially owned by Mr. Wong.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at the Latest Practicable Date, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long positions in the Shares

Name of Shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of the issued Shares <i>(Note 1)</i>
Chi Capital <i>(Note 2)</i>	Beneficial owner	48,429,268	13.43%

Notes:

(1) These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 360,512,332 Shares).

(2) Chi Capital is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Wong.

(ii) Long positions in the underlying Shares of the Convertible Note:

Name of the holder of the Convertible Note	Outstanding amount of the Convertible Note	Number of the total underlying Shares	Approximate percentage of the issued Shares (Note 1)
Chi Capital (Note 2)	US\$87,000,000	83,471,810	23.15%

Notes:

- (1) These percentages had been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 360,512,332 Shares).
- (2) The Existing Convertible Note was issued by the Company as part of the consideration to the acquisition of Silkwave Holdings Limited on 29 May 2018. They are unlisted, interest-free and convertible up to 83,471,810 Shares as at the Latest Practicable Date. The interest is held by Chi Capital. As Chi Capital is beneficially owned by Mr. Wong, Mr. Wong is deemed to be interested in all the Shares held by Chi Capital by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which 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 accounts of the Group were made up.

Save for the Subscription Agreement, particulars of which are disclosed in the letter from the Board contained in this Circular, in which Mr. Wong is considered to be interested, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion and advice which are included in this circular:

Name	Qualification
Veda Capital	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Veda Capital 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, Veda Capital did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or 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 financial statements of the Group were made up.

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion or report and the references to its name and/or its opinion or report in the form and context in which they respectively appear.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

GENERAL

- (a) The registered office of the Company is situated at Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 1211, Level 12, Core F, Cyberport 3, 100 Cyberport Road Cyberport Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1211, Level 12, Core F, Cyberport 3, 100 Cyberport Road Cyberport Hong Kong during normal business hours (public holdings excluded) from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 30 of this circular;
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 31 to 49 of this circular;
- (e) a copy of this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



CMMB VISION HOLDINGS LIMITED 中國移動多媒體廣播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of CMMB Vision Holdings (the “**Company**”) will be held at Board Room, Level 3, Core C, Cyberport 3, 100 Cyberport Road, Hong Kong on Thursday, 19 August 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 29 June 2021 and entered into between the Company as issuer and Chi Capital Holdings Ltd as the subscriber (“**Chi Capital**”) in relation to the issue of unlisted convertible notes (the “**Convertible Notes**”) in the principal amount of US\$65,000,000 by the Company (a copy of the Subscription Agreement having been produced to the EGM and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Notes) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Notes in accordance with the terms and conditions of the Convertible Notes; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (c) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the Subscription Agreement, the Convertible Notes and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement.”

By order of the Board
CMMB Vision Holdings Limited
Mr. WONG Chau Chi
Chairman

Hong Kong, 2 August 2021

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Unit 1211, Level 12, Core F
Cyberport 3
100 Cyberport Road,
Cyberport
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as a proxy or, if he/she it has two or more Shares, more than one proxy to attend and vote on his/her/its behalf. A proxy need not be a Shareholder.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting or any adjournment thereof in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
3. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjourned meeting thereof if you so wish. In the event that you attend the Meeting after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at least 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the Meeting, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).
6. Unless otherwise specified in herein, capitalised terms used in this notice shall have the same meaning as those defined in the Circular.