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SHUNLEETAT (BVI) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

CNC HOLDINGS LIMITED
中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

JOINT ANNOUNCEMENT

**(1) ENTERING INTO OF A LEGALLY-BINDING TERM SHEET
IN RESPECT OF**

**(I) THE SALE AND PURCHASE OF
APPROXIMATELY 29.3% OF THE ISSUED SHARE CAPITAL
OF CNC HOLDINGS LIMITED;**

**(II) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF NEW SHARES UNDER SHARE SPECIFIC MANDATE;**

**(III) CONNECTED TRANSACTION IN RELATION TO FIFTH AMENDMENT OF THE
TERMS AND CONDITIONS**

OF THE EXISTING CONVERTIBLE BONDS;

**(IV) CONNECTED TRANSACTION IN RELATION TO
THE ISSUE OF CONVERTIBLE BONDS A UNDER CB SPECIFIC MANDATE A;**

**(V) CONNECTED TRANSACTIONS IN RELATION TO
THE ISSUE OF CONVERTIBLE BONDS B UNDER CB SPECIFIC MANDATE B;**

(2) SPECIAL DEALS;

**(3) POSSIBLE CONDITIONAL MANDATORY CASH OFFER BY ARISTO SECURITIES
LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED
SHARES OF CNC HOLDINGS LIMITED**

**(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY
THE OFFEROR, MR. KAN AND PARTIES ACTING IN CONCERT WITH ANY OF THEM);**

**(4) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND THE
APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER; AND**

(5) CONTINUED SUSPENSION OF TRADING

Financial adviser to the Offeror

MESSIS 大有融資

Offer Agent to the Offeror



Independent financial adviser to the Independent Board Committee



INCUCO Corporate Finance Limited

DEBT RESTRUCTURING PROGRESS

The Company has been proactively working with its legal adviser and financial adviser to assess the current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Company's business and assets. In this regard, the Group has been communicating and constructively engaging with the holder of convertible bonds issued by the Company and creditors of the Company to facilitate the formulation of a consensual debt restructuring proposal.

On 5 September 2023, Mr. Kan, the Vendor and the Company entered into the legally-binding Term Sheet stipulating, among other things, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B. The Directors believe that fresh money provided by the Share Subscription will resolve the liquidity issue of the Company and the transactions contemplated under the Term Sheet are in the interests and long term benefits of all stakeholders.

On 22 December 2023, Mr. Kan, the Vendor and the Company entered into the Supplemental Term Sheet, pursuant to which the parties thereto agreed to amend and supplement certain terms of the Term Sheet in relation to, among others things, the Sale and Purchase Agreement, the Share Subscription Agreement and the terms of the Convertible Bonds.

The formal Sale and Purchase Agreement, the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B to be entered into between the relevant parties may contain supplemental information and additional conditions not covered in the Term Sheet. The Company will make further announcement(s) as and when appropriate.

THE TERM SHEET AND THE SUPPLEMENTAL TERM SHEET

(A) The Acquisition

Pursuant to the Term Sheet which set out the principal terms of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and Mr. Kan has conditionally agreed to acquire a total of 1,188,621,377 Sale Shares, representing approximately 29.3% of the total issued share capital of the Company as at the date of this joint announcement, at a total consideration of HK\$16,640,699, which is equivalent to HK\$0.014 per Sale Share. The Acquisition and the Share Subscription are not inter-conditional.

(B) Share Subscription

Pursuant to the Term Sheet which set out the principal terms of the Share Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Kan has conditionally agreed to subscribe for a total of 1,666,666,667 Subscription Shares at the Share Subscription Price of HK\$0.012 per Subscription Share at a total consideration of HK\$20,000,000.

The gross proceeds from the Share Subscription amount to HK\$20,000,000, while the net proceeds from the Share Subscription, after deducting the related expenses, are estimated to be approximately HK\$19,900,000. The Company intends to apply the net proceeds from the Share Subscription for the repayment of outstanding indebtedness of the Group and for the general working capital of the Group.

The 1,666,666,667 Subscription Shares represent (i) approximately 41.1% of the entire issued share capital of the Company as at the date of this joint announcement; and (ii) approximately 29.1% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Share Subscription Completion.

The Subscription Shares will be allotted and issued under the Share Specific Mandate to be sought from the Independent Shareholders at the EGM. The Share Subscription is conditional upon, among others, (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares; (ii) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Share Subscription Agreement and the transactions contemplated thereunder; and (iii) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision.

(C) Convertible Bonds

As conditions precedent to the completion of the Share Subscription Agreement, the Company is required to (i) enter into the Fifth Supplemental Deed with the Vendor to amend certain terms of the Existing Convertible Bonds; (ii) issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to the Vendor to set off the Overdue Existing CB Interest; and (iii) issue the Convertible Bonds B in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group, details of which are further discussed below in this joint announcement.

The Conversion Shares to be converted under the Convertible Bonds A and the Convertible Bonds B will be allotted and issued respectively under the CB Specific Mandate A and CB Specific Mandate B to be sought from the Independent Shareholders at the EGM. The Fifth Amendment of Terms and the subscriptions of the Convertible Bonds A and the Convertible Bonds B are conditional upon, among others, (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares; (ii) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Fifth Amendment of Terms and the subscriptions of the Convertible Bonds A and the Convertible Bonds B and the respective transactions contemplated thereunder; and (iii) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision.

POSSIBLE CONDITIONAL MANDATORY CASH OFFER

As at the date of this joint announcement, there are 4,055,349,947 Shares in issue. Immediately prior to the Acquisition Completion and the Share Subscription Completion, Mr. Kan is interested in 69,000,000 Shares, representing approximately 1.7% of the entire issued share capital of the Company. As a result of the Acquisition Completion only, Mr. Kan will be interested in 1,257,621,377 Shares, representing approximately 31.0% of the issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, upon the Acquisition Completion only, Mr. Kan is required to make the Share Offer.

As a result of the Share Subscription Completion only, Mr. Kan will be interested in 1,735,666,667 Shares, representing approximately 30.3% of the issued share capital as enlarged by the allotment and issue of the 1,666,666,667 Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Share Subscription Completion. Under Rule 26.1 of the Takeovers Code, upon the Share Subscription Completion only, Mr. Kan is required to make the Share Offer.

The Offeror, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan, will make the Share Offer for such purpose.

Shareholders and potential investors should be aware that the Acquisition and the Share Subscription are not inter-conditional. The Share Offer if made, will be conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares acquired before or during the Share Offer by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company.

As a result of the completion of both the Acquisition and the Share Subscription, shareholding of Mr. Kan will increase to 2,924,288,044 Shares, representing approximately 51.1% of the issued share capital as enlarged by the allotment and issue of the 1,666,666,667 Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Share Subscription Completion. At such time, the Share Offer shall become unconditional as to acceptances.

Principal terms of the Share Offer

Upon the Acquisition Completion and/or the Share Subscription Completion, Aristo Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, will make the Share Offer to acquire all the Offer Shares on terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.014 in cash

The Offer Price of HK\$0.014 is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

For the avoidance of doubt, if either only the Acquisition Completion or the Share Subscription Completion take place, the Share Offer will be made at HK\$0.014 in any event.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. The Company confirms that as at the date of this joint announcement, (a) it has not declared any dividend which is outstanding and not yet paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Share Offer.

The Offeror will not increase the Offer Price. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

Conditions to the Share Offer

The Share Offer if made, will be conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares acquired before or during the Share Offer by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve). The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Share Offer unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Share Offer, as the case may be, in accordance with the Takeovers Code. Pursuant to Rule 15.5 of the Takeovers Code, unless otherwise agreed by the Executive, the latest time at which the Offeror may declare the Share Offer unconditional as to acceptances is 7:00 p.m. (Hong Kong time) on the Extended Closing Date (or such later date to which the Executive may consent).

As at the date of this joint announcement, the Company has not issued any share options under the Share Option Scheme. The Directors confirm that other than the Existing Convertible Bonds held by the Vendor, the Company does not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares.

Value of the Share Offer

As at the date of this joint announcement, the Company has 4,055,349,947 Shares in issue. On the basis of the Offer Price being HK\$0.014 per Offer Share, the total issued share capital of the Company would be valued at approximately HK\$56,774,899.

Assuming only the Acquisition Completion takes place and no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Share Offer, 2,797,728,570 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$39,168,200, based on the Offer Price of HK\$0.014 per Offer Share.

Assuming only the Share Subscription Completion takes place and no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Share Offer, 3,986,349,947 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$55,808,899, based on the Offer Price of HK\$0.014 per Offer Share.

Assuming both the Acquisition Completion and the Share Subscription Completion takes place and no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) from the date of this joint announcement up to the close of the Share Offer, 2,797,728,570 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$39,168,200, based on the Offer Price of HK\$0.014 per Offer Share.

Financial resources

The Offeror intends to finance the cash amounts required for the Share Offer by its own resources. Messis Capital Limited, being the financial adviser to the Offeror in relation to the Share Offer, is satisfied that sufficient financial resources are and will remain available to the Offeror for discharging its payment obligations upon full acceptance of the Share Offer.

THE IRREVOCABLE UNDERTAKING

Rule 13 of the Takeovers Code requires that the Offeror must make an appropriate offer or proposal to the holders of the convertible securities to ensure that their interests are safeguarded.

On 5 September 2023, the Vendor, being holder of the Existing Convertible Bonds as at the date of this joint announcement, has given the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror, amongst others, that (i) it will not exercise any of the conversion rights attaching to the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B) before the close of the Share Offer; (ii) it will not accept any offer (if any) to be made by the Offeror in respect of the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B); and (iii) it will not deal with, pledge, transfer or take any other action to make the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B) held by it available for acceptance under any offer (if any) to be made by the Offeror in respect of the Existing Convertible Bonds (or any other convertible securities that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B).

In the light of the Irrevocable Undertaking, no offer will be made by the Offeror in respect of the Convertible Bonds as all the Convertible Bonds are held by the Vendor upon the Acquisition Completion and/or the Share Subscription Completion.

SPECIAL DEALS

The Company intends to apply part of the net proceeds from the Share Subscription of approximately HK\$10.4 million to repay (i) the outstanding amount due to Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor; and (ii) part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group. The Company will also, pursuant to the Term Sheet, (i) enter into the Fifth Supplemental Deed with the Vendor to amend certain terms of the Existing Convertible Bonds; (ii) issue the Convertible Bonds A to the Vendor to set off the Overdue Existing CB Interest; and (iii) issue the Convertible Bonds B to set off the outstanding broadcasting fee owed to the Vendor as a service provider to the Group which will remain unsettled by the proceeds from the Share Subscription. As at the date of this joint announcement, the Vendor is a substantial Shareholder interested in 1,188,621,377 Shares, representing approximately 29.3% of the total issued share capital of the Company and the holder of the Existing Convertible Bonds.

As (i) the repayment of amount due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor, are not capable of being extended to all the other Shareholders because the Company is not indebted to the other Shareholders, these arrangements shall constitute Special Deals under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders at the EGM. An application will be made by the Company to the Executive for its consent to the Special Deals pursuant to Note 5 to Rule 25 of the Takeovers Code.

GEM LISTING RULES IMPLICATIONS

(i) Share Subscription

Mr. Kan is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

(ii) Convertible Bonds

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Fifth Amendment of Terms contemplated under the Fifth Supplemental Deed pursuant to Rule 34.05 of the GEM Listing Rules.

The Vendor is a substantial Shareholder and therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the (i) the entering into of Fifth Supplemental Deed with the Vendor; and (ii) the issue of the Convertible Bonds A and Convertible Bonds B to the Vendor, constitute connected transactions on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EGM TO CONSIDER THE RELEVANT TRANSACTIONS

The EGM will be convened for the purpose of considering, and if thought fit, approving, among other matters:

- (A) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares);
- (B) the Fifth Supplemental Deed and the transactions contemplated thereunder;
- (C) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A);
- (D) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B); and
- (E) the Special Deals.

The voting at the EGM will be conducted by way of poll. Except for (i) Mr. Kan who is an executive Director and a Shareholder; (ii) the Vendor who is a substantial Shareholder and the holder of the Existing Convertible Bonds; and (iii) parties acting and presumed to be acting in concert with each of Mr. Kan and the Vendor, none of the Shareholders and their respective close associates has any material interest in the Relevant Transactions and no Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Relevant Transactions at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Takeovers Code and the GEM Listing Rules, the Independent Board Committee, comprising Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.*, each of whom being a non-executive Director, was established by the Company to advise the Independent Shareholders in relation to (i) the terms of the Relevant Transactions and as to voting; and (ii) the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer.

Ms. Tang Li, being a non-executive Director as well as an existing director of the Vendor, is considered to have conflict of interest in advising on the terms of the Relevant Transactions and the Share Offer, and therefore has not been appointed as a member of the Independent Board Committee.

With the approval of the Independent Board Committee, INCU Corporate Finance Limited has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the terms of the Relevant Transactions and as to voting; and (ii) the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer.

GENERAL

A circular containing, among other things, details of (i) the Relevant Transactions; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Relevant Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Relevant Transactions; and (iv) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

The Offeror and the Company intend to combine the offer document and the offeree board circular into the Composite Document which contains amongst others, details of the Share Offer, accompanied by the Form of Acceptance, and incorporating the recommendation from the Independent Board Committee and the advice letter from the Independent Financial Adviser in respect of the Share Offer.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be posted no later than 21 days after the date of this joint announcement or such later date as the Executive may approve in accordance with the Takeovers Code.

As the making of the Share Offer is conditional on the Acquisition Completion and/or the Share Subscription Completion which is expected to take place on or after 15 February 2024, an application will be made to seek for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document. Further announcement(s) will be made when the Composite Document is despatched. Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Share Offer, before deciding whether or not to accept the Share Offer.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 15 August 2022, and will remain suspended until the Company fulfills the Resumption Guidance and the Additional Resumption Guidance. As disclosed in the announcement of the Company dated 5 September 2023, pursuant to a letter dated 25 August 2023 from the Stock Exchange, the GEM Listing Committee has informed the Company of the Delisting Decision to cancel the Company's listing under Rule 9.14A of the GEM Listing Rules. Further, as disclosed in the announcement of the Company dated 18 December 2023, after carefully considered all the facts and evidence and submissions presented at the review hearing held on 24 November 2023, the GEM Listing Review Committee decided to overturn the Delisting Decision and instead grant an extension of the remedial period to 29 February 2024 for the Company to demonstrate compliance with the remaining condition to be fulfilled. The Company will make further announcement(s) to keep the Shareholders and potential investors of the Company informed of any progress as and when appropriate and will announce quarterly updates on its development in accordance with Rule 17.26A of the GEM Listing Rules.

WARNING

Shareholders and potential investors of the Company should take note that (a) the legally-binding Term Sheet only set out, among other things, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B; and (b) the formal Sale and Purchase Agreement, the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B to be entered into between the relevant parties may contain supplemental information and additional conditions not covered in the Term Sheet, all of which and the respective transactions contemplated thereunder are subject to the fulfilment or waiver, as the case may be, of conditions set out therein. As such, the Acquisition, the Share Subscription, the Fifth Amendment of Terms and the issue of the Convertible Bonds may or may not proceed. The Company will make further announcement(s) regarding the entering into of formal Sale and Purchase Agreement, the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B as and when appropriate.

The Share Offer will be made only if the Acquisition Completion and/or the Share Subscription Completion takes place. Accordingly, the Share Offer may or may not be made. The issue of this joint announcement does not in any way imply that the Share Offer will be made.

The Acquisition and the Share Subscription are not inter-conditional. If the total number of the Offer Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve) under the Share Offer, together with the Shares acquired by the Offeror or parties acting in concert with it before or during the Share Offer, does not result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Share Offer will not become unconditional and will lapse.

In the event that both the Acquisition Completion and the Share Subscription Completion take place, and assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Completion, the Share Offer shall become unconditional as to acceptances.

The Directors make no recommendation as to the fairness or reasonableness of the Share Offer or as to the acceptance of the Share Offer in this joint announcement, and strongly recommend the Independent Shareholders not to form a view on the Share Offer unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Share Offer and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer.

Shareholders and potential investors of the Company are (i) reminded to monitor the announcements to be made by the Company or jointly by the Offeror and the Company in respect of the progress of the Share Offer; and (ii) advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEBT RESTRUCTURING PROGRESS

The Company has been proactively working with its legal adviser and financial adviser to assess the current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Company's business and assets. In this regard, the Group has been communicating and constructively engaging with the holder of convertible bonds issued by the Company and creditors of the Company to facilitate the formulation of a consensual debt restructuring proposal.

As at the date of this joint announcement, the Group is indebted to (i) Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, in the amount of HK\$2,008,844; (ii) the Vendor in the amount of HK\$24,586,856, being the outstanding broadcasting fee owed to the Vendor as a service provider to the Group; and (iii) other independent third parties in the amount of approximately HK\$30.8 million. The Company plans to settle part of the outstanding indebtedness by (i) utilising the fresh money provided by the Share Subscription; and (ii) issuing Convertible Bonds A and Convertible Bonds B.

On 5 September 2023, Mr. Kan, the Vendor and the Company entered into the legally-binding Term Sheet stipulating, among other things, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B. The Directors believe that fresh money provided by the Share Subscription will resolve the liquidity issue of the Company and the transactions contemplated under the Term Sheet are in the interests and long term benefits of all stakeholders.

On 22 December 2023, Mr. Kan, the Vendor and the Company entered into the Supplemental Term Sheet, pursuant to which the parties thereto agreed to amend and supplement certain terms of the Term Sheet in relation to, among others things, the Sale and Purchase Agreement, the Share Subscription Agreement and the terms of the Convertible Bonds.

The formal Sale and Purchase Agreement, the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B to be entered into between the relevant parties may contain supplemental information and additional conditions not covered in the Term Sheet. The formal Sale and Purchase Agreement, the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B are expected to be entered into between the relevant parties shortly after this joint announcement. The Company will make further announcement(s) as and when appropriate.

THE TERM SHEET AND THE SUPPLEMENTAL TERM SHEET

The principal terms of the Term Sheet (as amended and supplemented by the Supplemental Term Sheet) are summarised below:

Date: 5 September 2023 (Term Sheet)

22 December 2023 (Supplemental Term Sheet)

- Parties:
- (1) The Company;
 - (2) Mr. Kan; and
 - (3) The Vendor

(A) The Acquisition

Subject matter of the Sale and Purchase Agreement

Pursuant to the Term Sheet which set out the principal terms of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and Mr. Kan has conditionally agreed to acquire a total of 1,188,621,377 Sale Shares, representing approximately 29.3% of the total issued share capital of the Company as at the date of this joint announcement.

Consideration

The total consideration of the Sale Shares is HK\$16,640,699, which is equivalent to HK\$0.014 per Sale Share. The consideration has been agreed between Mr. Kan and the Vendor after arm's length negotiations and having taken into account, among others, (i) the Company's historical share prices performance traded on the Stock Exchange before suspension of trading; (ii) the prolonged suspension of trading of the Shares on the Stock Exchange; and (iii) the historical financial performance of the Group. The consideration shall be payable by Mr. Kan to the Vendor in cash (in HK\$ or the equivalent amount in RMB at the closing exchange rate on the Acquisition Completion Date published on the website of the People's Bank of China and authorised by the China Foreign Exchange Trade System) on the Acquisition Completion Date .

Conditions precedent of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Vendor having obtained all necessary consents and approvals, which represent approvals from 中華人民共和國財政部 (the Ministry of Finance of the People's Republic of China[#]) and 新華通訊社 (Xinhua News Agency[#]), regarding the Sale and Purchase Agreement and the transactions contemplated thereunder;

- (ii) the passing of the necessary resolution(s) by the shareholders of the parent company of the Vendor at an extraordinary general meeting to be held and convened by the parent company of the Vendor to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) the Shares remaining listed on the Stock Exchange at Acquisition Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Acquisition Completion;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision; and
- (v) the representations and warranties given by the Vendor under the Sale and Purchase Agreement remaining true, accurate and complete and not misleading in all material respects.

For the avoidance of doubt, except for condition (v) above which can be waived by Mr. Kan, all other conditions are incapable of being waived.

As at the date of this joint announcement, save for condition (iv) above, none of the Acquisition Conditions have been fulfilled.

Acquisition Completion

Subject to the fulfilment or waiver (as the case may be) of all the conditions precedent to the Sale and Purchase Agreement, the Acquisition Completion shall take place on 15 February 2024 (or such later date as may be agreed between Mr. Kan and the Vendor) at such place as agreed by Mr. Kan and the Vendor. The Acquisition and the Share Subscription are not inter-conditional.

Upon the Acquisition Completion, the Vendor shall, among others:

- (i) deliver to Mr. Kan, among other things, written resignation from each of the Directors (the “**Resigning Directors**”) (save for Mr. Kan and such Director(s) as nominated by the Offeror) resigning from his/her positions as director of the Company and/or its subsidiaries (the “**Relevant Subsidiaries**”) with effect from the earliest date and time permitted under the Takeovers Code and in such form as approved by Mr. Kan; and

- (ii) procure the board of directors of the Company and the Relevant Subsidiaries to:
 - (a) accept the resignations of the Resigning Directors and approve the appointment of such person(s) nominated by the Offeror as director(s) with effect from the earliest date and time permitted under the Takeovers Code; and
 - (b) change all specimen signatures of the bank accounts of the Company and the Relevant Subsidiaries as requested by the Mr. Kan.

As at the date of this joint announcement, Mr. Kan and the Vendor are in the course of finalising the definitive terms of the Sale and Purchase Agreement. Further announcement(s) containing, among others, details of the Sale and Purchase Agreement, will be jointly made by the Company and the Offeror as and when appropriate.

(B) Share Subscription

Subject matter of the Share Subscription Agreement

Pursuant to the Term Sheet which set out the principal terms of the Share Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Kan has conditionally agreed to subscribe for a total of 1,666,666,667 Subscription Shares at the Share Subscription Price of HK\$0.012 per Subscription Share at a total consideration of approximately HK\$20,000,000.

As at the date of this joint announcement, there are 4,055,349,947 Shares in issue. The Subscription Shares represent (i) approximately 41.1% of the entire issued share capital of the Company as at the date of this joint announcement; and (ii) approximately 29.1% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Share Subscription Completion.

Subscription Price

The Subscription Price of HK\$0.012 per Subscription Share represents:

- the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day;

- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 14.3% to the average closing price of approximately HK\$0.014 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 7.7% to the average closing price of approximately HK\$0.013 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Day; and
- the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Day.

As the Company recorded consolidated net liabilities as at 30 September 2023 as shown in the interim report of the Company for the six months ended 30 September 2023 which is the latest published financial statements of the Company, the comparison of the Subscription Price with the net asset value of the Company is not applicable.

The Subscription Price was determined after arm's length negotiations between the Company and Mr. Kan with reference to (i) the Company's historical share prices performance traded on the Stock Exchange before suspension of trading; and (ii) the historical financial performance of the Group.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions precedent of the Share Subscription Agreement

Completion of the Share Subscription Agreement is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the Subscription Shares;
- (ii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the Share Subscription Agreement and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Share Subscription Agreement and the transactions contemplated thereunder;
- (iv) the Shares remaining listed and traded on the Stock Exchange at Share Subscription Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Share Subscription Completion;
- (v) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (vi) the representations and warranties given by the Company under the Share Subscription Agreement remaining true, accurate and complete and not misleading in all material respects;
- (vii) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (viii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Existing CB Interest Shares;
- (ix) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);

- (x) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;
- (xi) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (xii) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Share Subscription Agreement to become unconditional);
- (xiii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B; and
- (xiv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B.

For the avoidance of doubt, except for condition (vi) above which can be waived by Mr. Kan, all other conditions are incapable of being waived. As at the date of this joint announcement, save for condition (v) above, none of the Share Subscription Conditions have been fulfilled.

Share Subscription Completion

The Share Subscription Completion shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the Share Subscription Agreement (or such later date as may be agreed between Mr. Kan and the Company) at the principal place of business of the Company or such other place as may be agreed between Mr. Kan and the Company.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

As at the date of this joint announcement, the Company and Mr. Kan are in the course of finalising the definitive terms of the Share Subscription Agreement. Further announcement(s) containing, among others, details of the Share Subscription Agreement, will be jointly made by the Company and the Offeror as and when appropriate.

Share Specific Mandate

The Subscription Shares will be allotted and issued under the Share Specific Mandate to be sought from the Independent Shareholders at the EGM. An application will be made by the Company to the GEM Listing Committee of the Stock Exchange or the listing of, and permission to deal in, the Subscription Shares.

Reasons for the Share Subscription and use of proceeds

The Company has been proactively working with its legal adviser and financial adviser to assess the current financial and operational conditions with a view to formulating a solution that respects the rights of all stakeholders and unlocks the inherent value of the Company's business and assets.

As at the date of this joint announcement, the Group is indebted to (i) Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, in the amount of HK\$2,008,844; (ii) the Vendor in the amount of HK\$24,586,856, being the outstanding broadcasting fee owed to the Vendor as a service provider to the Group; and (iii) other independent third parties in the amount of approximately HK\$30.8 million. The Company plans to settle part of the outstanding indebtedness by (i) utilising the fresh money provided by the Share Subscription; and (ii) issuing the Convertible Bonds A and Convertible Bonds B. The Directors believe that fresh money provided by the Offeror will resolve the liquidity issue of the Company and the Share Subscription is in the interests and long term benefits of all stakeholders.

The Board has considered various fund raising methods including long term bank borrowing, placement of Shares to independent third parties, rights issue, open offer. In respect of long-term bank borrowings of meaningful loan size, the Company was given to understand that commercial banks generally requested for the provision of collateral to fortify the loan, which the Company was unable to give. In addition, the Group would have to bear significant interest expenses if it is to take out a loan of meaningful size, which runs against the whole purpose of reducing financial costs of the Group to alleviate the Company's loss-making and net liabilities situation. As regards equity fund raising exercises (such as placement of the Shares to independent third parties, rights issue and/or open offer), the Company has approached several securities brokerage firms regarding the possibility and feasibility of acting as placing agent or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3% to 8% based on the fund raising size, and a significant discount on the placing/subscription price so as to increase the attractiveness of the equity fund raising exercise. In addition, any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition.

Having considered that (i) the prolonged suspension of trading in the Shares and the restrictions of the alternative fund raising methods as discussed above; (ii) only Mr. Kan expressed his willingness to subscribe for the Subscription Shares at the Subscription Price which represents the closing price as quoted on the Stock Exchange as at the Last Trading Day; and (iii) the Share Subscription enables the Company to raise a meaningful size of proceeds which matches its capital needs and helps resolve the Company's liquidity issue, the Board (excluding Mr. Kan, being an executive Director and Ms. Tang Li, being a non-executive Director and a director of the Vendor, each of whom has an interest in and has abstained from voting on the Share Subscription at the relevant board meeting) considers that the Share Subscription is the most expedient and feasible way to raise sufficient fund to satisfy the Group's funding needs.

The gross proceeds from the Share Subscription amount to HK\$20,000,000, while the net proceeds from the Share Subscription, after deducting the related expenses, are estimated to be approximately HK\$19,900,000. The Company intends to apply the net proceeds from the Share Subscription (a) as to HK\$10,355,700 for the repayment of its outstanding indebtedness of the Group which includes (i) an amount due to Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor, of HK\$2,008,844; and (ii) part of outstanding broadcasting fee owed to the Vendor as a service provider to the Group amounting to HK\$8,346,856; and (b) the remaining amount of approximately HK\$9,500,000 for the general working capital of the Group.

Equity fund raising activities of the Company in the past twelve months

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this joint announcement.

(C) Convertible Bonds

As conditions precedent to the completion of the Share Subscription Agreement, the Company is required to (i) enter into the Fifth Supplemental Deed with the Vendor to amend certain terms of Existing Convertible Bonds; (ii) issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to set off the outstanding interests payable by the Company to the Vendor as a holder of the Existing Convertible Bonds; and (iii) issue the Convertible Bonds B in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group.

(i) *The Fifth Supplemental Deed*

Apart from the Fifth Amendment of Terms, all other terms of the Existing Convertible Bonds will remain unchanged.

Assuming that (i) there will be no change in the issued share capital of the Company from the date of this joint announcement and up to the maturity date of the Existing Convertible Bonds as extended by the Fifth Supplemental Deed; (ii) the Existing Convertible Bonds are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the interest accrued and to be accrued from 10 December 2021 to 9 December 2025 (both days inclusive) of approximately HK\$8,224,967 are settled by the issue of the New Existing CB Interest Shares at the issue price of HK\$0.196 per New Existing CB Interest Share, a total number of 1,353,342,738 new Shares, comprising of 1,311,378,622 Conversion Shares and 41,964,116 New Existing CB Interest Shares, will be allotted and issued, representing approximately 33.4% of the issued share capital of the Company as at the date of this joint announcement and approximately 25.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,353,342,738 new Shares.

The Fifth Amendment of Terms is subject to the following conditions:

- (i) the Stock Exchange having approved the Fifth Amendment of Terms;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in the New Existing CB Interest Shares;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the Fifth Supplemental Deed and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Fifth Supplemental Deed and the transactions contemplated thereunder;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;

- (vi) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (vii) the representations and warranties given by the Company under the Fifth Supplemental Deed remaining true, accurate and complete and not misleading in all material respects;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (ix) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares;
- (x) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (xi) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;
- (xii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (xiii) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the Fifth Supplemental Deed to become unconditional);
- (xiv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B; and
- (xv) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B.

As at the date of this joint announcement, save for condition (vi) above, none of the conditions have been fulfilled.

The principal terms of the Existing Convertible Bonds to be amended pursuant to the Fifth Supplemental Deed are summarised as follows:

Outstanding principal amount: HK\$257,030,210

Maturity: The maturity date of the Existing Convertible Bonds shall be extended to the Fifth Extended Maturity Date, being 9 December 2025.

Interest rate: With effect from 10 December 2021 (being the day after the existing maturity date of the Existing Convertible Bonds), the interest rate of the Existing Convertible Bonds shall be retrospectively reduced from 3% to 0.8% per annum.

Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest accrued from 10 December 2021 shall be settled by the Company on the Fifth Extended Maturity Date by way of allotting and issuing to the holder of the Existing Convertible Bonds such number of new Shares (the “**New Existing CB Interest Share(s)**”) of value equivalent to the total amount of interests accrued from 10 December 2021 to 9 December 2025 (both days inclusive) at the issue price of HK\$0.196 per New Existing CB Interest Share, which represents the Conversion Price of HK\$0.196 per Conversion Share to be converted under the Existing Convertible Bonds, or such other methods as may be agreed between the Company and the holder of the Existing Convertible Bonds.

Conversion period: Holder of the Existing Convertible Bonds shall not convert all or part of the Existing Convertible Bonds into Conversion Shares prior to the Fifth Extended Maturity Date.

Redemption: Holder of the Existing Convertible Bonds shall not wind up the Company or request the Existing Convertible Bonds be redeemed by the Company prior to the Fifth Extended Maturity Date.

Transferability: Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Existing Convertible Bonds is entitled to transfer the Existing Convertible Bonds to any other person.

Mandatory conversion: Subject to the conversion restriction as set out in the terms and conditions of the Existing Convertible Bonds, the holder of the Existing Convertible Bonds (or its successor or transferee) shall on the Fifth Extended Maturity Date, mandatorily convert all of the outstanding principal amount of the Existing Convertible Bonds into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Fifth Extended Maturity Date and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Existing Convertible Bonds or its nominee shall become the legal beneficial owner of the Conversion Shares.

The Fifth Supplemental Deed shall become effective within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent as set out therein. As at the date of this joint announcement, the Company and the Vendor are in the course of finalising the definitive terms of the Fifth Supplemental Deed. Further announcement(s) containing, among others, details of the Fifth Supplemental Deed, will be made by the Company as and when appropriate.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

(ii) Convertible Bonds A

As at 9 December 2021, being the existing maturity date of the Existing Convertible Bonds, the total amount of interest payable by the Company to the Vendor amounted to HK\$64,127,855 (the “**Overdue Existing CB Interest**”) pursuant to the terms and conditions of the Existing Convertible Bonds. As part of the debt restructuring proposal, the Company is required to issue the Convertible Bonds A in the principal amount of HK\$64,127,855 to the Vendor to set off the Overdue Existing CB Interest.

Assuming that (i) there will be no change in the issued share capital of the Company from the date of this joint announcement and up to the Maturity Date (A); (ii) the Convertible Bonds A are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the Convertible Bonds A has been issued and the interest accrued and to be accrued from 10 December 2023 to 9 December 2025 (both days inclusive) of approximately HK\$1,026,046 are settled by the issue of the CB Interest Shares A at the issue price of HK\$0.196 per CB Interest Share A, a total number of 332,417,860 new Shares, comprising of 327,182,933 Conversion Shares and 5,234,927 CB Interest Shares A, will be allotted and issued, representing approximately 8.2% of the issued share capital of the Company as at the date of this joint announcement and approximately 7.6% of the issued share capital of the Company as enlarged by the allotment and issue of the 332,417,860 new Shares.

Set out below are the principal terms of the CB Subscription Agreement A:

Parties	(i) The Company (as issuer); and (ii) the Vendor (as subscriber).
Subscription of Convertible Bonds A	The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond A in the principal amount of HK\$64,127,855 due on 9 December 2025 at the initial Conversion Price of HK\$0.196 per Conversion Share (subject to adjustments upon the consolidation or sub-division of Shares).
Conditions precedent	Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions: (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds A;

- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares A;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the CB Subscription Agreement A and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the representations and warranties given by the Company and the Vendor under the CB Subscription Agreement A remaining true, accurate and complete and not misleading in all material respects;
- (vii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the CB Subscription Agreement A and the transactions contemplated thereunder, including the CB Specific Mandate A for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A;
- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional);

- (ix) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional); and
- (x) the CB Subscription Agreement B having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement A to become unconditional).

As at the date of this joint announcement, save for condition (iv) above, none of the conditions have been fulfilled.

Completion

Completion of the subscription of Convertible Bonds A shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the CB Subscription Agreement A (or such later date as may be agreed between the Company and the Vendor) at the principal place of business of the Company or such other place as may be agreed between the Company and the Vendor.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The principal terms of the Convertible Bonds A are summarised as follows:

Principal amount:	HK\$64,127,855
Maturity Date (A):	9 December 2025
Interest rate:	0.8% per annum

Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest payable under the Convertible Bonds A shall be settled by the Company on the Maturity Date (A) by way of allotting and issuing to the holder of the Convertible Bonds A such number of new Shares (the “**CB Interest Share(s) A**”) of value equivalent to the total outstanding amount of interests at the issue price of HK\$0.196 per CB Interest Share A, which represents the Conversion Price of HK\$0.196 per Conversion Share to be converted under the Convertible Bonds A, or such other methods as may be agreed between the Company and the holder of the Convertible Bonds A.

- Conversion Price: HK\$0.196 per Conversion Share
- Conversion period: Holder of the Convertible Bonds A shall not convert all or part of the Convertible Bonds A into Conversion Shares prior to the Maturity Date (A).
- Redemption: Holder of the Convertible Bonds A shall not wind up the Company or request the Convertible Bonds A be redeemed by the Company prior to the Maturity Date (A).
- Transferability: Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Convertible Bonds A is entitled to transfer the Convertible Bonds A to any other person.
- Mandatory conversion: Subject to the conversion restriction as set out in the terms and conditions of the Convertible Bonds A, the Vendor (or its successor or transferee) shall on the Maturity Date (A), mandatorily convert all of the outstanding principal amount of the Convertible Bonds A into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Maturity Date (A) (including updating the register of members of the Company) and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Convertible Bonds A or its nominee shall become the legal beneficial owner of the Conversion Shares.

As at the date of this joint announcement, the Company and the Vendor are in the course of finalising the definitive terms of the CB Subscription Agreement A. Further announcement(s) containing, among others, details of the CB Subscription Agreement A, will be made by the Company as and when appropriate.

(iii) Convertible Bonds B

As at the date of this joint announcement, the outstanding broadcasting fee owed to the Vendor amounting to HK\$24,586,856 of which HK\$8,346,856 will be partly settled by net proceeds from the Share Subscription as discussed in section headed “(B) Share Subscription – Reasons for the Share Subscription and use of proceeds” above. The remaining balance will be set off by the issue of the Convertible Bonds B in the principal amount of HK\$16,240,000.

Assuming that (i) there will be no change in the issued share capital of the Company from the date of this joint announcement and up to the Maturity Date (B); (ii) the Convertible Bonds B are mandatorily converted in full at the Conversion Price of HK\$0.196; and (iii) the Convertible Bonds B has been issued and the interest accrued and to be accrued from 10 December 2023 to 9 December 2025 (both days inclusive) of approximately HK\$259,840 are settled by the issue of the CB Interest Shares B at the issue price of HK\$0.196 per CB Interest Share B, a total number of 84,182,856 new Shares, comprising of 82,857,142 Conversion Shares and 1,325,714 CB Interest Shares B, will be allotted and issued, representing approximately 2.1% of the issued share capital of the Company as at the date of this joint announcement and approximately 2.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 84,182,856 new Shares.

Set out below are the principal terms of the CB Subscription Agreement B:

Parties	(i) The Company (as issuer); and (ii) the Vendor (as subscriber).
Subscription of Convertible Bonds B	The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bond B in the principal amount of HK\$16,240,000 due on 9 December 2025 at the initial Conversion Price of HK\$0.196 per Conversion Share (subject to adjustments upon the consolidation or subdivision of Shares).
Conditions precedent	Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares to be converted under the Convertible Bonds B;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the CB Interest Shares B;
- (iii) the Company having obtained all necessary consents and approvals which include (a) consent of the Executive in relation to the repayment of indebtedness, that constitute Special Deals under Rule 25 of the Takeovers Code; and (b) compliance of any other requirements imposed by the Stock Exchange and/or the SFC regarding the CB Subscription Agreement B and transactions contemplated thereunder, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- (iv) the GEM Listing Review Committee of the Stock Exchange having overturned the Delisting Decision;
- (v) the Shares remaining listed and traded on the Stock Exchange at Completion and there being no notification or indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will be, for whatever reasons, revoked prior to the Completion;
- (vi) the representations and warranties given by the Company and the Vendor under the CB Subscription Agreement B remaining true, accurate and complete and not misleading in all material respects;
- (vii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the CB Subscription Agreement B and the transactions contemplated thereunder, including the CB Specific Mandate B for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B;

- (viii) the Share Subscription Agreement having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional);
- (ix) the Fifth Supplemental Deed having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional); and
- (x) the CB Subscription Agreement A having become unconditional in all respects in accordance with the terms and conditions set out therein (save for the condition for the CB Subscription Agreement B to become unconditional).

As at the date of this joint announcement, save for condition (iv) above, none of the conditions have been fulfilled.

Completion

Completion of the subscription of Convertible Bonds B shall take place within fifteen (15) business days after the fulfilment or waiver (as the case may be) of all the conditions precedent to the CB Subscription Agreement B (or such later date as may be agreed between the Company and the Vendor) at the principal place of business of the Company or such other place as may be agreed between the Company and the Vendor.

The Share Subscription, Fifth Amendment of Terms, subscription of Convertible Bonds A and subscription of Convertible Bonds B are inter-conditional and the completion of which shall take place simultaneously.

The principal terms of the Convertible Bonds B are summarised as follows:

Principal amount: HK\$16,240,000

Maturity Date (B): 9 December 2025

Interest rate: 0.8% per annum

Subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares herein provided, the interest payable under the Convertible Bonds B shall be settled by the Company on the Maturity Date (B) by way of allotting and issuing to the holder of the Convertible Bonds B such number of new Shares (the “**CB Interest Share(s) B**”) of value equivalent to the total outstanding amount of interests at the issue price of HK\$0.196 per CB Interest Share B, which represents the Conversion Price of HK\$0.196 per Conversion Share.

- Conversion Price: HK\$0.196 per Conversion Share
- Conversion period: Holder of the Convertible Bonds B shall not convert all or part of the Convertible Bonds B into Conversion Shares prior to the Maturity Date (B).
- Redemption: Holders of the Convertible Bonds B shall not wind up the Company or request the Convertible Bonds B be redeemed by the Company prior to the Maturity Date (B).
- Transferability: Subject to the GEM Listing Rules (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable rules and regulations, the holder of the Convertible Bonds B is entitled to transfer the Convertible Bonds B to any other person.
- Mandatory conversion: Subject to the conversion restriction as set out in the terms and conditions of the Convertible Bonds B, the Vendor (or its successor or transferee) shall on the Maturity Date (B), mandatorily convert all of the outstanding principal amount of the Convertible Bonds B into the Conversion Shares at the Conversion Price of HK\$0.196 per Conversion Share. Such conversion shall be completed within three (3) months after the Maturity Date (B) (including updating the register of members of the Company) and the Company shall comply with all necessary regulations and procedures to ensure effective conversion and that the holder of the Convertible Bonds B or its nominee shall become the legal beneficial owner of the Conversion Shares.

Completion of the CB Subscription Agreement B shall take place after the fulfilment or waiver (as the case may be) of all the conditions precedent set out therein. As at the date of this joint announcement, the Company and the Vendor are in the course of finalising the definitive terms of the CB Subscription Agreement B. Further announcement(s) containing, among others, details of the CB Subscription Agreement B, will be made by the Company as and when appropriate.

Conversion Price

The Conversion Price of HK\$0.196 per Conversion Share represents:

- a premium of approximately 1533.3% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- a premium of approximately 1533.3% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, is the same as the existing conversion price of HK\$0.196 per Conversion Share of the Existing Convertible Bonds and with a view to relieve the financial burden of the Company. The Directors (excluding (i) Mr. Kan, being an executive Director who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; (ii) Ms. Tang Li, being a non-executive Director and a director of the Vendor who is interested in and has abstained from voting on the Relevant Transactions at the relevant board meeting; and (iii) the members of the Independent Board Committee whose views are to be included in the circular to be despatched by the Company, after being advised by the Independent Financial Adviser) consider that the Conversion Price and the terms and conditions of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares to be converted under the Convertible Bonds A and the Convertible Bonds B will be allotted and issued respectively under the CB Specific Mandate A and CB Specific Mandate B to be sought from the Independent Shareholders at the EGM.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this joint announcement; (ii) immediately after the Acquisition Completion only; (iii) immediately after the Share Subscription Completion only; (iv) immediately after the Acquisition Completion and the Share Subscription Completion; and (v) immediately after (a) the Acquisition Completion and the Share Subscription Completion; (b) full conversion of the Convertible Bonds; and (c) allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B:

Shareholders	As at the date of this joint announcement		Immediately after the Acquisition Completion only		Immediately after the Share Subscription Completion only		Immediately after the Acquisition Completion and the Share Subscription Completion		Immediately after (a) the Acquisition Completion and the Share Subscription Completion; (b) full conversion of the Convertible Bonds; and (c) allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror and parties acting in concert with it										
– The Offeror	-	-	-	-	-	-	-	-	-	-
– Mr. Kan	69,000,000	1.7	1,257,621,377	31.0	1,735,666,667	30.3	2,924,288,044 (Note 1)	51.1	2,924,288,044 (Note 1)	39.1
The Vendor (Note 2 & 3)	1,188,621,377	29.3	-	-	1,188,621,377	20.8	-	-	1,769,943,454 (Note 4)	23.6
Public Shareholders	2,797,728,570	69.0	2,797,728,570	69.0	2,797,728,570	48.9	2,797,728,570	48.9	2,797,728,570	37.3
Total	<u>4,055,349,947</u>	<u>100.0</u>	<u>4,055,349,947</u>	<u>100.0</u>	<u>5,722,016,614</u>	<u>100.0</u>	<u>5,722,016,614</u>	<u>100.0</u>	<u>7,491,960,068</u>	<u>100.0</u>

Notes:

- Subject to the completion of (i) the Acquisition of 1,188,621,377 Shares from the Vendor; and (ii) the subscription of 1,666,666,667 Shares in the Share Subscription, Mr. Kan, together with parties acting in concert with him, will be beneficially interested in 2,924,288,044 Shares, representing approximately 51.1% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.
- As at the date of this joint announcement, the Vendor is the holder of the Existing Convertible Bonds in the outstanding principal amount of HK\$257,030,210.
- Upon the issue of the Convertible Bonds A and Convertible Bonds B, the Vendor will be the holder of (i) the Existing Convertible Bonds in the outstanding principal amount of HK\$257,030,210; (ii) the Convertible Bond A in the principal amount of HK\$64,127,855; and (iii) the Convertible Bond B in the principal amount of HK\$16,240,000. Pursuant to the terms and conditions of the Convertible Bonds, the Vendor is not entitled to exercise the relevant conversion right prior to the respective maturity dates.

4. For illustrative purpose, upon (i) the mandatory conversion of the Convertible Bonds in accordance with the terms and conditions of the respective agreements; and (ii) the allotment and issue of the New Existing CB Interest Shares, CB Interest Shares A and CB Interest Shares B, the Vendor will be beneficially interested in 1,769,943,454 Shares, comprising of (i) 1,311,378,622 Conversion Shares to be converted under the Existing Convertible Bonds; (ii) 327,182,933 Conversion Shares to be converted under the Convertible Bonds A; (iii) 82,857,142 Conversion Shares to be converted under the Convertible Bonds B; (iv) 41,964,116 New Existing CB Interest Shares; (v) 5,234,927 CB Interest Shares A; and (vi) 1,325,714 CB Interest Shares B.
5. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

GEM LISTING RULES IMPLICATIONS

(i) Share Subscription

Mr. Kan is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

(ii) Convertible Bonds

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Fifth Amendment of Terms contemplated under the Fifth Supplemental Deed pursuant to Rule 34.05 of the GEM Listing Rules.

The Vendor is a substantial Shareholder and therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the (i) entering into of Fifth Supplemental Deed with the Vendor; and (ii) the issue of the Convertible Bonds A and Convertible Bonds B to the Vendor, constitute connected transactions on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

TAKEOVERS CODE IMPLICATIONS

Special Deals

The Company intends to apply part of the net proceeds from the Share Subscription of approximately HK\$10.4 million to repay (i) the outstanding amount due to Xinhua News Agency Audio News Desk# (新華音像中心), which is a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the Vendor; and (ii) part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group. The Company will also, pursuant to the Term Sheet, (i) enter into the Fifth Supplemental Deed with the Vendor to amend certain terms of the Existing Convertible Bonds; (ii) issue the Convertible Bonds A to the Vendor to set off the Overdue Existing CB Interest; and (iii) issue the Convertible Bonds B to set off the outstanding broadcasting fee owed to the Vendor as a service provider to the Group which will remain unsettled by the proceeds from the Share Subscription. As at the date of this joint announcement, the Vendor is a substantial Shareholder interested in 1,188,621,377 Shares, representing approximately 29.3% of the total issued share capital of the Company and holder of the Existing Convertible Bonds.

As (i) the repayment of amount due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor, are not extended to all the other Shareholders, these arrangements shall constitute Special Deals under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (ii) approval of the Special Deals by the Independent Shareholders at the EGM. An application will be made by the Company to the Executive for its consent to the Special Deals pursuant to Note 5 to Rule 25 of the Takeovers Code.

POSSIBLE CONDITIONAL MANDATORY CASH OFFER

As at the date of this joint announcement, there are 4,055,349,947 Shares in issue. Immediately prior to the Acquisition and Share Subscription, Mr. Kan is interested in 69,000,000 Shares, representing approximately 1.7% of the entire issued share capital of the Company. As a result of the Acquisition Completion only, Mr. Kan will be interested in 1,257,621,377 Shares, representing approximately 31.0% of the issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, upon the Acquisition Completion only, Mr. Kan is required to make the Share Offer.

As a result of the Share Subscription Completion only, Mr. Kan will be interested in 1,735,666,667 Shares, representing approximately 30.3% of the issued share capital as enlarged by the allotment and issue of the 1,666,666,667 Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Share Subscription Completion. Under Rule 26.1 of the Takeovers Code, upon the Share Subscription Completion only, Mr. Kan is required to make the Share Offer.

The Offeror, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan, will make the Share Offer for such purpose.

Shareholders and potential investors should be aware that the Acquisition and the Share Subscription are not inter-conditional. The Share Offer will be made if the Acquisition Completion and/or the Share Subscription Completion take place, and in such scenario is conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares acquired before or during the Share Offer by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company.

As a result of the Acquisition Completion and the Share Subscription Completion, the shareholding of Mr. Kan will increase to 2,924,288,044 Shares, representing approximately 51.1% of the total issued Shares as enlarged by the allotment and issue of the 1,666,666,667 Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Completion. At such time, the Share Offer shall become unconditional as to acceptances.

As at the date of this joint announcement, the Company has not issued any share options under the Share Option Scheme. The Directors confirm that other than the Existing Convertible Bonds held by the Vendor, the Company does not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares.

Principal terms of the Share Offer

Upon the Acquisition Completion and/or the Share Subscription Completion, Aristo Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, will make the Share Offer to acquire all the Offer Shares on terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.014 in cash

The Offer Price of HK\$0.014 is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

For the avoidance of doubt, if either only the Acquisition Completion or the Share Subscription Completion take place, the Share Offer will be made at HK\$0.014 in any event.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. The Company confirms that as at the date of this joint announcement, (a) it has not declared any dividend which is outstanding and not yet paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Share Offer.

The Offeror will not increase the Offer Price. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

Condition to the Share Offer

The Share Offer is conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares acquired before or during the Share Offer by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve). The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Share Offer unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Share Offer, as the case may be, in accordance with the Takeovers Code. Pursuant to Rule 15.5 of the Takeovers Code, unless otherwise agreed by the Executive, the latest time at which the Offeror may declare the Share Offer unconditional as to acceptances is 7:00 p.m. (Hong Kong time) on the Extended Closing Date (or such later date to which the Executive may consent).

Offer Price and comparisons of value

The Offer Price of HK\$0.014 per Offer Share represents:

- a premium of approximately 16.67% over the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 16.67% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;
- the average closing price of approximately HK\$0.014 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 7.69% over the average closing price of approximately HK\$0.013 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 16.67% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 16.67% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 16.67% over the average closing price of approximately HK\$0.012 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Day; and

As the Company recorded consolidated net liabilities of approximately HK\$397.4 million as at 30 September 2023 as shown in the interim report of the Company for the six months ended 30 September 2023, the comparison of the Offer Price with the net asset value of the Company in terms of percentage difference is not applicable.

For illustration purpose only, the Offer Price of HK\$0.014 per Offer Share represents dollar terms difference of approximately HK\$0.084 to the unaudited consolidated net liabilities per Share of approximately HK\$0.098 as at 30 September 2023 as extracted from the interim report of the Company for the six months ended 30 September 2023, which was calculated based on 4,055,349,947 Shares in issue as at the date of this joint announcement.

Highest and lowest Share prices

During the six-month period immediately preceding and up to and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.02 per Share on 4 July 2022, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.01 per Share on trading days during the periods from 9 March 2022 to 10 March 2022, from 14 March 2022 to 15 March 2022, from 21 March 2022 to 22 March 2022, from 4 April 2022 to 6 April 2022, from 13 April 2022 to 19 April 2022, from 21 April 2022 to 27 April 2022, from 18 May 2022 to 30 May 2022, and from 8 June 2022 to 21 June 2022.

Value of the Share Offer

As at the date of this joint announcement, the Company has 4,055,349,947 Shares in issue. On the basis of the Offer Price being HK\$0.014 per Offer Share, the total issued share capital of the Company would be valued at approximately HK\$56,774,899.

Assuming only the Acquisition Completion takes place and no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Share Offer, 2,797,728,570 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$39,168,200, based on the Offer Price of HK\$0.014 per Offer Share.

Assuming only the Share Subscription Completion takes place and no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) from the date of this joint announcement up to the close of the Share Offer, 3,986,349,947 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$55,808,899, based on the Offer Price of HK\$0.014 per Offer Share.

Assuming both the Acquisition Completion and the Share Subscription Completion takes place and no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) from the date of this joint announcement up to the close of the Share Offer, 2,797,728,570 Shares will be subject to the Share Offer. On the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would be approximately HK\$39,168,200, based on the Offer Price of HK\$0.014 per Offer Share.

Financial Resources

The Offeror intends to finance the cash amounts required for the Share Offer by its own resources. Messis Capital Limited, being the financial adviser to the Offeror in relation to the Share Offer, is satisfied that sufficient financial resources are and will remain available to the Offeror for discharging its payment obligations upon full acceptance of the Share Offer.

Effects of accepting the Share Offer and Overseas Shareholders

By accepting the Share Offer, the Shareholders will sell their Shares to the Offeror free from all Encumbrances together with all rights attached thereto as at the date on which the Share Offer is made or subsequently becoming attached to them, including the right to receive all dividends declared, paid or made, if any, on or after the date on which the Composite Document is despatched. The making of the Share Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdictions). Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with.

Acceptance of the Share Offer would be irrevocable and would not be capable of being withdrawn, subject to the provision of the Takeovers Code.

In the event that the despatch of the Composite Document to the Overseas Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's consent, the Composite Document may not be despatched to such Overseas Shareholders. In those circumstances, the Offeror will apply for waiver from the Executive regarding the issuance of the Composite Document to particular overseas shareholders pursuant to Note 3 to Rule 8 of the Takeovers Code at such time (where appropriate).

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty payable by the Shareholders on acceptance of the Share Offer calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror, whichever is higher, will be deducted from the amounts payable by the Offeror to such person on acceptance of the Share Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Subject to the Share Offer having become, or having been declared, unconditional in all respects, payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event no later than seven (7) Business Days (as defined under the Takeovers Code) after the later of the date on which (i) the Share Offer becomes, or is declared unconditional; and (ii) the date on which the duly completed Form of Acceptance and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror to render such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, the Company, Messis Capital Limited, the Independent Financial Adviser, and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

Information of the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Kan. It is principally engaged in investment holding.

As at the date of this joint announcement, Mr. Kan is the sole shareholder and the sole director of the Offeror. He is also an executive Director, founder of the Group and a Shareholder, who is interested in 69,000,000 Shares, representing approximately 1.7% of the entire issued share capital of the Company. Mr. Kan, aged 56, formed Tsun Yip Waterworks Construction Company Limited, being an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services, and Tsun Yip Civil Construction Company Limited, being an indirect non-wholly owned subsidiary of the Company principally engaged in the provision of civil engineering services, in 1996 and 2000 respectively and has been the director of both companies since their formation. Mr. Kan has over 28 years of experience in handling civil engineering projects of various types.

Future intentions of the Offeror regarding the Group

The Offeror intends to continue the existing businesses of the Group. Save for Mr. Kan, the Offeror intends to remove all existing Directors upon Acquisition Completion and nominate new Directors for appointment to the Board with effect from the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable regulations. Details of the new Directors will be disclosed in the Composite Document. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

Public float and maintaining the listing status of the Company

Subject to the results of the application made by the Company on 5 September 2023 requesting the Delisting Decision be reviewed by the GEM Listing Review Committee, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the closing of Share Offer.

Pursuant to the GEM Listing Rules, if, at the closing of the Share Offer, less than the minimum prescribed percentage of public float applicable to the Company, being 25.0% of the issued share capital of the Company, are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealing in the Shares. Therefore, it should be noted that upon closing of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. Each of the Offeror and the Company will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer.

THE IRREVOCABLE UNDERTAKING

Rule 13 of the Takeovers Code requires that the Offeror must make an appropriate offer or proposal to the holders of the convertible securities to ensure that their interests are safeguarded.

On 5 September 2023, the Vendor, being holder of the Existing Convertible Bonds as at the date of this joint announcement, has given the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror, amongst others, that (i) it will not exercise any of the conversion rights attaching to the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B) before the close of the Share Offer; (ii) it will not accept any offer (if any) to be made by the Offeror in respect of the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B); and (iii) it will not deal with, pledge, transfer or take any other action to make the Existing Convertible Bonds (or any other convertible securities of the Company that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B) held by it available for acceptance under any offer (if any) to be made by the Offeror in respect of the Existing Convertible Bonds (or any other convertible securities that may subsequently be issued to the Vendor, including but not limited to Convertible Bonds A and Convertible Bonds B).

In the light of the Irrevocable Undertaking, no offer will be made by the Offeror in respect of the Convertible Bonds as all the Convertible Bonds are held by the Vendor upon the Acquisition Completion and/or the Share Subscription Completion.

OTHER ARRANGEMENTS

The Offeror confirms that, as at the date of this joint announcement:

- (i) save for the entering into of the Term Sheet, none of Mr. Kan, the Offeror and/or parties acting in concert with any of them has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares during the period commencing six months prior to the commencement of the Offer Period and up to the date of this joint announcement;

- (ii) save for 69,000,000 Shares held directly by Mr. Kan, none of Mr. Kan, the Offeror and/or parties acting in concert with any of them holds, owns or has control or direction over any voting rights or rights over Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) save for the Irrevocable Undertaking, none of Mr. Kan, the Offeror and parties acting in concert with any of them has received any irrevocable commitment(s) to accept or reject the Share Offer;
- (iv) there is no outstanding derivative in respect of the securities of the Company entered into by Mr. Kan, the Offeror and/or parties acting in concert with any of them;
- (v) save for the Acquisition and Share Subscription, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which might be material to the Share Offer;
- (vi) save for the Term Sheet, there is no agreement or arrangement to which Mr. Kan, the Offeror and/or parties acting in concert with any of them is a party which relates to circumstances in which he/it may or may not invoke or seek to invoke a pre-condition or condition to the Share Offer;
- (vii) none of Mr. Kan, the Offeror and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (viii) save for the consideration payable by Mr. Kan to the Company under the Share Subscription Agreement upon Share Subscription Completion and the consideration payable by Mr. Kan to the Vendor under the Sale and Purchase Agreement upon Acquisition Completion, there is no other consideration, compensation or benefits in whatever form paid or to be paid by Mr. Kan, the Offeror and/or parties acting in concert with any of them to the Company and/or the Vendor;
- (ix) save for the Term Sheet and the Irrevocable Undertaking, there are no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Mr. Kan, the Offeror and/or any parties acting in concert with any of them on the one hand, and the Vendor and any parties acting in concert with it on the other hand; and
- (x) save for the Term Sheet and the Irrevocable Undertaking, there are no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) Mr. Kan, the Offeror and any party acting in concert with any of them, or (b) the Company, its subsidiaries or associated companies.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Takeovers Code and the GEM Listing Rules, the Independent Board Committee, comprising Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP.*, each of whom being a non-executive Director, was established by the Company to advise the Independent Shareholders in relation to (i) the terms of the Relevant Transactions and as to voting; and (ii) the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer.

Ms. Tang Li, being a non-executive Director as well as an existing director of the Vendor, is considered to have conflict of interest in advising on the terms of the Relevant Transactions and the Share Offer, and therefore has not been appointed as a member of the Independent Board Committee.

With the approval of the Independent Board Committee, INCU Corporate Finance Limited has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the terms of the Relevant Transactions and as to voting; and (ii) the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer.

GENERAL

(a) Despatch of Circular and Composite Document

A circular containing, among other things, details of (i) the Relevant Transactions; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Relevant Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Relevant Transactions; and (iv) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

The Offeror and the Company intend to combine the offer document and the offeree board circular into the Composite Document which contains amongst others, details of the Share Offer, accompanied by the relevant Form of Acceptance, and incorporating the recommendation from the Independent Board Committee and the advice letter from the Independent Financial Adviser in respect of the Share Offer.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be posted no later than 21 days after the date of this joint announcement or such later date as the Executive may approve in accordance with the Takeovers Code.

As the making of the Share Offer is conditional on the Acquisition Completion and/or the Share Subscription Completion, an application will be made to seek for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document. Further announcement(s) will be made when the Composite Document is despatched. Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Share Offer, before deciding whether or not to accept the Share Offer.

(b) EGM to consider the Relevant Transactions

The EGM will be convened for the purpose of considering, and if thought fit, approving, among other matters:

- (1) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares);
- (2) the Fifth Supplemental Deed and the transactions contemplated thereunder;
- (3) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A);
- (4) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B); and
- (5) the Special Deals.

The voting at the EGM will be conducted by way of poll. Except for (i) Mr. Kan who is an executive Director and a Shareholder; (ii) the Vendor who is a substantial Shareholder and the holder of the Existing Convertible Bonds; and (iii) parties acting and presumed to be acting in concert with each of Mr. Kan and the Vendor, none of the Shareholders has any material interest in the Relevant Transactions and no Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Relevant Transactions at the EGM.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code) of the Company and the Offeror (including persons holding 5% or more of a class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are hereby reminded to disclose their dealings in any securities of the Company pursuant to Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 15 August 2022, and will remain suspended until the Company fulfills the Resumption Guidance and the Additional Resumption Guidance. As disclosed in the announcement of the Company dated 5 September 2023, pursuant to a letter dated 25 August 2023 from the Stock Exchange, the GEM Listing Committee has informed the Company of its decision (the “**Delisting Decision**”) to cancel the Company’s listing under Rule 9.14A of the GEM Listing Rules. Further, as disclosed in the announcement of the Company dated 18 December 2023, after carefully considered all the facts and evidence and submissions presented at the review hearing held on 24 November 2023, the GEM Listing Review Committee decided to overturn the Delisting Decision and instead grant an extension of the remedial period to 29 February 2024 for the Company to demonstrate compliance with the remaining condition to be fulfilled. The Company will make further announcement(s) to keep the Shareholders and potential investors of the Company informed of any progress as and when appropriate and will announce quarterly updates on its development in accordance with Rule 17.26A of the GEM Listing Rules.

WARNING

Shareholders and potential investors of the Company should take note that (a) the legally-binding Term Sheet only set out, among other things, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B; and (b) the formal Sale and Purchase Agreement, and the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B to be entered into between the relevant parties may contain supplemental information and additional conditions not covered in the Term Sheet, all of which and the respective transactions contemplated thereunder are subject to the fulfilment and/or waiver, as the case may be, of conditions set out therein. As such, the Acquisition and the Share Subscription may or may not proceed. The Company will make further announcement(s) regarding the entering into of the formal Sale and Purchase Agreement, the formal Share Subscription Agreement, the Fifth Supplemental Deed and the formal agreements in relation to the issue of Convertible Bonds A and Convertible Bonds B as and when appropriate.

The Share Offer will be made only if the Acquisition Completion and/or the Share Subscription Completion takes place. Accordingly, the Share Offer may or may not be made. The issue of this joint announcement does not in any way imply that the Share Offer will be made.

The Acquisition and the Share Subscription are not inter-conditional. If the total number of the Offer Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve) under the Share Offer, together with the Shares acquired by the Offeror or parties acting in concert with it before or during the Share Offer, does not result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Share Offer will not become unconditional and will lapse.

In the event that both the Acquisition Completion and the Share Subscription Completion take place, and assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of this joint announcement and the Completion, the Share Offer shall become unconditional as to acceptances.

The Directors make no recommendation as to the fairness or reasonableness of the Share Offer or as to the acceptance of the Share Offer in this joint announcement, and strongly recommend the Independent Shareholders not to form a view on the Share Offer unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Share Offer and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer.

Shareholders and potential investors of the Company are (i) reminded to monitor the announcements to be made by the Company or jointly by the Offeror and the Company in respect of the progress of the Share Offer; and (ii) advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this joint announcement shall have the meanings ascribed to them below:

“acting in concert”	has the meaning as ascribed thereto under the Takeovers Code
“Aristo Securities”	Aristo Securities Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Share Offer for and on behalf of the Offeror
“associate(s)”	has the meaning as ascribed thereto under the Takeovers Code
“Acquisition”	the proposed acquisition of 1,188,621,377 Sale Shares by Mr. Kan pursuant to the Term Sheet which set out the principal terms and conditions of the Sale and Purchase Agreement
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions stipulated in the Term Sheet
“Acquisition Completion Date”	the date on which the Acquisition Completion takes place
“Acquisition Conditions”	the conditions precedent as set out in the Term Sheet and will form part of the Sale and Purchase Agreement

“Additional Resumption Guidance”	additional guidance for the resumption of trading in the Shares as set out in the letter from the Stock Exchange dated 11 January 2023
“Board”	board of Directors
“CB Interest Share(s) A”	being new Shares to be allotted and issued to settle interest to be accrued on Convertible Bonds A and has the meaning as ascribed thereto under the paragraph headed “The Term Sheet – (C) Convertible Bonds – Convertible Bonds A”
“CB Interest Share(s) B”	being new Shares to be allotted and issued to settle interest to be accrued on Convertible Bonds B and has the meaning as ascribed thereto under the paragraph headed “The Term Sheet – (C) Convertible Bonds – Convertible Bonds B”
“CB Specific Mandate A”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A
“CB Specific Mandate B”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B
“CB Subscription Agreement A”	the subscription agreement to be entered into between the Company, as issuer, and the Vendor, as subscriber, in relation to the subscription of the Convertible Bonds A
“CB Subscription Agreement B”	the subscription agreement to be entered into between the Company, as issuer, and the Vendor, as subscriber, in relation to the subscription of the Convertible Bonds B
“Company”	CNC Holdings Limited (stock code: 8356), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of (i) the Share Subscription; and (ii) the issue of Convertible Bonds A and Convertible Bonds B, in accordance with the terms and conditions stipulated in the Term Sheet

“Composite Document”	the composite document to be issued jointly by the Offeror and the Company in relation to the Share Offer in accordance with the Takeovers Code
“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion
“Conversion Shares”	new Share(s) falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	collectively, the Existing Convertible Bonds, Convertible Bonds A and Convertible Bonds B, collectively or individually as the context requires
“Convertible Bonds A”	the convertible bonds to be issued by the Company to the Vendor in the principal amount of HK\$64,127,855 to set off the Overdue Existing CB Interest
“Convertible Bonds B”	the convertible bonds to be issued by the Company to the Vendor in the principal amount of HK\$16,240,000 to set off part of the outstanding broadcasting fee owed to the Vendor as a service provider to the Group
“Delisting Decision”	has the meaning ascribed thereto in the section headed “Continued Suspension of Trading”
“Director(s)”	director(s) of the Company
“Encumbrance(s)”	any option, right of acquisition, right of priority, mortgage, charge, lien, right of retention of title, right of set-off, counterclaim, trust arrangement, or any other right to collateral of any kind or equity interest or restriction (including the restrictions imposed by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in respect of any asset
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Relevant Transactions
“Existing Convertible Bonds”	the convertible bonds issued by the Company to the Vendor in the principal amount of HK\$397,030,210 on 9 December 2011
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director

“Extended Closing Date”	the date which is 60 calendar days after the date of despatch of the Composite Document, unless the date has been extended by the Offeror with the consent of the Company and the Executive pursuant to Rule 15.5 of the Takeovers Code
“Fifth Amendment of Terms”	the proposed amendment of certain terms of the Existing Convertible Bonds pursuant to the Fifth Supplemental Deed
“Fifth Extended Maturity Date”	9 December 2025, being the proposed fifth extended maturity date of the Existing Convertible Bonds
“Fifth Supplemental Deed”	the fifth supplemental deed to be entered into between the Company and the Vendor in relation to the Fifth Amendment of Terms
“First Closing Date”	the first closing date of the Share Offer, which is 21 days after the date of despatch of the Composite Document
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, <i>BBS, JP.</i> (each of whom being a non-executive Director)

“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Company appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders with regard to (i) the terms of the Relevant Transactions and as to voting; and (ii) the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offers
“Independent Shareholders”	Shareholders other than the Offeror, Mr. Kan, the Vendor and parties acting in concert with any of them
“Irrevocable Undertaking”	the irrevocable undertaking dated 5 September 2023 given by the Vendor to the Offeror
“Last Trading Day”	12 August 2022, being the last trading day of the Shares prior to the suspension of trading of the Shares from 9:00 a.m. on 15 August 2022
“Maturity Date (A)”	the maturity date of Convertible Bonds A
“Maturity Date (B)”	the maturity date of Convertible Bonds B
“Mr. Kan”	Mr. Kan Kwok Cheung, an executive Director and a Shareholder, who is also the purchaser to the Sale and Purchase Agreement and the subscriber to the Share Subscription Agreement
“New Existing CB Interest Share(s)”	being new Shares to be allotted and issued to settle interest accrued and to be accrued from 10 December 2021 to 9 December 2025 on Existing Convertible Bonds as amended by the Fifth Supplemental Deed and has the meaning as ascribed thereto under the paragraph headed “The Term Sheet – (C) Convertible Bonds – The Fifth Supplemental Deed”
“Offeror”	Shunleetat (BVI) Limited, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Kan
“Offer Price”	the price at which the Share Offer will be made, being HK\$0.014 per Share

“Offer Shares”	all issued Shares other than those already owned and/or agreed to be acquired by the Offeror, Mr. Kan and parties acting in concert with any of them
“Overdue Existing CB Interest”	being the accrued interest payable to the Vendor as at 9 December 2021 which amounted to HK\$64,127,855 pursuant to the terms and conditions of the Existing Convertible Bonds
“Relevant Transactions”	collectively, the transactions that are subject to the Independent Shareholders’ approval at the EGM, including:
	<ol style="list-style-type: none"> <li data-bbox="510 604 1540 750">(1) the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Specific Mandate to issue the Subscription Shares); <li data-bbox="510 795 1540 884">(2) the Fifth Supplemental Deed and the transactions contemplated thereunder; <li data-bbox="510 940 1540 1131">(3) the CB Subscription Agreement A and the transactions contemplated thereunder (including the CB Specific Mandate A to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds A); <li data-bbox="510 1176 1540 1366">(4) the CB Subscription Agreement B and the transactions contemplated thereunder (including the CB Specific Mandate B to issue the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds B); and <li data-bbox="510 1422 1540 1467">(5) the Special Deals.
“Resumption”	the resumption of trading of the Shares on the Stock Exchange
“Resumption Guidance”	guidance for the resumption of trading in the Shares as set out in the letter from the Stock Exchange dated 10 November 2022
“Sale and Purchase Agreement”	the sale and purchase agreement to be entered into between Mr. Kan, as purchaser, and the Vendor, as vendor, in relation to the Acquisition, the principal terms of which are set out in the Term Sheet

“Sale Shares”	1,188,621,377 Shares to be sold by the Vendor under the Sale and Purchase Agreement, representing approximately 29.3% of the entire issued share capital of the Company as at the date of this joint announcement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the possible mandatory conditional general offer in cash to be made by Aristo Securities for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in the Composite Document
“Share Option Scheme”	the share option scheme adopted by the Company on 11 August 2010
“Share Specific Mandate”	the specific mandate to be sought from the Shareholders for the allotment and issue of the Subscription Shares
“Share Subscription”	the proposed subscription by Mr. Kan for, and the allotment and issue by the Company of, the Subscription Shares under the terms and conditions of the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement to be entered into between the Company, as issuer, and Mr. Kan, as subscriber, in relation to the Share Subscription, the principal terms of which are set out in the Term Sheet
“Share Subscription Completion”	completion of the Share Subscription in accordance with the terms and conditions stipulated in the Term Sheet
“Share Subscription Conditions”	the conditions precedent as set out in the Term Sheet and will form part of the Share Subscription Agreement
“Shareholders”	holder(s) of the issued Share(s)
“Shares”	ordinary share(s) of HK\$0.001 each in the share capital of the Company

“Special Deal(s)”	means special deal(s) under Rule 25 of the Takeovers Code and refers to (i) the repayment of outstanding amounts due to the Vendor and its fellow subsidiary; (ii) the entering into of the Fifth Supplemental Deed with the Vendor; and (iii) the issue of Convertible Bonds A and Convertible Bonds B to the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.012 per Subscription Share
“Subscription Share(s)”	1,666,666,667 new Shares, representing (i) approximately 41.1% of the entire issued share capital of the Company as at the date of this joint announcement; and (ii) approximately 29.1% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, to be allotted and issued by the Company to Mr. Kan pursuant to the Term Sheet which set out the principal terms of the Share Subscription Agreement
“Supplemental Term Sheet”	the supplemental term sheet dated 22 December 2023 and entered into between Mr. Kan, the Company and the Vendor to amend and supplement certain terms of the Term Sheet
“Takeovers Code”	the Code on Takeovers and Mergers
“Term Sheet”	the term sheet dated 5 September 2023 (as amended and supplemented by the Supplemental Term Sheet) and entered into among Mr. Kan, the Company and the Vendor which set out, among others, (i) the principal terms and conditions of the Sale and Purchase Agreement and the Share Subscription Agreement; (ii) the proposed amendments to the terms of the Existing Convertible Bonds; and (iii) the terms of the Convertible Bonds A and Convertible Bonds B
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Vendor”	China Xinhua News Network Co., Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Xinhua News Agency (新華社), and is a substantial Shareholder and the holder of the Existing Convertible Bonds
“%”	per cent

the English translation of Chinese names or words in this joint announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By order of the board
Shunleetat (BVI) Limited
Mr. Kan Kwok Cheung
Director

By order of the Board
CNC Holdings Limited
Li Yong Sheng
Vice Chairman and CEO

Hong Kong, 15 January 2024

As at the date of this joint announcement, the executive Directors are Dr. Jiang Yan (Chairman), Dr. Li Yong Sheng (Vice Chairman and Chief Executive Officer), Mr. Liu Da Yong, Mr. Kan Kwok Cheung; non-executive Directors are Ms. Tang Li and Mr. Law Cheuk Hung; independent non-executive Directors are Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, BBS, JP.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, Mr. Kan is the sole director of Shunleetat (BVI) Limited, being the Offeror.

The sole director of the Offeror (being Mr. Kan) accepts full responsibility for the accuracy of the information contained in this joint announcement and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.