
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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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)

(1) CONNECTED TRANSACTION;
(2) PROPOSED FOURTH AMENDMENT OF THE TERMS
AND CONDITIONS OF THE CONVERTIBLE BONDS;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Nuada Limited

A letter from the Board is set out on pages 5 to 16 of this circular and a letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from advice from Nuada Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 19 to 34 of this circular. A notice convening the EGM to be held at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong on Friday, 4 June 2021 at 11:00 a.m. is set out on pages 41 to 43 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FROM THE EGM

In line with the latest recommendations issued by the Government of Hong Kong in relation to the COVID-19 pandemic, and for the health and safety of the Shareholders and other attendees, the precautionary measures to be taken by the Company at the EGM are as follows:

- compulsory body temperature checks and health declarations;
- compulsory wearing of surgical face mask by the attendees (please bring your own mask); and
- no provision of corporate gift or refreshment.

Attendees are requested to observe and practise good personal hygiene at the EGM venue during the EGM. To the extent permitted by law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to safeguard the health and safety of the attendees at the EGM.

Shareholders are strongly encouraged to appoint the Chairman of the EGM of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM of the Company in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures at a short notice. Shareholders are advised to check the website of the Stock Exchange and the Company's website for future announcements and updates on the EGM arrangements.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, a Sunday and any public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CNC China”	中國新華新聞電視網有限公司, a company incorporated in PRC with advertising business, development of multimedia broadcasting terminal technology, data integrations services, information gathering and processing as the principal business, which owns 100% of the equity interests in CNC HK, a wholly-owned subsidiary of Xinhua News Agency (新華社) and a substantial Shareholder of the Company
“CNC HK”	China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong with investment holding as principal business and a wholly-owned subsidiary of Xinhua News Agency (新華社) and a substantial Shareholder of the Company
“Company”	CNC Holdings Limited, a company incorporated in the Cayman Islands with limited liability with investment holding as principal business and provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the People’s Republic of China) and digital marketing business on overseas market as the principal businesses of its Group, the shares of which are listed on the GEM
“Conversion Period”	the period commencing from the date of the issue of the Convertible Bonds and ending upon the Fourth Extended Maturity Date

DEFINITIONS

“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion
“Conversion Share(s)”	new Share(s) falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds issued by the Company to CNC HK in the principal amount of HK\$397,030,210 on 9 December 2011
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Fourth Supplemental Deed and Fourth Amendment of Terms and transactions contemplated thereunder
“First Supplemental Deed”	the first supplemental deed dated 9 December 2014 entered into between the Company and the CNC HK in relation to the amendment of certain terms and conditions of the Convertible Bonds in 2014
“Fourth Amendment of Terms”	the proposed amendment of terms and conditions of the Convertible Bonds pursuant to the Fourth Supplemental Deed, in relation the Fourth Maturity Date Extension
“Fourth Extended Maturity Date”	the proposed fourth extended maturity date of the Convertible Bonds, being 9 December 2021, pursuant to the Fourth Supplemental Deed
“Fourth Maturity Date Extension”	the proposed fourth extension of the maturity date of the Convertible Bonds to 9 December 2021, pursuant to the Fourth Supplemental Deed
“Fourth Supplemental Deed”	the fourth supplemental deed dated 25 January 2021 entered into between the Company and the CNC HK in relation to the Fourth Amendment of Terms
“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

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Fourth Supplemental Deed and the transactions contemplated thereunder
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed under SFO to carry out type 6 (advising on corporation finance) regulated activity and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Fourth Amendment of Terms
“Independent Shareholder(s)”	the Shareholder(s) who are not interested or involved in the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder
“Latest Practicable Date”	13 May 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“PRC”	The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 September 2011 entered into between the Company and CNC HK and other vendors in respect of acquisition of Xinhua TV Asia-Pacific Operating Co., Limited
“Second Extended Maturity Date”	the proposed second extended maturity date of the Convertible Bonds, being 9 December 2018, pursuant to the Second Supplemental Deed
“Second Supplemental Deed”	the second supplemental deed dated 13 December 2017 entered into between the Company and the CNC HK in relation to the second amendment of terms and conditions of the Convertible Bonds in 2017

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
“Shares”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Third Extended Maturity Date”	the proposed third extended maturity date of the Convertible Bonds, being 9 December 2020, pursuant to the Third Supplemental Deed
“Third Supplemental Deed”	the third supplemental deed dated 9 December 2018 entered into between the Company and the CNC HK in relation to the third amendment of terms and conditions of the Convertible Bonds in 2018
“Xinhua News Agency”	Xinhua News Agency (新華社), headquartered in Beijing, PRC, is a state-owned news agency of the PRC and the major news and information collection and distribution centre in the PRC. It owns 100% of the equity interests in CNC China and CNC HK and is a substantial Shareholder of the Company
“%”	per cent.

In this circular, the terms “connected person”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Jiang Yan
Dr. Li Yong Sheng
Mr. Liu Da Yong
Mr. Kan Kwok Cheung

Non-executive Directors:

Ms. Tang Li
Mr. Law Cheuk Hung

Independent non-executive Directors:

Mr. Wu Guo Ming
Mr. Wan Chi Keung, Aaron, *BBS, JP*
Mr. Wong Chung Yip, Kenneth

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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

Suites 2708-2710
27/F., Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

18 May 2021

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION AND
(2) PROPOSED FOURTH AMENDMENT OF THE TERMS
AND CONDITIONS OF THE CONVERTIBLE BONDS**

INTRODUCTION

References are made to the Company's announcements dated 11 October 2011, 9 December 2011, 10 December 2014, 13 December 2017, 9 December 2018 and 25 January 2021 and the circulars dated 19 November 2011, 6 January 2015, 17 January 2018 and 16 January 2019 in relation to, amongst other things, the issuance of the Convertible Bonds in 2011 and the amendment of certain terms and conditions of the Convertible Bonds in 2014, 2017 and 2018, respectively.

LETTER FROM THE BOARD

The Company entered into the Sale and Purchase Agreement with CNC HK, pursuant to which the Company issued certain Shares and the Convertible Bonds in the principal amount of HK\$397,030,210 to CNC HK as the consideration of the acquisition of its interest in Xinhua TV Asia-Pacific Operating Co., Limited. The Convertible Bonds bears interest of 5% per annum and can be convertible into Shares. All outstanding Convertible Bonds was then expected to mature on 9 December 2014 pursuant to the original terms and conditions of the Convertible Bonds. On 9 December 2014, the Company entered into the First Supplemental Deed with CNC HK, the sole holder of the outstanding convertible bonds with the then outstanding principal amount of HK\$277,030,210, pursuant to which the maturity date of the Convertible Bonds was extended for 3 years to 9 December 2017 and the interest rate of the convertible bonds was amended from 5% per annum to 3% per annum for the extended period, being from 9 December 2014 to 9 December 2017. On 13 December 2017, the Company entered into the Second Supplemental Deed with CNC HK, the sole holder of the outstanding convertible bonds with the then outstanding principal amount of HK\$257,030,210, pursuant to which the maturity date of the Convertible Bonds was further extended to 9 December 2018. On 9 December 2018, the Company entered into the Third Supplemental Deed with CNC HK, the sole holder of the outstanding convertible bonds with the then outstanding principal amount of HK\$257,030,210, pursuant to which the maturity date of the Convertible Bonds was further extended to 9 December 2020.

As at the Latest Practicable Date, a portion of the Convertible Bonds in the aggregate principal amount of HK\$140,000,000 was converted into 714,285,714 Shares. As at the Latest Practicable Date, the Convertible Bonds in the principal amount of HK\$257,030,210 were still outstanding and solely held by CNC HK.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Fourth Supplemental Deed and the Fourth Amendment of Terms; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Fourth Supplemental Deed and the Fourth Amendment of Terms and (iv) a notice of the EGM to consider and if thought fit, to approve the resolution in relation to the Fourth Amendment of Terms.

THE FOURTH SUPPLEMENTAL DEED

On 25 January 2021, the Company entered into the Fourth Supplemental Deed with CNC HK, pursuant to which the Company and CNC HK agreed to amend the terms and conditions of the Convertible Bonds, where the maturity date of the Convertible Bonds will be extended for 1 year to 9 December 2021 and the Conversion Period will accordingly be extended to 9 December 2021. The Fourth Amendment of Terms is arrived at after arm's length negotiation between the Company and CNC HK.

LETTER FROM THE BOARD

Pursuant to the Fourth Supplemental Deed, the Fourth Amendment of Terms is subject to the satisfaction of the following conditions:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolutions to approve the Fourth Supplemental Deed and the Fourth Amendment of Terms;
- (b) the Stock Exchange having approved the Fourth Amendment of Terms pursuant to the GEM Listing Rules and the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and CNC HK in respect of the Fourth Amendment of Terms having been obtained.

None of the above conditions could be waived by the parties to the Fourth Supplemental Deed. The effective date of the Fourth Supplemental Deed shall be on the date when all its conditions precedents are fulfilled.

As at the Latest Practicable Date, so far the Directors are aware, condition (c) above has been satisfied and the other conditions have not been fulfilled.

THE CONVERTIBLE BONDS

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

The principal terms of the Convertible Bonds as amended pursuant to the Fourth Supplemental Deed are summarized as follows:

Outstanding principal amount as at the date of the Fourth Supplemental Deed	HK\$257,030,210
Maturity	The Fourth Extended Maturity Date, being 9 December 2021. To the extent that the Convertible Bonds has not been previously converted, the Company shall repay the outstanding principal amount of the Convertible Bonds on the Fourth Extended Maturity Date.
Interest rate	3% per annum

LETTER FROM THE BOARD

Conversion rights	<p>The Convertible Bonds are convertible at any time, and from time to time, at the option of the holder of the Convertible Bonds, subject to compliance with the Takeovers Code and the GEM Listing Rules and any other statutory and regulatory requirements.</p>
Conversion Shares	<p>1,311,378,622 Conversion Shares will be issued on full conversion of the Convertible Bonds based on the outstanding principal amount of approximately HK\$257,030,210 and the Conversion Price of approximately HK\$0.196 per Conversion Share.</p> <p>The Conversion Shares represent approximately 32.34% of the existing issued share capital of the Company and approximately 24.44% of the issued share capital of the Company as enlarged by the Conversion Shares.</p>
Conversion Price	<p>HK\$0.196 per Conversion Share</p> <p>The Conversion Price of HK\$0.196 represents:</p> <ul style="list-style-type: none">(i) a premium of approximately 1206.67% to the closing price of HK\$0.015 per Share as quoted on the Stock Exchange on the date of the Fourth Supplemental Deed;(ii) a premium of approximately 1224.32% to the average closing price of HK\$0.0148 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Fourth Supplemental Deed; and(iii) a premium of approximately 1,206.67% to the closing price of HK\$0.015 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Conversion Price will from time to time be adjusted upon the occurrence of subdivision or consolidation or reclassification of Shares, capitalisation issues, capital distribution (other than distribution paid out of net profits), rights issues at a price which is less than 90% of the then market price of the Shares, issue of securities with rights of conversion into or exchange for or subscription for Shares at a total effective consideration per Share less than 90% of the then market price of the Shares, and any modification of the rights of conversion or exchange or subscription attaching to the aforementioned securities resulting in reduction of the total effective consideration per Share being to less than 90% of the then market price of the Shares.

Transferability	The Convertible Bonds are transferable, provided that none of the Convertible Bonds may be transferred to any connected person of the Company.
Limitations on conversion	No conversion rights will be exercised by any of the holders of the Convertible Bonds if upon such conversion and immediately following the issue of the relevant Conversion Shares, (i) such holder and persons acting in concert (as defined in the Takeovers Code) with it would directly or indirectly control or be interested in an aggregate of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the Shares in issue, or if such holder and persons acting in concert (as defined in the Takeovers Code) with it would otherwise be obligated to make a general offer for the Shares in issue not being owned by them under Rule 26 of the Takeovers Code following such conversion; or (ii) the public float of the Shares will fall below 25% as required under the GEM Listing Rules.
Ranking	It is expected that the Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all Shares in issue on the date of allotment and issue thereof.
Voting rights	Holders of the Convertible Bonds will not be permitted to attend or vote at meetings of the Company.
Listing and trading	No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

LETTER FROM THE BOARD

APPLICATION OF LISTING

No application will be made of the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR THE EXTENSION

The Fourth Amendment of Terms would allow the Company to refinance its debts under the Convertible Bonds on the same terms for a further year, and to provide flexibility to the Company's working capital management and deployment of its financial resources to fund its operation. Furthermore, CNC HK cannot convert the whole amount of the remaining Convertible Bonds on or before the Third Extended Maturity Date without triggering the mandatory offer obligation under Rule 26 of the Takeovers Code.

The Fourth Amendment of Terms was determined after arm's length negotiations between the Company and CNC HK, after considering the proposed amendment as a whole package, the net asset value of the Company, the general market conditions and the trading price of the Shares as at the date of Fourth Supplemental Deed.

The Board considers the Fourth Maturity Date Extension of the Convertible Bonds for a further year is fair and reasonable for the reasons that the Group was in a net current liabilities position and net liabilities as at 31 December 2020 and hence has sought for financial support from CNC HK, which has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and requirements, to maintain the going concern of the Company which allowed the Company to extend the repayment for liabilities due to CNC HK to not earlier than 12 months commencing from 31 December 2020, including the Convertible Bonds, the interests payable for the Convertible Bonds and liabilities due to CNC HK in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due. As at the Latest Practicable Date, an unsecured, 3% per annum carried interest-promissory note issued by Profit Station Limited, a direct wholly-owned subsidiary of the Company, and held by an independent third party independent of the Company and its connected persons in the principal amount of approximately HK\$45,040,000 remains outstanding. On 9 March 2021, Profit Station Limited had entered into an extension agreement with the noteholder of promissory note pursuant to which the maturity date of promissory note was extended from 30 June 2020 to 30 June 2022 and the extended promissory note will bear interest of 3% per annum. Except the abovementioned, other terms and conditions of the promissory note remains unchanged. Also, there may be funding requirements for the operation of the businesses of the Company in the near future. Hence, the Board expects that the Company will not have enough cash to redeem the Convertible Bonds in the next few months or within the forthcoming financial year and the Fourth Maturity Date Extension would give reasonable time for the Group to improve its business performance and financial position. Thus, the Board considers that the Fourth Maturity Date Extension is in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Company has considered other financing alternatives to raise funds to repay the Convertible Bond, including but not limited to, bank borrowing and equity financing. However, the management of the Company is of the view that any bank borrowing which will incur interest expenses to the Company may adversely affect the financial position of the Group. Also, in view of the unsatisfactory financial performance of the Group, particularly the net loss of the Group for recent financial years, the net current liabilities and net liabilities position of the Group as at 31 December 2020, the Company was of the view that it would be difficult for the Company to obtain new borrowings on terms satisfactory to the Group. The Company had not elected to go through the due diligence process for quoting with banks or financial institutions as it would be impracticable for banks or financial institutions to offer an unsecured loan with interest rate below 3% per annum given the size of financing amount as large as HK\$257,030,210 and poor financial and market performance of the Group. In addition, any equity financing such as placement of Shares or rights issue will need to undergo a lengthy process in order to identify underwriters who are able to work along with the Company and each other, negotiate terms agreeable to the Company and the underwriters, prepare the requisite compliance and legal documentation including without limitation the underwriting agreements, announcements and circulars, and will incur transaction costs including without limitation placing or underwriting commissions and fees to advisers and working parties. Moreover, taking into account the uncertain business environment and the recent financial and market performance of the Company, the Company has difficulties in ensuring a satisfactory market response to the Shares if to raise funds by equity fundraising. As such, the Company considered that other financing alternatives are not the most appropriate means to refinance the Convertible Bonds at the moment.

The Fourth Amendment of Terms is arrived at after arm's length negotiation between the Company and CNC HK. The Board considers that the terms and conditions of the Fourth Supplemental Deed are fair and reasonable, and the Fourth Amendment of Terms is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the Fourth Amendment of Terms will not pose any significant impact on the operations of the Group.

FINANCIAL EFFECTS OF THE FOURTH AMENDMENT OF TERMS

Effect on liquidity

According to the Company's interim report for the six months ended 30 September 2020, the Group had cash and cash equivalents amounted to approximately HK\$69.5 million. Furthermore, the Group recorded net current liabilities of approximately HK\$353.6 million and net liabilities of approximately HK\$312.8 million as at 30 September 2020. The Fourth Maturity Date Extension will enable the Group to postpone a substantial cash outflow. In light of the above, the Fourth Maturity Date Extension would release the liquidity and working capital pressure of the Group.

LETTER FROM THE BOARD

Effect on gearing

As at 30 September 2020, the Group had a gearing ratio of approximately 180.5%, representing the Group's total borrowings which comprised of promissory note, Convertible Bonds, lease liabilities and advance received from customers to the Group's total assets. The management of the Company expects that there will not be any material adverse changes to the gearing of the Group as a result of the Fourth Maturity Date Extension subject to the new valuation report of the extended Convertible Bonds pursuant to the Fourth Supplemental Deed which to be prepared by an independent valuer in accordance with the Hong Kong Financial Reporting Standards. However, if the conversion rights attaching to the Convertible Bonds are exercised, the gearing position of the Group would be improved.

Effect on finance cost

Assuming no conversion occurred during the extended Conversion Period, the interest payment of approximately HK\$7.7 million will have to be paid per year under the Fourth Amendment of Terms. In addition, the imputed financial interest (finance cost) under the accounting treatment will be accounted in the statement of profit or loss subject to the new effective interest rate from a new valuation report which to be prepared by an independent valuer. As such, the Company expects that there will not be any material adverse effect on the finance cost of the Group as a result of the Fourth Maturity Date Extension.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds at a conversion price of HK\$0.196 is as follows:

	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds (at the Conversion Price)	
	Number of Shares	%	Number of Shares	%
CNC HK	1,188,621,377	29.31%	2,499,999,999	46.58%
Shunleetat (BVI) Limited				
(Note)	69,000,000	1.70%	69,000,000	1.29%
Public	<u>2,797,728,570</u>	<u>68.99%</u>	<u>2,797,728,570</u>	<u>52.13%</u>
	<u>4,055,349,947</u>	<u>100.00%</u>	<u>5,366,728,569</u>	<u>100.00%</u>

Note:

Mr. Kan Kwok Cheung, an executive Director, through his interest in Shunleetat (BVI) Limited, is interested in 69,000,000 Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PRIOR 12 MONTHS PERIOD

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this circular.

INFORMATION ON THE GROUP AND CNC HK

The Company is an investment holding company and the Shares of which are listed on the GEM of the Stock Exchange. The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising of television broadcasting business in the Asia-Pacific region (excluding the PRC) and digital marketing business on overseas market in return for advertising and related revenue.

CNC China is a company incorporated in the PRC and a wholly-owned subsidiary of Xinhua News Agency. It is principally engaged in advertising business, developing of multi-media broadcasting terminal technology, data integration services, information gathering and processing.

CNC HK is a company incorporated in Hong Kong and a wholly-owned subsidiary of CNC China. Its principal business is investment holding. CNC HK is the only company which has been granted the rights to develop the television broadcasting network by PRC government and Xinhua News Agency.

Xinhua News Agency, headquartered in Beijing, PRC, is a state-owned news agency of the PRC and the major news and information collection and distribution centre in the PRC since 1931. Xinhua News Agency has branches located in over 30 provinces, autonomous regions and centrally administered municipalities in the PRC as well as Hong Kong and Macau and bureau in more than 100 countries and regions. In addition, Xinhua News Agency has seven regional offices that can release news directly.

GEM LISTING RULES IMPLICATIONS

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 has applied to the Stock Exchange for its approval of the Fourth Amendment of Terms contemplated under the Fourth Supplemental Deed pursuant to Rule 34.05 of the GEM Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CNC HK is interested in 1,188,621,377 Shares, representing approximately 29.31% of the issued share capital of the Company. Accordingly, CNC HK is a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Accordingly, the Fourth Amendment of Terms as contemplated under the Fourth Supplemental Deed constitutes a connected transaction of the Company under the GEM Listing Rules.

As the Fourth Amendment of Terms does not fall into any exemption under Rule 20.71 of the GEM Listing Rules, the Fourth Amendment of Terms is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. CNC HK has material interest in the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder, accordingly, CNC HK and its associates will be required to abstain from voting in the EGM for approval of the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder. As of the Latest Practicable Date, to the extent that the Company is aware having made all reasonable enquiries, CNC HK and its associates (required to abstain from voting at the EGM under the GEM Listing Rules) control or are entitled to exercise control over the voting right of 1,188,621,377 shares in the Company (29.31% of the shares in issue of the Company). Save as disclosed above, no other Shareholder has a material interest in the Fourth Supplemental Deed and is required to abstain from voting in the EGM.

EGM AND PROXY ARRANGEMENT

The EGM will be held for the Independent Shareholders at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 4 June 2021 for the Independent Shareholders to consider and, if thought fit, approve the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder. The notice of the EGM is set out on pages 41 to 43 of this circular. The voting on such resolution will be conducted by way of poll in accordance with Rule 17.47(4) of the GEM Listing Rules.

Apart from Dr. Jiang Yan, Dr. Li Yong Sheng, Mr. Liu Da Yong and Ms. Tang Li, each of whom is a Director nominated by CNC HK and concurrently holds managerial position in CNC HK and/or Xinhua News Agency (新華社) and had therefore abstained from voting on the Board resolutions in relation to the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder, none of the Directors have a material interest in the Fourth Supplemental Deed and none of them were required to abstain from voting on the Board resolutions in relation to the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 31 May 2021 to Friday, 4 June 2021, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 28 May 2021.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders whether the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole so far as the Independent Shareholders are concerned. Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

LETTER FROM THE BOARD

Having considered the terms of the Fourth Supplemental Deed, the Fourth Amendment of Terms, the transactions contemplated thereunder and taking into account the independent advice of Nuada and the relevant information contained in the letter from the Board, the Independent Board Committee considers that, while the Fourth Amendment of Terms are not in the ordinary and usual course of business of the Group, the terms of the Fourth Supplemental Deed and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Shareholders are recommended to vote in favor of the proposed resolution as set out in the notice of EGM.

Taking into account the reasons set out above, the Board (including all independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular) considers that, while the Fourth Amendment of Terms are not in the ordinary and usual course of business of the Group, the terms of the Fourth Supplemental Deed and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Shareholders are recommended to vote in favor of the proposed resolution as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the (i) letter from the Independent Board Committee as set out on pages 17 to 18 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Fourth Supplemental Deed, the Fourth Amendment of Terms and transactions contemplated thereunder; and (ii) the letter from Nuada Limited set out in pages 19 to 34 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Fourth Supplemental Deed, the Fourth Amendment of Terms and transactions contemplated thereunder and the principal factors and reasons considered by Nuada Limited in arriving at its recommendations.

Yours faithfully
For and on behalf of the Board of
CNC Holdings Limited
Li Yong Sheng
Vice-chairman & CEO

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

18 May 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION AND PROPOSED FOURTH AMENDMENT OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to the circular of the Company of even date (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transaction contemplated thereunder. Nuada Limited has been appointed as independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 19 to 34 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the Fourth Supplemental Deed, the Fourth Amendment of Terms, the transactions contemplated thereunder and taking into account the independent advice of Nuada Limited and the relevant information contained in the letter from the Board, while the Fourth Amendment of Terms are not in the ordinary and usual course of business of the Group, we are of the opinion that the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly we recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
CNC Holdings Limited
Mr. Wu Guo Ming
Mr. Wan Chi Keung, Aaron
Mr. Wong Chung Yip, Kenneth
Independent non-executive Directors

LETTER FORM NUADA LIMITED

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 18 May 2021 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1606, 16/F
OfficePlus@ Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心16樓1606室

18 May 2021

*To the Independent Board Committee
and the Independent Shareholders of
CNC Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION PROPOSED FOURTH AMENDMENT OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transaction contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 18 May 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the Company’s announcements dated 11 October 2011, 9 December 2011, 10 December 2014, 13 December 2017, 9 December 2018 and 25 January 2021 and the circulars dated 19 November 2011, 6 January 2015, 17 January 2018 and 16 January 2019 in relation to, among other things, the issuance of the Convertible Bonds in 2011 and the amendments of certain terms and conditions of the Convertible Bonds in 2014, 2017, 2018 and 2021 respectively.

LETTER FORM NUADA LIMITED

As stated in the Board Letter, on 25 January 2021, the Company entered into the Fourth Supplemental Deed with CNC HK, pursuant to which the Company and CNC HK agreed to amend the terms and conditions of the Convertible Bonds. Pursuant to the Fourth Supplemental Deed, the maturity date of the Convertible Bonds will be extended to 9 December 2021, subject to the conditions precedent contained in the Fourth Supplemental Deed being satisfied.

As disclosed in the Board Letter, as at the Latest Practicable Date, CNC HK is interested in 1,188,621,377 Shares, representing approximately 29.31% of the issued share capital of the Company. Accordingly, CNC HK is a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Accordingly, the Fourth Amendment of Terms as contemplated under the Fourth Supplemental Deed constitutes a connected transaction of the Company under the GEM Listing Rules.

As the Fourth Amendment of Terms does not fall into any exemption under Rule 20.71 of the GEM Listing Rules, the Fourth Amendment of Terms is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. CNC HK has material interest in the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder, accordingly, CNC HK and its associates will be required to abstain from voting in the EGM for approval of the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder. As of the Latest Practicable Date, to the extent that the Company is aware having made all reasonable enquiries, CNC HK and its associates (required to abstain from voting at the EGM under the GEM Listing Rules) control or are entitled to exercise control over the voting right of 1,188,621,377 shares in the Company (approximately 29.31% of the shares in issue of the Company). Save as disclosed above, no other Shareholder has a material interest in the Fourth Supplemental Deed and is required to abstain from voting in the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors has been established to advise the Independent Shareholders whether the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole so far as the Independent Shareholders are concerned and whether the Fourth Amendment of Terms are in the ordinary and usual course of business of the Group. We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FORM NUADA LIMITED

We are independent from, and are not connected with the Company, its substantial shareholder(s) or connected person(s) as defined under Rule 17.96 of the GEM Listing Rules, and accordingly are considered eligible to give independent advice in connection with the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder. Save for this appointment as the independent financial adviser in respect of the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transaction contemplated thereunder, during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF THE OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

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

Our review and analysis were based upon, among other things, including (i) the Sale and Purchase Agreement; (ii) the Fourth Supplemental Deed; (iii) the Board Letter; (iv) the annual report (the “**Annual Report**”) of the Company for the year ended 31 March 2020 (“**FY2020**”); (v) the interim report (the “**Interim Report**”) of the Company for the six months ended 30 September 2020 (“**FP2020**”); (vi) the third quarterly report (the “**3Q Report**”) of the Company for the nine months ended 31 December 2020 (“**3Q2020**”) and (vii) the published announcements available from the Stock Exchange.

LETTER FORM NUADA LIMITED

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Fourth Supplemental Deed and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background information of the Convertible Bonds

As stated in the Board Letter, on 6 September 2011, the Company entered into the Sale and Purchase Agreement with CNC HK, pursuant to which the Company issued certain Shares and the Convertible Bonds in the principal amount of HK\$397,030,210 to CNC HK as the consideration of the acquisition of its interest in Xinhua TV Asia-Pacific Operating Co., Limited. The Convertible Bonds bear interest of 5% per annum and can be convertible into Shares. All outstanding Convertible Bonds was then expected to mature on 9 December 2014 pursuant to the original terms and conditions of the Convertible Bonds. On 9 December 2014, the Company entered into the First Supplemental Deed with CNC HK, the sole holder of the outstanding convertible bonds with the then outstanding principal amount of HK\$277,030,210, pursuant to which the maturity date of the Convertible Bonds was extended for 3 years to 9 December 2017 and the interest rate of the convertible bonds was amended from 5% per annum to 3% per annum for the extended period, being from 9 December 2014 to 9 December 2017. On 13 December 2017, the Company entered into the Second Supplemental Deed with CNC HK, the sole holder of the outstanding convertible bonds with the then outstanding principal amount of HK\$257,030,210, pursuant to which the maturity date of the Convertible Bonds was further extended to 9 December 2018. On 9 December 2018, the Company entered into the Third Supplemental Deed with CNC HK, the sole holder of the outstanding convertible bonds with the then outstanding principal amount of HK\$257,030,210, pursuant to which the maturity date of the Convertible Bonds was further extended to 9 December 2020.

LETTER FORM NUADA LIMITED

As stated in the Board Letter, on 25 January 2021, the Company entered into the Fourth Supplemental Deed with CNC HK, pursuant to which the Company and CNC HK agreed to amend the terms and conditions of the Convertible Bonds, where the maturity date of the Convertible Bonds will be extended for 1 year to 9 December 2021 and the Conversion Period will accordingly be extended to 9 December 2021.

Since the issue of the Convertible Bond in 2011, a portion of the Convertible Bonds in the aggregate principal amount of HK\$140,000,000 was converted into 714,285,714 Shares, and the Convertible Bonds with a principal amount of HK\$257,030,210 were still outstanding as at the Latest Practicable Date and solely held by CNC HK. As advised by the Management, as at the Latest Practicable Date, CNC HK had no intention to exercise the conversion rights of the Convertible Bonds.

2. The Fourth Amendment of Terms

Pursuant to the Fourth Supplemental Deed, the Fourth Amendment of Terms is subject to the satisfaction of the following conditions:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolutions to approve the Fourth Supplemental Deed and the Fourth Amendment of Terms;
- (b) the Stock Exchange having approved the Fourth Amendment of Terms pursuant to the GEM Listing Rules and the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and CNC HK in respect of the Fourth Amendment of Terms having been obtained.

None of the above conditions could be waived by the parties to the Fourth Supplemental Deed. The effective date of the Fourth Supplemental Deed shall be on the date when all its conditions precedents are fulfilled. According to the Board Letter, as at the Latest Practicable Date, condition (c) as stated above has been satisfied and the other conditions have not been fulfilled.

LETTER FORM NUADA LIMITED

As disclosed in the Board Letter and according to the Management, the Fourth Amendment of Terms is arrived at after arm's length negotiation between the Company and CNC HK, after considering the proposed amendment as a whole package, the net asset value of the Company, the general market conditions and the trading price of the Shares as at the date of Fourth Supplemental Deed. Apart from the Fourth Amendment of Terms, all other terms of the Convertible Bonds will remain unchanged. Please refer to the section headed "The Convertible Bonds" in the Board Letter for the principal terms of the Convertible Bonds as amended pursuant to the Fourth Supplemental Deed.

3. Business overview of the Group

The Company is an investment holding company and the Shares of which are listed on GEM. According to the Board Letter, the Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the PRC) and digital marketing business on overseas market in return for advertising and related revenue.

The following table summarises (i) the consolidated financial results of the Group for the year ended 31 March 2019 ("FY2019") and FY2020 as extracted from the Annual Report; (ii) the two six-month periods ended 30 September 2019 ("FP2019") and FP2020 as extracted from the Interim Report; and (iii) the two nine-month periods ended 31 December 2019 ("3Q2019") and 3Q2020 as extracted from the 3Q Report.

Summary of the consolidated financial results of the Group

	For the nine months ended 31 December		For the six months ended 30 September		For the year ended 31 March	
	2020	2019	2020	2019	2020	2019
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
Revenue	172,139	160,911	115,112	110,706	237,322	324,855
– Construction works	137,850	156,110	86,262	106,839	231,100	323,895
– Advertising income	34,289	4,801	28,850	3,867	6,222	960
Gross (loss)/profit	(27,253)	(18,773)	(14,373)	(10,777)	(17,536)	3,484
Loss for the period/ year	(65,761)	(72,499)	(42,512)	(47,512)	(100,831)	(65,302)

LETTER FORM NUADA LIMITED

	As at 30 September 2020 (unaudited) <i>HK\$'000</i>	As at 31 March 2020 (audited) <i>HK\$'000</i>
Cash and cash equivalents	69,522	91,196
Total assets	194,424	248,454
Total liabilities	507,188	520,422
Net liabilities	312,764	271,968

For FY2020

The revenue of the Group decreased from approximately HK\$324.9 million for FY2019 to approximately HK\$237.3 million for FY2020, representing a decrease of approximately 26.9%. According to the Annual Report, the decrease in revenue was mainly due to decrease in revenue of the Group's provision of civil engineering services business segment as certain civil engineering projects substantially completed and reached the maintenance stage or nearly completion stage as well as keen competition faced by the Group in obtaining new tenders for the year. In addition, the Group recorded a gross loss of approximately HK\$17.5 million for FY2020 as compared with a gross profit of approximately HK\$3.5 million for FY2019. As disclosed in the Annual Report and according to the Management, such incurrence of gross loss as opposed to gross profit was mainly due to (i) the progress of projects with higher gross profit margin had slowed down during the year; (ii) the decrease in gross profit margin of certain projects awarded to the Group in the recent years as a result of keen competition in the construction industry in Hong Kong; and (iii) an increase in direct costs incurred from (a) general increasing construction costs; (b) unexpected complexity arising from construction works for certain construction projects of the Group during the year and towards the completion stage and (c) delays in certain projects as a result of the outbreak of the novel coronavirus ("COVID-19") epidemic.

LETTER FORM NUADA LIMITED

According to the Annual Report, mainly resulted from: (i) deterioration from gross profit to gross loss during FY2020; (ii) the provision of expected credit losses allowance for contract assets and trade receivables of approximately HK\$5.4 million and approximately HK\$7.9 million respectively, the majority of which was related to contract assets and trade receivables of a civil engineering contract in a capacity of a subcontractor (as stated under the section headed “Management Discussion and Analysis” of the Annual Report, according to the policy of impairment provision of receivables of the Group and to the best knowledge of the Company based on the information currently available and after taking into consideration of (a) the defaulted payments; (b) such subcontractor is in the process of liquidation; and (c) certain winding up petitions filed against the aforesaid subcontractor, the Group assessed the recoverability of the receivables became uncertain and accordingly the Group had provided a provision of expected credit losses allowance of such receivables); and (iii) fair value loss of financial assets at fair value through profit or loss for the year of approximately HK\$4.6 million, the Group recorded a loss of approximately HK\$100.8 million for FY2020 as compared with that of approximately HK\$65.3 million for FY2019.

For FP2020 and 3Q2020

The unaudited revenue of the Group was approximately HK\$115.1 million for FP2020, representing a slight increase of approximately 4.0% as compared with that of approximately HK\$110.7 million for FP2019. According to the Interim Report, such slight increase was mainly due to the net impact of (i) increase in advertising income from commencement of digital marketing business in the Group’s media and advertising business segment, from approximately HK\$3.9 million for FP2019 to approximately HK\$28.9 million for FP2020; and (ii) slightly decrease in revenue in the Group’s provision of civil engineering services business segment due to decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage as well as keen competition faced by the Group in obtaining new tenders during the aforesaid period.

LETTER FORM NUADA LIMITED

The Group recorded an increase in unaudited gross loss from approximately HK\$10.8 million for FP2019 to approximately HK\$14.4 million for FP2020. As disclosed in the Interim Report, the increase in unaudited gross loss was mainly due to (i) the progress of certain construction projects with higher gross profit margin had slowed down during the aforesaid period; (ii) the decrease in gross profit margin of certain construction projects awarded to the Group in the recent years as a result of keen competition in the construction industry in Hong Kong; and (iii) an increase in direct costs incurred from (a) general increasing construction costs; (b) unexpected complexity arising from construction works for certain construction projects of the Group during the aforesaid period and towards the completion stage and (c) delays in certain construction projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic. The unaudited loss for the period of the Group was approximately HK\$42.5 million for FP2020, which represents a decrease of approximately 10.5% as compared to approximately HK\$47.5 million in FP2019, which was mainly due to the increase in revenue from the Group's media and advertising business segment and the government grant received regarding to novel coronavirus (COVID-19) epidemic during the aforesaid period.

The Group's unaudited cash and cash equivalents amounted to approximately HK\$69.5 million as at 30 September 2020. The unaudited total assets of the Group as at 30 September 2020 amounted to approximately HK\$194.4 million whereas unaudited total liabilities of the Group amounted to approximately HK\$507.2 million, resulting in unaudited net liabilities of approximately HK\$312.8 million.

In addition, according to the 3Q Report, the Group reported unaudited revenue of approximately HK\$172.1 million as compared to approximately HK\$160.9 million for 3Q2019 and representing an increase of approximately 7.0%. According to the 3Q Report, the slight increase was mainly due to the net effect of (i) increase in advertising income from the commencement of digital marketing business, increased from approximately HK\$4.8 million for 3Q2019 to approximately HK\$34.3 million for 3Q2020; and (ii) the decrease in revenue generated from construction works, from approximately HK\$156.1 million for 3Q2019 to approximately HK\$137.9 million for 3Q2020. The unaudited net loss of the Group for 3Q2020 decreased by approximately 9.2%, from approximately HK\$72.5 million for 3Q2019 to approximately HK\$65.8 million for 3Q2020. According to the Management, the unaudited cash and cash equivalents of the Group was approximately HK\$67.8 million as at 31 December 2020.

LETTER FORM NUADA LIMITED

With reference to note 2(c) of the 3Q Report regarding going concern of the Group, the Directors have given careful consideration to the future liquidity of the Group notwithstanding that, among others, the Group has incurred an unaudited net loss of approximately HK\$65.8 million for 3Q2020 and, as at 31 December 2020, the Group had an unaudited net current liabilities and an unaudited net liabilities of approximately HK\$331.0 million and HK\$335.9 million respectively.

Given that (i) the outstanding principal amount of the Convertible Bonds was approximately HK\$257.0 million as at the Latest Practicable Date; (ii) the unaudited cash and cash equivalents of the Group was approximately HK\$69.5 million as at 30 September 2020 according to the Interim Report and approximately HK\$67.8 million as at 31 December 2020 according to the Management; and (iii) the Group recorded unaudited net current liabilities of approximately HK\$353.6 million as at 30 September 2020, we are of the view and concur with the view of the Management that the Group has short term cash flow pressure to repay the outstanding amount of the Convertible Bonds on its original maturity date, i.e. 9 December 2020.

4. Reasons for entering into the Fourth Supplemental Deed

As stated in the Board Letter, the Fourth Amendment of Terms would allow the Company to refinance its debts under the Convertible Bonds on the same terms for another year, and to provide flexibility to the Company's working capital management and deployment of its financial resources to fund its operation.

The Board considers the Fourth Maturity Date Extension for a further year is fair and reasonable for the reasons that: (i) as disclosed in the third quarterly results announcement of the Company for the nine months ended 31 December 2020 dated 8 February 2021, the Group was in an unaudited net current liabilities position of approximately HK\$331.0 million and unaudited net liabilities of approximately HK\$335.9 million as at 31 December 2020 and hence has sought for financial support from CNC HK, which has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and requirements, to maintain the going concern of the Company. CNC HK therefore allowed the Company to extend the repayment for liabilities due to CNC HK to not earlier than 12 months commencing from 31 December 2020, including the Convertible Bonds, the interests payable for the Convertible Bonds and liabilities due to CNC HK in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due.

LETTER FORM NUADA LIMITED

According to the Management, as at the Latest Practicable Date, an unsecured, 3% per annum carried interest-promissory note issued by Profit Station Limited, a direct wholly-owned subsidiary of the Company, and held by an independent third party independent of the Company and its connected persons in the principal amount of approximately HK\$45,040,000 remains outstanding. On 9 March 2021, Profit Station Limited had entered into an extension agreement with the noteholder of promissory note pursuant to which the maturity date of promissory note was extended from 30 June 2020 to 30 June 2022 and the extended promissory note will bear interest of 3% per annum. Except the abovementioned, other terms and conditions of the promissory note remains unchanged. Also, there may be funding requirements for the operation of the businesses of the Company in the near future. Hence, the Board expects that the Company will not have enough cash to redeem the Convertible Bonds in the next few months or within the forthcoming financial year and the Fourth Maturity Date Extension would give reasonable time for the Group to improve its business performance and financial position. Thus, the Board considers that the Fourth Maturity Date Extension is in the best interests of the Company and the Shareholders as a whole.

Taking into account (i) the unsatisfactory financial results of the Group in recent periods as stated under the paragraph headed “3. Business overview of the Group” above in this letter; (ii) the insufficient internal resources of the Group based on the unaudited cash and cash equivalents of the Group of approximately HK\$67.8 million as at 31 December 2020 according to the Management and the outstanding principal amount of the Convertible Bonds was approximately HK\$257.0 million as at the Latest Practicable Date as stated under the paragraph headed “3. Business overview of the Group” above in this letter; (iii) the Conversion Price is premium to the net asset value of the Group, that the Group recorded unaudited net liabilities of approximately HK\$335.9 million as at 31 December 2020; (iv) the analysis of the terms of the Convertible Bonds (as amended by the Fourth Supplemental Deed) as stated in the paragraph headed “5. Comparable Analysis” below in this letter; (v) the lack of other fund-raising alternatives available to the Company based on the recent financial performance of the Group as stated in paragraph headed “6. Other fund-raising alternatives” below in this letter; and (vi) the financial effect of the Fourth Amendment of Terms on the Group as stated in paragraph headed “7. Financial effect of the Proposed Amendments” below, we are of the view and concur with the view of the Board that the Fourth Supplemental Deed and the Fourth Amendment of Terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FORM NUADA LIMITED

5. Comparable Analysis

In order to assess the fairness and reasonableness of the terms of the Convertible Bonds (as amended by the Fourth Supplemental Deed), we have searched for relevant convertible bonds/notes issued by other issuers listed on the Stock Exchange (the “Comparable(s)”) as announced during the one month prior to and including 25 January 2021, being the date of the Fourth Supplemental Deed, and identified an exhaustive list of 11 Comparables. Notwithstanding the differences between the listed issuers of the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider that the Comparables can provide a general reference in relation to the terms of convertible bonds/notes issued under recent market condition and sentiment. Also taking into account the sample size of 11 Comparables and in order to understand the recent market condition, we consider that the comparison period of one month is appropriate. Details of the Comparables are set out in the table below:

No.	Date of initial announcement	Stock Code	Name of company	Principal amount <i>(million)</i>	Premium over the closing price <i>(Note)</i> <i>(%)</i>	Interest rate per annum <i>(%)</i>
1.	29 December 2020	2666	Genertec Universal Medical Group Company Limited	US\$150.0	14.29	2.00
2.	30 December 2020	959	Century Entertainment International Holdings Limited	HK\$50.0	8.70	nil
3.	3 January 2021	1860	Mobvista Inc.	US\$30.0	14.94	3.50
4.	5 January 2021	8363	SDM Group Holdings Limited	US\$6.4	3.74	8.00
5.	6 January 2021	576	Zhejiang Expressway Co., Ltd.	Euro230.0	35.00	nil
6.	8 January 2021	1378	China Hongqiao Group Limited	US\$300.0	14.97	5.25
7.	8 January 2021	3692	Hansoh Pharmaceutical Group Company Limited	US\$600.0	44.06	nil
8.	13 January 2021	1317	China Maple Leaf Educational Systems Limited	US\$125.0	25.00	2.25
9.	13 January 2021	2768	Jiayuan International Group Limited	HK\$3,420.6	5.1	nil
10.	19 January 2021	6128	Earthasia International Holdings Limited	US\$8.1	14.03	5.50
11.	25 January 2021	970	Sparkle Roll Group Limited	HK\$100.0	7.30	nil
				Mean	17.01	2.41
				Maximum	44.06	8.00
				Minimum	3.74	nil
	25 January 2021	8356	The Company	HK\$257.0	1,206.67	3.00

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Note: Each of the premiums is calculated based on (i) the conversion price of a Comparable; and (ii) the closing price of the relevant share on the last trading date as disclosed in the relevant announcement.

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(a) Conversion price

The conversion prices of the Comparables represent premiums from approximately 3.74% to approximately 44.06%, with an average premium of approximately 17.01%. The conversion price per Conversion Share of HK\$0.196 represents a premium of approximately 1,206.67% over the closing price per Share on the date of the Fourth Supplemental Deed, which is above the average and maximum premium represented by the Comparables.

(b) Interest rate

The interest rates of the Comparables range from nil to 8.00%, with an average interest rate of approximately 2.41%. The interest rate of 3% per annum of the Convertible Bonds for the extended period is slightly above the average but within the range of interest rate represented by the Comparables.

(c) Conclusion

Based on the above analysis of the Comparables, we consider that the principal terms of the Convertible Bonds (as amended by the Fourth Supplemental Deed) are generally in line with market practice and therefore the Fourth Supplemental Deed and the Fourth Amendment of Terms are fair and reasonable.

6. Other fund-raising alternatives

As discussed with the Management, we note that the Board has considered alternative fund raising methods before entering into the Fourth Supplemental Deed. However, we noted from the Management that they have not approached financial institutions for quotations for debt financing since it may increase financial burden to the Group. Also, the Management are of the view that based on the unsatisfactory financial performance of the Group, it is difficult for the Company to obtain bank borrowing.

We are of the view and concur with the view of the Management that it is difficult for the Company to obtain bank borrowing in view of (i) the unsatisfactory financial performance of the Group as mentioned under the section headed “3. Business overview of the Group” above in this letter, particularly the net loss of the Group, the net current liabilities and net liabilities position of the Group for recent financial years/periods; and (ii) the fixed assets of the Group (i.e. property, plant and equipment of the Group as at 30 September 2020 was approximately HK\$22.3 million) are not sufficient to be pledged as collateral to borrow the funding equal to the outstanding principal amount of the Convertible Bonds (i.e. approximately HK\$257.0 million).

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Since the Management has not approached financial institutions for quotation for debt financing, we searched for the information about the best lending rate for Hong Kong dollars in Hong Kong in order to compare the interest rate of the Convertible Bond and interest rate of debt financing for financial institutions assume the Company can obtain debt financing for financial institutions under best lending rate. According to the website of Hong Kong Monetary Authority, the latest best lending rate of Hong Kong dollar, i.e. at the end of March 2021, is 5.00% per annum which is higher than the interest rate of the Convertible Bonds.

Based on the existing financial condition and financial performance of the Group as stated above, we are of the view and concur with the view of the Management that it is difficult for the Company to obtain borrowing from financial institutions. In addition, as the latest best lending rate of Hong Kong dollar, i.e. at the end of March 2021, is 5.00% per annum which is higher than the interest rate of the Convertible Bonds (i.e. 3.00% per annum), the financial burden to the Group would be heavier if the Company conduct debt financing from financial institutions instead of entering of the Fourth Supplemental Deed given that the gearing ratio of the Company, which is based on the total amount of promissory note and convertible notes, lease liabilities and advance received from customers divided by total assets, was approximately 180.5% as at 30 September 2020 (approximately 145.0% as at 31 March 2020) according to the Interim Report. Also, in view of the unsatisfactory financial performance of the Group mentioned under the section headed “3. Business overview of the Group” above in this letter, particularly the net loss of the Group, the net current liabilities and net liabilities position of the Group for recent financial years/ periods, we are of the view and concur with the Directors’ view that it is difficult for the Company to obtain bank borrowing.

In addition to debt financing, we understand that the Board had considered to conduct equity financing such as rights issue or open offer exercise or private placement. However, given the size of fund raising, having considered (i) the Conversion Price (i.e. HK\$0.196 represents a premium of approximately 1,206.67% to the closing price of Share on the date of the Fourth Supplemental Deed (i.e. HK\$0.015), the Board is of the view that it is impossible to conduct and attract shareholders to participate into rights issue or open offer or attract investors to subscribe under private placement if the issue price is going to be the same as the Conversion Price; and (ii) if the Company conducts rights issue or open offer or private placement assuming the issue price is similar to the closing price of Share on the date of the Fourth Supplemental Deed, the Company would need to issue a large number of

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new Shares to raise the funding size equal to that of the outstanding principal amount of the Convertible Bonds (i.e. HK\$ 257,030,210) and causing relatively high potential dilution effect (for illustration purpose only, given the same size of fund raising as the outstanding principal amount of the Convertible Bonds, i.e. HK\$ 257,030,210, the number of new Shares to be issued at the issue price of HK\$0.015, being the closing price of Share on the date of the Fourth Supplemental Deed, would be 17,135,347,333, which is approximately 4 times over the number of Shares in issue, i.e. 4,055,349,947 Shares, as at the Latest Practicable Date).

In view of the above and our comparable analysis in respect of the term of the Convertible Bonds (as amended by the Fourth Supplemental Deed), we are of the view and concur with the view of the Management that the entering of the Fourth Supplemental Deed would be the best financing alternative available to the Company.

7. Financial effect of the Fourth Amendment of Terms

Pursuant to the Fourth Supplemental Deed, the Convertible Bonds will bear an interest of 3% per annum on the outstanding principal amount thereof (i.e. HK\$257,030,210 as at the Latest Practicable Date) for the extended period. Notwithstanding the finance cost associated with the Convertible Bonds as a result of the Fourth Amendment of Terms, having considered that (i) the Fourth Amendment of Terms allow the Group to retain financial resources for its operation; (ii) the unfavourable financial position of the Group pose difficulties in obtaining bank borrowing and procuring securities firms for equity fund raising such as placing, rights issue and/or open offer, in addition to costs associated with such fund raising alternatives as stated under the section headed “6. Other fund-raising alternatives” above in this letter; and (iii) the terms of the Fourth Supplemental Deed are fair and reasonable based on our comparable analysis set out under the section headed “5. Comparable Analysis” above in this letter, we consider that the additional finance cost is justifiable.

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RECOMMENDATION

Although the entering of the Fourth Supplemental Deed is not in the ordinary and usual course of business of the Group, taking into account the above principal factors and reasons considered, we are of the opinion that the entering into of the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Therefore, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Fourth Supplemental Deed, the Fourth Amendment of Terms and the transactions contemplated thereunder to be presented at the EGM.

Yours faithfully,
For and on behalf of
Nuada Limited

Po Chan
Executive Director

Kevin Wong
Vice President

Ms. Po Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 17 years of experience in the corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 13 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of aggregate interests to total issued share capital
Mr. Kan Kwok Cheung (Note)	Interest in controlled corporation	69,000,000	1.70%

Note:

Mr. Kan Kwok Cheung is the sole beneficial owner of Shunleetat (BVI) Limited, which was interested in 69,000,000 Shares. Under the SFO, Mr. Kan Kwok Cheung is deemed to be interested in all the Shares held by Shunleetat (BVI) Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares:

Name	Number of Shares held		Number of underlying Shares under Convertible Bonds (Note a)		Total interests	Percentage of aggregate interests to total issued share capital (Note c)
	Beneficial owner	Interest in controlled corporation	Beneficial owner	Interest in controlled corporation		
CNC HK	1,188,621,377 (Note b)	-	1,311,378,622 (Note b)	-	2,499,999,999	61.65%
CNC China	-	1,188,621,377 (Note b)	-	1,311,378,622 (Note b)	2,499,999,999	61.65%

Notes:

- (a) Details of the Convertible Bonds were set out on pages 7 to 9 of this circular.
- (b) CNC HK is wholly and beneficially owned by CNC China. Accordingly, CNC China is deemed to be interested in the 1,188,621,377 Shares and 1,311,378,622 underlying Shares held by CNC HK under the SFO.
- (c) The percentage of aggregate interests to total issued share capital is calculated based on the number of Shares in issue as at the Latest Practicable Date (i.e. 4,055,349,947 Shares).

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(c) Directorship in and employment with substantial Shareholders

Set out below are particulars of the Directors' directorship in or employment with companies which have interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Director	Position	Name of substantial Shareholder
Jiang Yan	Director	CNC HK CNC China
Li Yong Sheng	Director	CNC HK
Liu Da Yong	Deputy director of administration department	CNC China
Tang Li	Director	CNC HK
	Deputy director of financial assets department	CNC China
	Director	CNC HK

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years subject to retirement by rotation and re-election at the annual general meeting pursuant to the articles of association of the Company. The appointment of executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three-month salary in lieu of notice.

Each of the non-executive Directors was appointed for a specific term of three years subject to retirement by rotation and re-election at the annual general meeting pursuant to the articles of association of the Company. The appointment of non-executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three-month salary in lieu of notice.

Each of the independent non-executive Directors were appointed for a specific term of three years subject to retirement by rotation and re-election at the annual general meeting pursuant to the articles of association of the Company. The appointment of independent non-executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three-month salary in lieu of notice.

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which does not expire or is not determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was:

- (a) materially interested in any contract or arrangement entered into by any member of the Group which was subsisting at the date of this circular, and which was significant in relation to the business of the Group; or
- (b) had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders of the Company and their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
Nuada Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity pursuant to the SFO

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears. The letter of Nuada Limited is given as of the date of the circular for incorporation herein.

As at the Latest Practicable Date, Nuada Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, as at the Latest Practicable Date, Nuada Limited does not have any direct or indirect interest in any assets which had been since 31 March 2020, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company dated 10 November 2020 for the six months ended 30 September 2020, the Group had net current liabilities and net liabilities of approximately HK\$353,601,000 and HK\$312,764,000 as at 30 September 2020 respectively. As disclosed in the quarterly result announcement of the Company dated 8 February 2021 for the nine months ended 31 December 2020, (i) the Group incurred a net loss of approximately HK\$65,761,000 during the same period; and (ii) as at 31 December 2020, an unsecured, 3% per annum carried interest-promissory note issued by Profit Station Limited, a direct wholly-owned subsidiary of the Company, and held by an independent third party independent of the Company and its connected persons in principal amount of approximately HK\$45,040,000 which was previously due on 30 June 2020 remains outstanding. On 9 March 2021, Profit Station Limited had entered into an extension agreement with the noteholder of promissory note pursuant to which the maturity date of promissory note was extended from 30 June 2020 to 30 June 2022 and the extended promissory note will bear interest of 3% per annum. Except the abovementioned, other terms and conditions of the promissory note remains unchanged. The Convertible Bonds remained overdue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group was made up.

8. MISCELLANEOUS

The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong, during 10:00 a.m. to 4:00 p.m. on any Business Day on any Business Day from the date of this circular up to and including the date of the EGM, being not less than 14 days:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2019 and 31 March 2020;
- (c) First Supplemental Deed;
- (d) Second Supplemental Deed;
- (e) Third Supplemental Deed;
- (f) Fourth Supplemental Deed;
- (g) Sale and Purchase Agreement.
- (h) the written consent of the expert referred to in the paragraph headed “Expert” in this Appendix;
- (i) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 in this circular;
- (j) the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 34 in this circular; and
- (k) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of CNC Holdings Limited (the “**Company**”) will be held at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong on Friday, 4 June 2021 at 11:00 a.m., for the purpose of considering and, if though fit, passing the following resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the supplemental deed dated 25 January 2021 (“**Fourth Supplemental Deed**”) entered into between the Company and a holder of the redeemable convertible bonds issued by the Company on 9 December 2011 in an outstanding principal amount of HK\$257,030,210 (the “**Convertible Bonds**”) (a copy of the Supplemental Deed having been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) in relation to the proposed amendment of terms and conditions of the Convertible Bonds, in relation to the proposed extension of maturity date of the Convertible Bonds to 9 December 2021 pursuant to the Fourth Supplemental Deed and all transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (b) Subject to The Stock Exchange of Hong Kong Limited consenting to the alternation to the terms and conditions of the Convertible Bonds, the directors (each a “**Director**” and collectively the “**Directors**”) of the Company be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Fourth Supplemental Deed including without limitation to:
- (a) the execution, amendment, ratification, delivery, submission and/or implementation of any further documents or agreements in relation to the Fourth Supplemental Deed; and
- (b) the taking of all necessary actions to implement the transactions contemplated under the Fourth Supplemental Deed.”

Yours faithfully
For and on behalf of the Board of
CNC Holdings Limited
Li Yong Sheng
Vice Chairman & CEO

Hong Kong, 18 May 2021

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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

Suites 2708-2710
27/F., Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Notes:

- (1) The register of members of the Company will be closed from Monday, 31 May 2021 to Friday, 4 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 May 2021.
- (2) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

NOTICE OF EGM

- (3) A form of proxy for use at the EGM is enclosed with the circular of the Company dated 18 May 2021. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.
- (4) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (5) In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (6) Any voting at the EGM shall be taken by poll.
- (7) In line with the latest recommendations issued by the Government of Hong Kong in relation to the COVID-19 pandemic, and for the health and safety of the Shareholders and other attendees, the precautionary measures to be taken by the Company at the EGM are as follows:
- (i) compulsory body temperature checks and health declarations;
 - (ii) compulsory wearing of surgical face mask by the attendees (please bring your own mask); and
 - (iii) no provision of corporate gift or refreshment.

Attendees are requested to observe and practise good personal hygiene at the EGM venue during the EGM. To the extent permitted by law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to safeguard the health and safety of the attendees at the EGM.

Shareholders are strongly encouraged to appoint the Chairman of the EGM of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM of the Company in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures at a short notice. Shareholders are advised to check the website of the Stock Exchange and the Company's website for future announcements and updates on the EGM arrangements.