19 December 2022

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (2) CONNECTED TRANSACTION: PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND (3) NOTICE OF SGM

INTRODUCTION

Reference is made to the Announcement of the Company dated 16 November 2022 in relation to, among others, the proposed Increase in Authorised Share Capital and the entering into of the Subscription Agreement involving the issue of the Convertible Bonds, which constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

CCT Fortis Holdings Limited
31/F Fortis Tower
77-79 Gloucester Road
Hong Kong
Tel : (852) 2102 8138
Fax : (852) 2102 8100
中建富通集團有限公司
香港告士打道77-79號富通大廈31樓

The purpose of this circular is to give you, among other things, (i) details of the proposed Increase in Authorised Share Capital, the Subscription Agreement and other information as required under the Listing Rules; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement involving the issue of the Convertible Bonds; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement involving the issue of the Convertible Bonds; (iv) general information of the Group; and (v) a notice of the SGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the growth of the Group and to provide the Company with greater flexibility for the issue of the Conversion Shares under the Convertible Bonds and other possible fundraising activities in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Shares to HK$2,000,000,000 divided into 20,000,000,000 Shares by the creation of an additional 18,000,000,000 unissued Shares. As at the Latest Practicable Date, save as disclosed in this circular, the Company has no intention or plan in conducting any other fundraising activities in the coming 12 months.

Subject to the passing of an ordinary resolution by the Shareholders at the SGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the SGM upon the passing of the relevant ordinary resolution.

The Directors are of the view that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

BACKGROUND OF THE 2024 BONDS

As at the date of the Announcement and immediately before the entering into of the Subscription Agreement, the aggregate outstanding principal amount of the 2024 Bonds is HK$220,000,000, all of which is held by the Subscriber. The 2024 Bonds will fall due on 31 December 2024 and shall be redeemable at the option of the Company at any time on or before 31 December 2024.

THE SUBSCRIPTION AGREEMENT

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

Date: 16 November 2022

Parties: (i) the Company as issuer; and

(ii) the Subscriber

The Subscriber is beneficially and ultimately owned by Mr. Mak, being the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and is a connected person of the Company under Chapter 14A of the Listing Rules

Subscription Price:	HK$220,000,000 The Subscription Price shall be set off against the outstanding principal amount of HK$220,000,000 under the 2024 Bonds held by the Subscriber at Completion.

Conditions of the Subscription Agreement

The Subscription is conditional upon:

(i) the passing by the Independent Shareholders of relevant resolution(s) at the SGM in compliance with the requirements of the Listing Rules approving:

  (a) the Subscription Agreement and the transactions contemplated thereunder; and

  (b) the issue of the Convertible Bonds and the Specific Mandate for the allotment and issue of the Conversion Shares to holder(s) of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;

(ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

(iii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

(iv) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds;

(v) none of the warranties given by the Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;

(vi) none of the warranties given by the Subscriber under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and

(vii) the Increase in Authorised Share Capital having become effective.

The Company shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (i), (ii), (iv), (v) and (vii) above as soon as practicable and in any event on or before the Long Stop Date. The Subscriber shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (iii) and (vi) above as soon as practicable and in any event on or before the Long Stop Date. The conditions precedent set out in conditions (i), (ii), (iii), (iv) and (vii) are incapable of being waived. The Subscriber may at any time by notice in writing to the Company waive the condition set out in condition (v) above. The Company may at any time by notice in writing to the Subscriber waive the condition set out in condition (vi).

In the event that the conditions of the Subscription are not fulfilled or, as the case may be, waived on or before the Long Stop Date or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

As at the Latest Practicable Date, none of the conditions precedent set out above has been fulfilled.

Completion

The Subscription Agreement shall complete within 3 Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon Completion, the outstanding principal amount of the 2024 Bonds held by the Subscriber will be set-off against the Subscription Price in full, and the obligation and liability of the Company to the Subscriber under the 2024 Bonds will be extinguished.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

Issuer:	The Company
Subscriber:	Treasure Goal International Limited, which is principally engaged in investment holding
Issue price:	100% of the principal amount
Principal amounts:	HK$220,000,000
Conversion price:	The Conversion Price per Conversion Share shall be HK$0.16, subject to adjustments as hereafter described
Adjustment events:	The Conversion Price will be adjusted upon the occurrence of the following events: ***(a) Consolidation, sub-division or re-classification of the Shares***

If and whenever the Shares by reason of any consolidation, sub-division or re-classification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation, sub-division or re-classification becomes effective.

(b) Capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

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

B = the aggregate nominal amount of the Shares issued in such capitalisation.

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

(c) Capital distribution

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by (i) an independent financial adviser which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO; or (ii) the auditors for the time being of the Company or, if there shall be joint auditors, any one or more of such auditors or, in the event of their being unable or unwilling to carry out any action requested of them, such other firm of accountants of international repute as may be nominated by the Company (the "**Independent Adviser**"), of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the Independent Adviser is not required.

Provided that (aa) if in the opinion of the Independent Adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, the Independent Adviser may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

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

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder(s) of the Convertible Bonds (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if they had exercised the conversion rights under the Convertible Bonds registered in their Bondholder holds of the Convertible Bonds out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

(e) *(aa)* ***Issue of convertible or exchangeable securities***

If and whenever the Company shall issue wholly for cash or for reduction of liabilities any securities or for acquisition of asset convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 90% of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective on the date of the issue.

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 90% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such modification;

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the Conversion Price provided that corresponding adjustment has already been made to the Conversion Price in respect of such an event.

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

(f) ***Issue of Shares being made wholly for cash or for reduction of liabilities at a price less than 90% of the market price per Share***

If and whenever the Company shall issue wholly for cash or for reduction of liabilities any Shares at a price per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

For the purpose of this paragraph (g) "**total Effective Consideration**" shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**total Effective Consideration per Share**" shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

Interest rate: 4.5% per annum (payable monthly)

Conversion Shares: Based on the principal amount of the Convertible Bonds of HK$220,000,000, the Convertible Bonds are convertible into 1,375,000,000 Conversion Shares at the initial Conversion Price of HK$0.16 per Conversion Share (subject to adjustments)

Conversion period: The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date

Conversion rights and restrictions:	The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK$500,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion rights attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules.
Early redemption at the option of the Company:	The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the Convertible Bonds, propose to the holder(s) to redeem the outstanding Convertible Bonds (in multiples of HK$500,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds at any time after the date of issue of the Convertible Bonds up to and including the date falling seven (7) days immediately before the maturity date of the Convertible Bonds.
Ranking:	The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
Maturity date:	31 December 2025
Voting rights:	The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company

Transferability:	Subject to compliance with the Listing Rules, the Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK$500,000 by the holder(s) of the Convertible Bonds to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company
Security:	The obligations of the Company under the Convertible Bonds are unsecure

Based on the initial Conversion Price of HK$0.16 per Conversion Share, a maximum number of 1,375,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 157.48% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 61.16% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full.

The maximum aggregate nominal value of the Conversion Shares is HK$137,500,000.

Conversion Price

The initial Conversion Price of HK$0.16 per Conversion Share represents:

(i) a premium of approximately 10.35% over the closing price of HK$0.145 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;

(ii) a premium of approximately 5.82% over the average closing prices of HK$0.1512 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

(iii) a premium of approximately 10.35% over the closing price of HK$0.145 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a discount of approximately 91.30% to the unaudited net asset value attributable to the Shareholders of approximately HK$1.84 per Share of the Company as at 30 June 2022.

The net Conversion Price, after deduction of relevant expenses, is approximately HK$0.1596 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

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

Application for listing

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

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 the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds) are as follows:

	(i) As at the Latest Practicable Date		**(ii) Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price** *(Note 3)*	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscriber	–	–	1,375,000,000	61.16
Mr. Mak *(Note 1)*	25,589,652	2.93	25,589,652	1.14
Capital Winner Investments Limited ("**Capital Winner**") *(Note 2)*	177,798,672	20.36	177,798,672	7.91
New Capital Industrial Limited ("**New Capital**") *(Note 2)*	171,357,615	19.63	171,357,615	7.62
Capital Force International Limited ("**Capital Force**") *(Note 2)*	96,868,792	11.09	96,868,792	4.31
Other public Shareholders	401,496,721	45.99	401,496,721	17.86
Total	873,111,452	100.00	2,248,111,452	100.00

Notes:

1. Mr. Mak is the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company.

2. Capital Winner, New Capital and Capital Force are private corporations owned as to 51% by Mr. Mak and as to 49% by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially. Mr. Mak is deemed to be interested in 446,025,079 Shares held by Capital Winner, New Capital and Capital Force under the SFO.

3. For illustration purposes only, under the terms of the Convertible Bonds, the exercise of the conversion rights attached to the Convertible Bonds shall not cause the Company to be unable to meet the public float requirements under the Listing Rules.

FUNDRAISING DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fundraising exercises in the past twelve months immediately preceding the Latest Practicable Date.

INFORMATION OF THE GROUP

The Company is an investment holding company. As at the Latest Practicable Date, the Group is principally engaged in (i) property business; (ii) securities business; (iii) Blackbird Group's multi-faceted automotive business; (iv) investment in collectible precision devices; and (v) cultural entertainment business.

INFORMATION OF THE SUBSCRIBER

The Subscriber is an investment holding company. The Subscriber is beneficially and ultimately owned by Mr. Mak, being the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and is a connected person of the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE PROPOSED ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

As at the Latest Practicable Date, the outstanding principal amount of the 2024 Bonds held by the Subscriber is HK$220,000,000 and will fall due on 31 December 2024. The 2024 Bonds shall be redeemable at the option of the Company at any time on or before 31 December 2024.

The Board considers that the issue of the Convertible Bonds at the Subscription Price which will be set off against the outstanding principal amount of the 2024 Bonds held by the Subscriber are in the interests of the Company and the Shareholders as a whole. The Convertible Bonds have a longer term to maturity as compared with the 2024 Bonds, and thus such longer term will allow the Company to retain its financial resources for a longer period of time and represents an opportunity to enhance the working capital of the Company.

Further, pursuant to the relevant bank facility agreement in relation to the bank borrowings of the Group, the Group is required to maintain a minimum level of Shareholders' equity. Upon Completion, the liabilities of the Group will be reduced as the issue of the Convertible Bonds at the Subscription Price will be set off against the outstanding principal amount of the 2024 Bonds and part of the Convertible Bonds will be recognised as the equity portion. As such, the Board considers that the Subscription will improve its equity position, its gearing ratio and ensure its compliance with the relevant requirement under the relevant bank facility agreement.

Furthermore, the Board has considered the following fundraising alternatives before entering into the Subscription Agreement, which the Company is of the view is in the best interest of the Company and the Shareholders as a whole:

(i) Debt Financing

The Board considered that the ability of the Group to obtain bank borrowings from commercial banks would usually depend on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence exercises, the respective banks' internal risk assessments and negotiations with commercial banks that usually require a pledge of assets by the borrower.

As at 30 June 2022, the Group has already pledged certain leasehold land and buildings, properties, inventories and time deposits, with a total carrying value of collateral of approximately HK$2,295 million for the Group's interest-bearing bank borrowings. Given the continuous loss-making position of the Group and the level of assets being pledged, the Board anticipated that the commercial banks would generally require higher interest rates for any possible debt financing instruments as compared to that of the Convertible Bonds. As such, the Board is of the view that obtaining further debt financing from commercial banks would not be easily accessible and would bring about undesirable effects to the financial position of the Group.

(ii) Equity Financing

The Board also considered raising funds through equity financing by way of placing of new Shares, rights issue or open offer. However, the subscription price would have to be set at a deep discount to the prevailing market price of the Shares so as to attract potential investors and/or existing Shareholders. In addition, rights issue or open offer of new Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clauses in favour of the underwriter and may generally incur higher transaction costs (i.e. underwriting and other related fees).

(iii) Disposal of assets

The Board further considered raising funds through the disposal of assets, such as the investment properties held by the Group which were valued at the amount of approximately HK$1,643 million as at 30 June 2022. However, taking into account (i) the recent poor market sentiment and performance in the Hong Kong property market; (ii) the uncertainties and disruptions caused by the COVID-19 outbreak; (iii) the high transaction costs involved in the disposal of such investment properties; (iv) the lengthy process in identifying purchasers of the investment properties; and (v) that some of the investment properties are subject to a mortgage, the Board was of the view that it is not a suitable time to dispose of such investment properties for the purposes of redeeming the 2024 Bonds.

In addition, the Company will be released from the repayment obligation at maturity if the Convertible Bonds are fully converted into Convertible Shares prior to the Maturity Date. Whilst the initial Conversion Price of HK$0.16 per Conversion Share represents a discount of approximately 91.30% to the unaudited net asset value attributable to the Shareholders as at 30 June 2022, the Board is of the view that the initial Conversion Price is fair and reasonable having regard to the performance and prevailing market price of the Shares which reflects the prevailing valuation of the Company as perceived by the Shareholders. The initial Conversion Price per Conversion Share represents a premium of 10.35% over both the closing price of the Shares as at the date of the Subscription Agreement and as at the Latest Practicable Date respectively, which the Board considers will broaden the capital base of the Company.

No net proceeds will be received by the Company from the issue of the Convertible Bonds. The outstanding principal amount of the 2024 Bonds of HK$220,000,000 held by the Subscriber as at the Latest Practicable Date will be settled through the issuance of the Convertible Bonds on the date of Completion to the Subscriber. Accordingly, no immediate cash outflow will be incurred in the settlement of the outstanding principal amount of the 2024 Bonds held by the Subscriber, thus providing more flexibility to the Company in its future cash management. Moreover as compared with the redemption of the 2024 Bonds which requires an immediate cash outflow, the conversion of the Convertible Bonds (if any) at the Conversion Price is at a premium of 10.35% over the closing price of the Shares as at the Latest Practicable Date and thus may also strengthen the capital base and reduce the liability of the Company, and thereby improve the financial position of the Company.

Having considered the debt financing, the equity financing and the disposal of assets alternatives as set out above, and the benefits to the Subscription, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Subscriber is beneficially and ultimately owned by Mr. Mak, being the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and is a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Mak holds 25,589,652 Shares and is deemed under Part XV of the SFO to be interested in an aggregate of 446,025,079 Shares held by Capital Winner, New Capital and Capital Force, representing approximately an aggregate of 54.01% of the total number of issued Shares. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Convertible Bonds and the Conversion Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the SGM. The SGM will be convened and held for the purposes of considering, and if thought fit, approving, among other things, the Increase in Authorised Share Capital, the Subscription, and the Specific Mandate to allot and issue the Conversion Shares.

Mr. Mak has abstained from voting on the resolutions in relation to the Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

SGM AND PROXY ARRANGEMENT

The SGM will be held at 18/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories, Hong Kong at 10:00 a.m. on Wednesday, 11 January 2023 for the Shareholders to consider, and if thought fit, approve the Increase in Authorised Share Capital and for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate). Any associates of the Subscriber who are interested in the Subscription shall abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

A notice for convening the SGM to be held at 18/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories, Hong Kong at 10:00 a.m. on Wednesday, 11 January 2023 is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is also enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the SGM. The completion of a form of proxy will not preclude you from attending and voting at the SGM in person.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder, and as to whether the Subscription is 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. Lego Corporate Finance has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Save that the Subscriber and its associates, being interested in the transactions contemplated under the Agreement, shall abstain from voting for the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting for the resolution to approve the Increase in Authorised Share Capital at the SGM. As at the Latest Practicable Date, the Subscriber and its associates are interested in 471,614,731 Shares, representing approximately 54.01% of the total number of issued Shares.

CLOSURE OF REGISTER OF MEMBERS

In order to determine members who are entitled to attend the SGM, the transfer books and register of members will be closed from Friday, 6 January 2023 to Wednesday, 11 January 2023, both days inclusive, during which period no share transfers can be registered. In order to be eligible to attend and vote at the SGM, all registered holders of shares of the Company should ensure that all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 5 January 2023.

RECOMMENDATION

The Board are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder, which have been agreed after arm's length negotiations are on normal commercial terms and such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board also considers that the proposed Increase in Authorised Share Capital is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee of this circular) recommend the Independent Shareholders to vote in favour of the resolution for approving, the Subscription Agreement and the transactions contemplated thereunder and the Shareholders to vote in favour of the resolution for approving the proposed Increase in Authorised Share Capital to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the additional information as set out in the appendix to this circular and the notice of the SGM.

Yours faithfully,

By order of the Board

CCT FORTIS HOLDINGS LIMITED

Mak Shiu Tong, Clement

Chairman

CCT Fortis Holdings Limited
31/F Fortis Tower
77-79 Gloucester Road
Hong Kong
Tel : (852) 2102 8138
Fax : (852) 2102 8100
中建富通集團有限公司
香港告士打道77-79號富通大廈31樓