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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

CCT FORTIS HOLDINGS LIMITED
（中建富通集團有限公司）

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00138)

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

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

Lego Corporate Finance Limited
力高企業融資有限公司

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

A notice 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 proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. 10:00 a.m. on Monday, 9 January 2023 (Hong Kong time)) or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked. Such form of proxy for use at the SGM is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cct-fortis.com/eng/investor/announcements.php).

PRECAUTIONARY MEASURES FOR THE SGM

Please refer to the section headed "Precautionary Measures for the SGM" set out on pages 1 to 2 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the SGM, including amongst others:

(i) compulsory body temperature checks for each attendee;

(ii) compulsory submission of health declaration form for each attendee;

(iii) compulsory wearing of a surgical face mask for each attendee; and

(iv) no distribution of corporate gift and no serving of drinks and refreshments.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the SGM venue. The Company strongly recommends Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM as an alternative to attending the SGM in person.

19 December 2022

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PRECAUTIONARY MEASURES FOR THE SGM

The health of the Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted for every attending Shareholder, proxy or other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37 degrees Celsius or who has any flu-like symptoms or is otherwise unwell may be denied entry into the SGM venue or be required to leave the SGM venue.

(ii) Each attendee will be required to complete and submit at the entrance of the SGM venue a health declaration form confirming, including but not limited to, whether (a) they have travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, areas outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days of the SGM; (b) they are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); and (c) they are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19. Any person who responds positively to any one of the above questions will be denied entry into the SGM venue or be required to leave the SGM venue.

(iii) No corporate gift will be distributed and no drinks and no refreshment will be served.

(iv) Each attendee will be required to wear a surgical face mask before he/she is permitted to enter into the SGM venue, and throughout the SGM and inside the SGM venue, and to maintain a safe distance between seats. Please note that no surgical face mask will be provided at the SGM and all attendees should wear their own surgical face masks.

(v) As a precautionary safety measure, seating at the SGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for the Shareholders to attend the SGM.

(vi) Attendees are in addition requested to observe and practise good personal hygiene at all times. To the extent permitted by law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the attendees at the SGM.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the SGM arrangements at short notice. Shareholders should constantly check the Company's website at www.cct-fortis.com/eng/investor/announcements.php or the Stock Exchange's website at www.hkexnews.hk for, if any, future announcement(s) and update(s) on the SGM arrangements.

In addition, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM instead of attending the SGM in person, by completing and return the form of proxy enclosed with this circular.

If any Shareholder chooses not to attend the SGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing addressed to the "Company Secretarial Department" of the Company by mail to 18/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories, Hong Kong.

If any Shareholder has any question relating to the SGM, please contact the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited as follows:

Tricor Tengis Limited
17/F., Far East Finance Centre
16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

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

"2024 Bonds"	the bonds due on 31 December 2024 issued by the Company on 29 April 2022 with coupon rate of 4.5% per annum and an aggregate outstanding principal amount of HK$220,000,000 as at the Latest Practicable Date
"Announcement"	the announcement of the Company dated 16 November 2022 in relation to, among others, the Increase in Authorised Share Capital and the Subscription
"associate(s)"	has the meanings ascribed to it under the Listing Rules
"Board"	Board of Directors of the Company
"Business Day(s)"	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which "extreme conditions" announced by the Government of Hong Kong or a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
"Company"	CCT Fortis Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 138)
"Completion"	the completion of the Subscription under the Subscription Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Conversion Price"	the conversion price per Conversion Share (subject to adjustments) of the Convertible Bonds
"Conversion Share(s)"	the Shares to be issued and allotted upon conversion of the Convertible Bonds
"Convertible Bonds"	the 4.5% coupon convertible bonds due on 31 December 2025 in the principal amount of HK$220,000,000 to be issued by the Company to the Subscriber in accordance with the terms of the Subscription Agreement
"Director(s)"	director(s) of the Company

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Increase in Authorised Share Capital"	the proposed increase in 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
"Independent Board Committee"	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Subscription and the transactions contemplated thereunder
"Independent Financial Adviser" or "Lego Corporate Finance"	Lego Corporate Finance Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription
"Independent Shareholders"	the Shareholders not required under the Listing Rules to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
"Latest Practicable Date"	14 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	28 February 2023
"Maturity Date"	31 December 2025, being the maturity date of the Convertible Bonds
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

"Mr. Mak"	Mr. Mak Shiu Tong, Clement is the sole beneficial owner of the Subscriber and the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and holds 25,589,652 issued Shares and is deemed under Part XV of the SFO to be interested in 446,025,079 issued Shares, representing approximately an aggregate of 54.01% of the total number of issued Shares as the Latest Practicable Date
"PRC"	the People's Republic of China which, and for the sole purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at 18/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories at 10:00 a.m. on Wednesday, 11 January 2023 for the purpose of considering and, if thought fit, approving (i) the Increase in Authorised Share Capital; and (ii) the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Shares
"Specific Mandate"	the specific mandate to be granted by the Independent Shareholders at the SGM to allot and issue the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Treasure Goal International Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially and ultimately owned by Mr. Mak
"Subscription"	the subscription of the Convertible Bonds contemplated under the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 16 November 2022 and entered into between the Company as issuer and the Subscriber in relation to the subscription of the Convertible Bonds

"Subscription Price"	the subscription price of HK$220,000,000 pursuant to the Subscription Agreement
"%"	per cent.



CCT FORTIS HOLDINGS LIMITED
（中建富通集團有限公司）

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00138)

Executive Directors:
Mak Shiu Tong, Clement
Cheng Yuk Ching, Flora

Independent non-executive Directors:
Chen Li
Chow Siu Ngor
Lau Ho Kit, Ivan

Registered office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head office and principal place of business in Hong Kong:
18/F., CCT Telecom Building
11 Wo Shing Street, Fotan
Shatin, New Territories
Hong Kong

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.

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

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

FORTIS HOLDINGS LIMITED
（中建富通集團有限公司）

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00138)

19 December 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION: PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular dated 19 December 2022 (the "**Circular**") issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Subscription Agreement and the transactions contemplated thereunder as set out in the Circular. Lego Corporate Finance has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 29 to 56 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Subscription Agreement and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendix to the Circular.

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder, the advice of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we consider that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the proposed issue of the Convertible Bonds to the connected persons of the Company, the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution for approving the Subscription Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
The Independent Board Committee of
CCT FORTIS HOLDINGS LIMITED

Chen Li	**Chow Siu Ngor**	**Lau Ho Kit, Ivan**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of a letter of advice from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds), which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

19 December 2022

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION; PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 19 December 2022 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On 29 April 2022, the Company issued the 2024 Bonds with an aggregate principal amount of HK$250.2 million to the Subscriber. The 2024 Bonds are unsecured and carry interest at 4.5% per annum on the outstanding principal amount, and will fall due on 31 December 2024. According to the Letter from the Board, as at the Latest Practicable Date, the aggregate outstanding principal amount of the 2024 Bonds amounted to HK$220 million.

On 16 November 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Bonds in the principal amount of HK$220 million. The Subscription Price shall be set off against the outstanding principal amount of HK$220 million under the 2024 Bonds held by the Subscriber at Completion. Upon Completion, the obligation and liability of the Company to the Subscriber under the 2024 Bonds will be extinguished.

As at the Latest Practicable Date, 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.

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

The Independent Board Committee, comprising all the independent non-executive Directors of the Company, namely Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan, has been established to consider, and to advise the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, amongst other things, (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also assumed that all such statements of belief, opinions and intention of the Directors and/or Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and/or the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so up to the Latest Practicable Date.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and/or the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries and associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds). Except for its inclusion in the Circular and for the purpose of the SGM, this letter 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 formulating our opinion in respect of the Subscription Agreement and the transactions contemplated thereunder (including issue of the Convertible Bonds), we have considered the following principal factors and reasons:

1. Information on the Company

1.1. Background of the Company

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.

1.2. Financial information of the Group

Set forth below are the audited financial information of the Group extracted from the annual report of the Company for the two years ended 31 December 2020 and 2021, respectively ("**FY2020**" and "**FY2021**", respectively) and the unaudited financial information of the Group extracted from the interim report of the Company for the six months ended 30 June 2021 and 2022, respectively ("**6M2021**" and "**6M2022**", respectively):

1.2.1 Consolidated financial performance of the Group

	FY2020 *HK$ million* (audited)	**FY2021** *HK$ million* (audited)	**6M2021** *HK$ million* (unaudited)	**6M2022** *HK$ million* (unaudited)
Revenue	**505**	**731**	**282**	**394**
– Property business	11	10	4	5
– Securities business	–	–*(Note 1)*	–	–
– Blackbird Group's multi-faceted automotive business *(Note 2)*	439	636	248	352
– Cultural entertainment business	20	45	12	15
– Other operations	35	40	18	22
Loss before taxation for the year/period from continuing operations	**(698)**	**(521)**	**(84)**	**(19)**
Loss after taxation for the year/period from continuing operations	**(693)**	**(521)**	**(84)**	**(19)**
Loss for the year/period from a discontinued operation *(Note 3)*	(3)	–	–	–
Loss for the year/period	**(696)**	**(521)**	**(84)**	**(19)**

Notes:

1. Less than HK$1 million.

2. The Blackbird Group, is principally engaged in (i) the official dealership of Ferrari in Hong Kong and the Macau Special Administrative Region of the PRC ("**Macau**"), including the repair and servicing business; (ii) as from April 2022, the official importership of Maserati in Hong Kong and Macau, also including the repair and servicing business; (iii) classic cars trading and investment business; and (iv) car logistics business.

3. On 24 July 2020, the Company announced the decision of its Board to terminate the industrial product business segment of the Group as a result of the deteriorating operating environment.

For FY2020 and FY2021

The Group's revenue increased from approximately HK$505 million for FY2020 to approximately HK$731 million for FY2021, representing an increase of approximately HK$226 million, or 44.8%. Such increase was driven mainly by the gradual resumption of the daily operations of the Group as effected by the outbreak of COVID-19 and the recovery of the Blackbird Group's multi-faceted automotive business segment. The revenue of the Blackbird Group's multi-faceted automotive business segment amounted to approximately HK$636 million for FY2021, representing an increase of approximately HK$197 million or about 44.9% as compared with that of approximately HK$439 million for FY2020, which was primarily attributable to the recovery of the Ferrari dealership business for FY2021.

The Group recorded net loss of approximately HK$521 million for FY2021, representing a decrease of approximately HK$175 million or about 25.1% as compared with net loss of approximately HK$696 million for FY2020. Net loss for FY2021 was mainly attributable to the net effect of (i) unrealised revaluation losses of approximately HK$287 million, arising from fair value changes of the Group's 29.19% shareholdings in GBA Holdings Limited (stock code: 0261.HK); (ii) loss of approximately HK$63 million arising from impairment of goodwill in respect of the audio and lighting operations; and (iii) expected credit loss provision of approximately HK$4 million against the remaining consideration arising from disposal of the audio and light business in Macau.

For the 6M2021 and the 6M2022

The Group's revenue increased from approximately HK$282 million for the 6M2021 to approximately HK$394 million for the 6M2022, representing an increase of approximately HK$112 million, or 39.7%. Such increase was mainly due to the increased revenue of Blackbird Group's multifaceted automotive business segment attributable to the improved sale of classic cars where businesses in general have gradually resumed to normal operation. The revenue of the Blackbird Group's multi-faceted automotive business segment amounted to approximately HK$352 million for the 6M2022, representing an increase of approximately HK$104 million or about 41.9% as compared with that of approximately HK$248 million for the 6M2021.

The Group recorded net loss of approximately HK$19 million for the 6M2022, representing a decrease of 77.4% as compared to net loss of approximately HK$84 million for the 6M2021. Such decrease in net loss was mainly attributable to a gain of approximately HK$93 million in legal proceedings in relation to the intended sale and purchase of a commercial development project in Hong Kong and the car park development at the same premises initiated by the Group in 2013 and were settled in March 2022.

1.2.2 Consolidated financial position of the Group

	As at 31 December		As at 30 June
	2020	2021	2022
	HK$ million	*HK$ million*	*HK$ million*
	(audited)	(audited)	(unaudited)
Total assets	4,481	4,048	4,032
Total liabilities	2,330	2,418	2,419
Net assets	2,151	1,630	1,613

As at 31 December 2020 and 2021

As depicted from the table above, net assets of the Group decreased from approximately HK$2,151 million as at 31 December 2020 to approximately HK$1,630 million as at 31 December 2021, representing a decrease of approximately HK$521 million or approximately 24.2%. Such decrease was mainly attributable to the decrease of financial assets at fair value through profit or loss of the Group by approximately HK$287 million in relation to the Group's listed equity investment, decrease of goodwill of the Group by approximately HK$63 million in relation to stage audio, lighting and engineering operations, and the increase in other borrowings and contract liabilities of the Group by approximately HK$73 million and HK$54 million, respectively.

As at 31 December 2021 and 30 June 2022

Net assets of the Group remained stable in an amount of approximately HK$1,630 million and HK$1,613 million as at 31 December 2021 and 30 June 2022, respectively.

2. 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.

3. Reasons for and benefits of the Subscription

As stated in the Letter from the Board, as at the Latest Practicable Date, the aggregate outstanding principal amount of the 2024 Bonds held by the Subscriber amounted to HK$220 million which 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. By entering into the Subscription Agreement, the aggregate 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 upon Completion. The Directors are of the view, and we concur, that the issue of the Convertible Bonds at the Subscription Price for the purpose of setting off against the equivalent aggregate outstanding principal amount under the 2024 Bonds held by the Subscriber allows the Company (i) to retain its financial resources for a longer period of time and represents an opportunity to enhance the working capital of the Company; and (ii) would not incur immediate cash outflow in the settlement of the aggregate outstanding principal amount of the 2024 Bonds, thus providing more flexibility to the Company in terms of its future cash management. Notwithstanding the potential dilution on shareholding of the Shareholders upon conversion of the Convertible Bonds, the conversion would strengthen the capital base and reduce the liability of the Company, and thus improve the financial position of the Company as a whole.

With reference to the interim report for the six months ended 30 June 2022 of the Company (the "**2022 Interim Report**"), it is noted that the cash and cash equivalents (excluding pledged time deposits of approximately HK$40 million) of the Group amounted to approximately HK$23 million as at 30 June 2022. The current balance of cash and cash equivalents is considered unable to cover the aggregate outstanding principal amount of HK$220 million of the 2024 Bonds. Moreover, as advised by the Management that the cash and cash equivalents has been earmarked: (i) to finance the Group's operation and working capital; and (ii) to finance the Group's business plan of building up the Blackbird Group to become one of the global leaders in the automotive sector in the near future.

As discussed with the Management, the Company has considered various financing alternatives for the Group to raise funds apart from the Subscription, including but not limited to the debt financing, the pure equity financing, such as rights issue, open offer or placing of new Shares to settle the 2024 Bonds and the disposal of assets.

In terms of obtaining bank borrowings from commercial banks, the Management is of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence exercises, banks' internal risk assessments and negotiations with commercial banks that usually require pledge of assets by the borrower. With reference to the 2022 Interim Report, it is noted that 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 loss position of the Group and the level of assets being pledged, the Management anticipated that the commercial banks would generally require higher interest rate for any possible debt financing instruments as compared to that of the Convertible Bonds. As such, we concur with the view of the Management that debt financing from commercial banks would not be easily accessible and would bring about undesirable effects to the financial position of the Group.

The Management has also considered that if the Company were to raise the necessary funds by way of placing of new Shares, rights issue or open offer, 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).

In addition, the management 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. We concur with the view of the Board that it is not a suitable time to dispose of such investment properties for the purposes of redeeming the 2024 convertible Bonds, taking into account the (i) 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; and (iv) the lengthy process in identifying purchasers of the investment properties.

Moreover, 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. Taking into account of the above factors, the Management is of the view and we concur that, the issue of the Convertible Bonds is preferable as compared to pure equity financing.

Furthermore, based on the analysis on the market price and the trading volume of the Shares during the Review Period (as herein defined) as below, given the declining trend of the Share price of the Company and the downward pressure due to the thin trading liquidity, the ultimate beneficial owner of the Subscriber, Mr. Mak, demonstrated his confidence towards the future prospects of the Company and his support for the Group's business development.

According to the Letter from the Board, 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.

Having considered that the Subscription (i) the Convertible Bonds have a longer term to maturity as compared that of the 2024 Bonds; (ii) would enable the Company to retain its financial resources for a longer period of time, improve the gearing of the Company and represents an opportunity to enhance the working capital of the Company; (iii) would not incur immediate cash outflow in the settlement of the aggerate outstanding principal amount of the 2024 Bonds held by the Subscriber, thus providing more flexibility to the Company in its future cash management; (iv) the conversion of the Convertible Bonds (if any) may also strengthen the capital base and reduce the liability of the Group, and thus improve the financial position of the Group; (v) the Company's current balance of cash and cash equivalents is unable to cover the aggerate outstanding principal amount of the 2024 Bonds; (vi) is an appropriate financing option for the Group as compared with other financing alternatives; and (vii) demonstrates the confidence of Mr. Mak toward the future prospects of the Company, we concur with the Management that the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

4. The Subscription

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

Date: 16 November 2022 (after trading hours)

Parties: (i) the Company, as the 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 precedent: Completion shall be subject to the following conditions precedent having been satisfied or fulfilled:

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

Principal terms of the Convertible Bonds

Issuer:	The Company
Subscriber:	Treasure Goal International Limited, which is principally engaged in investment holding
Issue Price:	100% of the principal amount
Principal amount:	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 shall from time to time be subject to adjustment upon 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

4.1 Analysis of the principal terms of the Convertible Bonds

In order to assess fairness and reasonableness of the principal terms of the Convertible Bonds, as part of our due diligence work, we have identified and reviewed an exhaustive list of ten comparable transactions (the "**Comparable CBs**") announced by companies listed on the Main Board of the Stock Exchange during the three month period immediately prior to and including the date of the Announcement (the "**Review Period**").

We consider that the Review Period is adequate and appropriate to serve as a general reference and is able to capture the recent market practice in relation to the issue of convertible bonds for financing purposes of listed companies in Hong Kong under similar market condition and sentiment. In addition, given the similar nature of the convertible bonds in general, we consider that the Comparable CBs are a fair and representative comparison of recent market practices in relation to the issue of convertible bonds as means of financing. Independent Shareholders should, however, note that the businesses, operations and prospects of the Group are not the same as the Comparable CBs, and accordingly the Comparable CBs are only used to provide a general reference for the common market practice in recent issuance of convertible bonds by the companies listed on the Main Board of the Stock Exchange. Sets out below is the summary table of the Comparable CBs:

Date of announcement	Name of Company	Stock code	Maturity *(years)*	Interest rate per annum	Premium/(discount) of conversion price over/(to) The closing price as at the last trading day prior to/on the date of the announcement	Premium/(discount) of conversion price over/(to) The average closing price for the last five consecutive trading day immediately prior to/up to and including the date of respective agreement	Net asset value per share *(Note 1)*	Conversion price subject to adjustment events *(Yes/No)*	Connected transaction *(Yes/No)*
30-Oct-22	Immunotech Biopharm Ltd	6978	3	6.00%	(17.21)%	(10.06)%	235.30%	Yes	No
14-Oct-22	Winshine Science Company Limited	209	2	16.00%	13.64%	11.61%	net liabilities	Yes	No
19-Sep-22	Huscoke Holdings Limited	704	2	8.00%	(30.50)%	(31.40)%	net liabilities	Yes	Yes
13-Sep-22	South China Financial Holdings Limited	619	3	1.00%	0.00%	0.63%	(80.12)%	Yes	Yes
13-Sep-22	South China Holdings Company Limited	413	3	1.00%	0.00%	0.63%	(35.44)%	Yes	Yes
7-Sep-22	Capital VC Limited	2324	2	1.50%	19.00%	16.10%	(78.52)%	Yes	No
5-Sep-22	Grand Field Group Holdings Limited	115	2	6.00%	15.20%	15.20%	(86.20)%	Yes	Yes
2-Sep-22	Luye Pharma Group Ltd.	2186	1	6.50%	54.20%	53.60%	27.86%	Yes	No
19-Aug-22	Central Development Holdings Limited	475	3	0.00%	0.00%	0.82%	1,085.31% *(Note 2)*	Yes	Yes
18-Aug-22	Lenovo Group Limited	992	7	2.50%	42.50%	40.02%	193.05%	Yes	No
		Minimum	1	0.00%	(30.50)%	(31.40)%	(86.20)%		
		Maximum	7	16.00%	54.20%	53.60%	235.30%		
		Average	3	4.85%	9.68%	9.72%	25.13%		
		Median	3	4.25%	6.82%	6.22%	(35.44)%		
	The Convertible Bonds		**3**	**4.50%**	**10.35%**	**5.82%**	**(91.30)%**	**Yes**	**Yes**

Source: the website of the Stock Exchange (www.hkexnews.hk)

Notes:

1. Net asset value per share of respective Comparable CBs is extracted from the publication of respective issuance of convertible bonds of listed issuers or calculated by dividing the net asset value attributable to shareholders by the weighted average number of issued shares as disclosed in the latest publication of the listed issuers prior to respective announcements, where applicable.

2. The issuance of convertible bonds by Central Development Holdings Limited (stock code: 475.HK) is considered as outlier due to the fact that the premium represented by the relevant conversion price is exceptionally high as compared to other Comparable CBs.

Interest rate and terms to maturity

As shown in the table above, the terms to maturity of the Comparable CBs ranged from a minimum of one year and up to seven years, with an average of approximately three years. We noted that the term to maturity of the Convertible Bonds, which is three years, falls within the range and is at the average term of the Comparable CBs. The interest rates of the Comparable CBs ranged from nil to 16.00% per annum, with an average of approximately 4.85% per annum. We noted that the interest rate of the Convertible Bonds of approximately 4.5% is within the range and lower than the average of the Comparable CBs. Thus, we consider the terms to maturity and interest rate of the Convertible Bonds is in line with the market practice and is considered fair and reasonable.

We further noted from those Comparable CBs which constituted connected transactions under Chapter 14A of the Listing Rules that, the terms to maturity of such Comparable CBs ranged from two years to three years, while respective interest rates ranged from nil to 8.00%. The terms to maturity and interest rate of the Convertible Bonds fall within respective ranges of the Comparable CBs which also constituted connected transactions.

Conversion price

The Conversion Price of HK0.16 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; and (ii) a premium of approximately 5.82% over the average closing price 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.

As shown in the table above, the conversion prices of the Comparable CBs ranged from (i) a discount of approximately 30.50% to a premium of approximately 54.20% over the closing prices of the respective shares on the date of the respective agreements; and (ii) a discount of approximately 31.40% to a premium of approximately 53.60% over the average closing prices of the respective shares for the last five consecutive trading days immediately prior to or up to and including the date of the respective agreements.

The Conversion Price over the closing price of the Shares on the date of the Subscription Agreement; and the average closing price of the Shares for the last five consecutive trading days immediately prior to the date of the Subscription Agreement, amounted to approximately 10.35% and 5.82%, respectively, which are considered within respective ranges of the Comparable CBs.

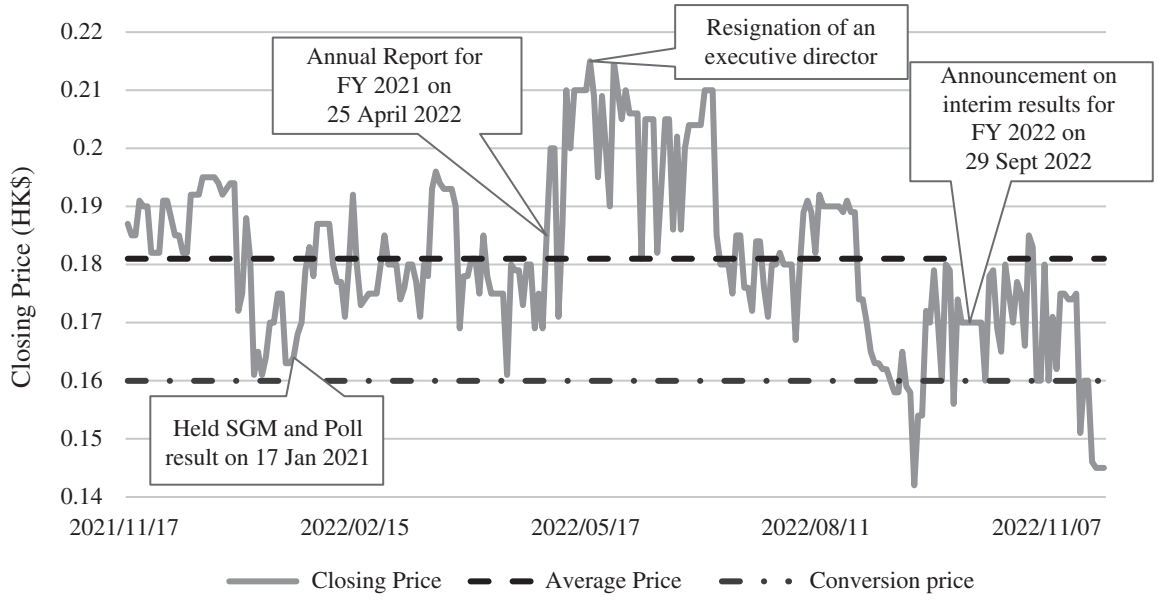
We further noted from those Comparable CBs which constituted connected transactions, the conversion prices of the Comparable CBs ranged from (i) a discount of approximately 30.50% to a premium of approximately 15.20% over the closing prices of the respective shares on the date of the respective agreements; and (ii) a discount of approximately 31.40% to a premium of approximately 15.20 % over the average closing prices of the respective shares for the last five consecutive trading days immediately prior to or up to and including the date of the respective agreements. The premiums as represented by the Conversion Price over the closing price of the Shares on the date of the Subscription Agreement; and the average closing price of the Shares for the last five consecutive trading days immediately prior to the date of the Subscription Agreement also fall within respective ranges of the Comparable CBs which also constituted connected transactions.

Moreover, we noticed that the Conversion Price represents a discount of approximately 91.30% to the net asset value per Share of the Company as at 30 June 2022. The conversion price of respective Comparable CBs ranged from discount of approximately 86.20% to premium of approximately 235.30% to the net asset value per share of the Comparable CBs, we consider that although the Conversion Price represents a discount of approximately 91.30% to the net asset value per Share which fall outside the above range but still comparable to the lower end of the Comparable CBs. In this regard, we have also discussed with the Management and were given to understand that the Directors considered it would be more appropriate for the Company to determine the Conversion Price with reference to the prevailing market price of the Shares which reflects the prevailing valuation of the Company as perceived by the Shareholders instead of making reference to the net asset value per Share. The Directors are of the view that the Share price performance and valuation of the Shares prior to the entering of the Subscription Agreement (including the issue of the Convertible Bonds) is considered more relevant in assessing the fairness of the Conversion Price as it reflects the prevailing valuation of the Company perceived by the Shareholders and investors, and serves an appropriate benchmark in its evaluation.

For our analysis purpose, in assessing the fairness and reasonableness of such discount to the net asset value per Share as reflected by the Conversion Price, we have further reviewed the closing prices of the Shares on the Stock Exchange since 17 November 2021, being the 12-month period immediately prior to and including the date of the Subscription Agreement (the "**Share Price Review Period**"). We considered that a period of 12 months prior to the date of the Subscription Agreement is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the historical closing prices of the Shares and the Conversion Price as (i) the 12-month period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purposes.

(a) Closing prices of the Shares

The comparison of daily closing prices of the Shares during the Share Price Review Period and the Conversion Price is shown in the chart below:



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

As shown in the chart above, the closing prices of the Shares during the Share Price Review Period swung between HK$0.14 per Share as recorded on 7 September 2022 to HK$0.22 per Share as recorded on 12 May 2022, with an average closing price of approximately HK$0.18 per Shares. The Conversion Price of HK$0.16 per Conversion Share lies within the range of the lowest and highest closing prices of the Shares and represents (i) a premium of approximately 14.29% over the lowest closing price of the Share; (ii) a discount of approximately 27.27% to the highest closing price of the Shares; and (iii) a discount of approximately 11.11% to the average closing price of the Shares during the Share Price Review Period.

During the period commencing from 17 November 2021 to 25 April 2022, the closing price of the Shares fluctuated within the range from HK$0.161 per Share to HK$0.196 per Share. Subsequently, after the publication of the annual report of the Company for the year ended 31 December 2021, the closing price of the Shares fluctuated within the range from HK$0.167 per Share to HK$0.215 per Share. Thereafter, the closing price of the Shares plunged and reach HK$0.22 per Share on 22 August 2022. The closing price of the Shares fluctuated between HK$0.142 per Share and HK$0.185 per Share and demonstrated a declining trend onwards. As at the Latest Practicable Date, the Conversion Price represents a premium of approximately 10.35% over the closing price of HK$0.145 per Share. Save as and except for the possible market reaction on the announcements made by the Company during the Share Price Review Period, we did not identify any specific reason which caused the aforesaid fluctuation of the closing prices of the Shares.

In addition, we have reviewed the Share price performance against the net asset value per Share during the Share Price Review Period as follows:

Period		Published net asset value per Share	Share price			Discount of Share price to net asset value per Share		
(Note 1)	Net assets	*(Note 2)*	Highest	Lowest	Average	Highest	Lowest	Average
	HK$ million	*HK$*	*HK$*	*HK$*	*HK$*	*%*	*%*	*%*
31 August 2021 to 31 March 2022	2,056	2.35	0.196	0.161	0.183	91.68%	93.16%	92.21%
1 April 2022 to 31 August 2022	1,621	1.86	0.215	0.158	0.188	88.42%	91.49%	89.87%
1 September 2022 to the date of the Subscription Agreement	1,606	1.84	0.185	0.142	0.167	89.94%	92.28%	90.94%
							Simple average	**91.01%**

Source: the website of the Stock Exchange (www.hkexnews.hk)

Notes:

1. Being the beginning day of the relevant period, which represents the first trading day immediately after the publication of the relevant results announcement of the Company during the Share Price Review Period.

2. The net asset value per Share is calculated based on the net asset value attributable to the Shareholders as extracted from respective results announcement of the Company and divided by the total number of the Shares in issue as at the respective period end date.

As set out in the table above, we noticed that, during the Share Price Review Period, the Shares have been constantly trading at substantial discounts to the then net asset value per Share at all times. The discounts to the then net asset value per Share ranged from approximately 88.42% to 93.16%, with an average of approximately 91.01%. With respect to the Conversion Price, discount of which to the latest published net asset value per Shares amounted to approximately 91.30% is therefore approximate to the average of and within range of the discounts of the net asset value per Share during the Share Price Review Period.

(b) Liquidity of the Shares

The following table sets out the average daily trading volume per month of the Shares during the Share Price Review Period:

	Average daily trading volume *(Note 1)* *(Shares)*	**Percentage of the average daily trading volume over total number of issued Shares** *(Note 2)* *(%)*
2021		
November (from 15 November 2021 to 30 November 2021)	274,611	0.0315%
December	37,883	0.0043%
2022		
January	28,698	0.0033%
February	131,614	0.0151%
March	34,572	0.0040%
April	24,618	0.0028%
May	318,704	0.0365%
June	41,488	0.0048%
July	118,753	0.0136%
August	91,560	0.0105%
September	22,979	0.0026%
October	35,222	0.0040%
November (Up to and including the date of the Subscription Agreement)	51,125	0.0059%

Sources: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

(1) Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

(2) Calculated based on the total number of Shares in issue at the end of each month/period.

As illustrated from the table above, the average trading volume of the Share ranged from approximately 22,979 Shares to approximately 318,704 Shares during the Share Price Review Period, representing approximately 0.0026% to 0.0365% of a total number of Shares in issue at the end of each month/period. The trading volume of the Shares was relatively thin during the Share Price Review Period, where the percentages of the average daily trading volume of the Shares to the total number of issued Shares were mainly below or around 0.03%.

Having considered that (i) the Shares had been consistently traded at a discount to the net asset value per Share during the Share Price Review Period; (ii) the Conversion Price represents a premium over the closing price on, and the average closing price for the last five consecutive trading days immediately prior to the date of the Subscription Agreement and within the respective range of the Comparable CBs; and (iii) the trading volume of the Shares during the Share Price Review Period was relatively thin, we concur with the Directors' view that (i) it would be more appropriate for the Company to determine the Conversion Price with reference to the prevailing market prices of the Shares; and (ii) the Conversion Price (including the discount on the net asset value per Share) is fair and reasonable so far as the Independent Shareholders are concerned.

Adjustments to conversion price

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds with regard to the Conversion Price, we have compared such adjustment terms with the relevant adjustment terms of the Comparable CBs as disclosed and noted that the conversion prices of a majority of the Comparable CBs are subject to the similar adjustments terms to the Convertible Bonds upon occurrence of dilutive events, which includes consideration, subdivision or re-classification; capitalisation of profits or reserves; capital distribution; rights issues of Shares; and options, warrants or other rights to subscribe for or purchase Shares.

In summary, based on all of the above, having considered that (i) the term to maturity and interest rate is within respective ranges of the Comparable CBs; (ii) the Conversion Price is within range of the Comparable CBs and is considered fair and reasonable; (iii) the adjustment mechanisms to the Conversion Price are similar to those as disclosed under the Comparable CBs; and (iv) the financing alternatives being considered by the Directors, hence, we are of the view that the principal terms of the Subscription Agreement (including the issue of the Convertible Bonds) are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effects of the Subscription and the issue of the Convertible Bonds

5.1 Earnings

The Convertible Bonds are interest bearing bonds and will mature on 31 December 2025. It is expected that the future earnings of the Company will be reduced by the amount of interest expenses incurred in relation to the Convertible Bonds upon their maturity, and/or any early redemption. In addition, the expenses relating to the professional advisory fees and ancillary costs to be incurred by the Company in relation to the Subscription will also decrease the earnings of the Group in this regard.

5.2 Net assets

According to the 2022 Interim Report, the net assets of the Company amounted to approximately HK$1,613 million as at 30 June 2022. As there will be no net proceeds arising from the issue of the Convertible Bonds, the Subscription therefore would not lead to any increase in cash and cash equivalents of the Company. The exact amount of the respective fair value of the liability and derivative components of the Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by an independent valuer at the time of Completion.

5.3 Gearing ratio

According to the 2022 Interim Report, the gearing ratio of the Group was approximately 55.2% as at 30 June 2022, calculated based on the total borrowings of approximately HK$1,980 million over total capital employed of approximately HK$3,586 million. In the event that the Subscriber exercises the conversion rights attaching to the Convertible Bonds, assuming there are no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the Convertible Bonds by the Subscriber into Conversion Shares would enlarge the capital base and increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the Convertible Bonds are not exercised within the maturity period, the gearing position of the Group may be slightly increased due to redemption of 100% of the outstanding principal amount on the Maturity Date, which would potentially increase the liability component of the Convertible Bonds. The Management expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the Convertible Bonds, subject to the valuation to be prepared by an independent valuer.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Subscription.

6. 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:

	As at the Latest Practicable Date		**Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price** *(Note 2)*	
	Number of Shares	*Approx.% of shareholding*	*Number of Shares*	*Approx.% of shareholding*
Controlling Shareholder *(Note 1)*	471,614,731	54.01%	1,846,614,731	82.14%
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. The controlling Shareholder of the Company, Mr. Mak, holds 25,589,652 Shares and is deemed under Part XV of the SFO to be interested in 446,025,079 Shares through Capital Winner Investments Limited, New Capital Industrial Limited and Capital Force International Limited as at the Latest Practicable Date. Mr. Mak is also the sole beneficial owner of the Subscriber.

2. 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.

As illustrated in the above table, upon full conversion of the Convertible Bonds, the aggregate shareholding of the existing public Shareholders will decrease from approximately 45.99% as at the Latest Practicable Date to approximately 17.86%, which will fall below the 25% minimum public float requirement under the Listing Rules. Pursuant to the terms of the Convertible Bonds, the exercise of the conversion rights attaching to the Convertible Bonds by the bondholders will be subject to the provisions of the Listing Rules in which the Company shall ensure that no less than 25% of the shareholding of the Company will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules. In particular, the conversion rights attaching to the Convertible Bonds will not be exercised by the bondholders and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

Based on the aforesaid, although the Subscriber is unable to fully exercise the conversion rights attached to the Convertible Bonds in view of the dilution effect as illustrated in the table above as a result of possible breach of the minimum public float requirement under the Listing Rules, Mr. Mak, as the controlling Shareholder, may alternatively sell a portion of his existing interest in the Company in the market prior to exercising the conversion rights attaching to the Convertible Bonds in order to comply with the minimum public float requirement under the Listing Rules.

Based on the above analyses on the market price and the trading volume of the Shares during the Share Price Review Period, in the event that the Subscriber decides to sell a portion of the existing equity interest in the Company, it could put substantial downward pressure on the price of the Shares due to the low liquidity of the Shares, which in turn might have negative impact on the funding ability and credibility of the Group.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and although not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company

(i) As at the Latest Practicable Date

Authorised:		*HK$*
2,000,000,000	Shares of HK$0.10 each	200,000,000.00
Issued and fully-paid:		
873,111,452	Shares of HK$0.10 each	87,311,145.20

(ii) Immediately following the Increase in Authorised Share Capital (assuming no change in the number of issued Shares)

Authorised:		*HK$*
20,000,000,000	Shares of HK$0.10 each	2,000,000,000.00
Issued and fully-paid:		
873,111,452	Shares of HK$0.10 each	87,311,145.20
1,375,000,000	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	137,500,000.00
2,248,111,452	Shares of HK$0.10 each	224,811,145.20

All the Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital.

The Conversion Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Conversion Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there is no arrangement under which future dividends are/will be waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no other outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) would have 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) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares and underlying Shares

	Number of Shares / underlying Shares				
Name of Director	Personal Interests	Corporate Interests	Equity Derivatives *Convertible Bonds*	Total Interests	Approximately percentage of total issued share capital *(Notes 3 and 4)*
Mak Shiu Tong, Clement	25,589,652	446,025,079 *(Note 1)*	1,375,000,000 *(Note 2)*	1,846,614,731	211.50%

Notes:

1. The interests disclosed represented an aggregate of 446,025,079 Shares were held by Capital Force, New Capital and Capital Winner. Capital Force, New Capital and Capital Winner are private corporations, the shares in which are owned as to 51% by Mr. Mak and 49% by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially. Mr. Mak is deemed to be interested in 446,025,079 Shares owned by Capital Force, New Capital and Capital Winner under the SFO.

2. The interests disclosed represented 1,375,000,000 underlying Shares at the initial Conversion Price of HK$0.16 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bonds) in respect of the Convertible Bonds to be issued by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement. The Subscriber is deemed to be interested in 1,375,000,000 underlying Shares under the SFO.

3. The percentage was calculated based on 873,111,452 Shares in issue as at the Latest Practicable Date.

4. 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives 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) which (i) 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) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group were as follows:

Long positions in Shares and underlying Shares

	Number of Shares / underlying Shares				
Name of substantial shareholders	**Personal Interests**	**Corporate Interests**	**Equity Derivatives** *Convertible Bonds*	**Total Interests**	**Approximately percentage of total issued share capital** *(Note 5)*
Capital Force *(Note 1)*	96,868,792	–	–	96,868,792	11.09%
New Capital *(Note 1)*	171,357,615	–	–	171,357,615	19.63%
Capital Winner *(Note 1)*	177,798,672	–	–	177,798,672	20.36%
Mak Chun Kiu	–	446,025,079 *(Note 2)*	–	446,025,079	51.08%
The Subscriber	–	–	1,375,000,000 *(Notes 3 and 4)*	1,375,000,000	157.48%

Notes:

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

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

3. The interests disclosed represented 1,375,000,000 underlying Shares at the initial Conversion Price of HK$0.16 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bonds) in respect of the Convertible Bonds to be issued by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement.

4. 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.

5. The percentage was calculated based on 873,111,452 Shares in issue as at the Latest Practicable Date.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which have been since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to or by any member of the Group, or are proposed to be acquired or disposed of by or leased to or by any member of the Group.

6. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or the controlling Shareholders or their respective associates had interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

7. LITIGATION AND CLAIMS

During 2017 and in or around August 2018, various property purchasers initiated legal proceedings against a subsidiary of the Company (the **"Relevant Subsidiary**") concerning alleged misrepresentations on the part of the Relevant Subsidiary in relation to certain properties sold by the Relevant Subsidiary. In September 2018, the Court ordered that all individual legal proceedings against the Relevant Subsidiary were consolidated into one legal proceeding. Based on the existing legal documents and legal advice, the Directors are of the opinion that there is a reasonably good chance of success in the defence by the Relevant Subsidiary. In the opinion of the Directors, no provision was considered necessary for the claims arising from the legal proceedings as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened by or against the Company or any member of the Group.

8. EXPERT AND CONSENT

The following sets out the qualification of the expert who has been named in this circular:

Name	Qualifications
Lego Corporate Finance Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Lego Corporate Finance has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert:

(a) did not have any shareholding, either directly or indirectly, in any member of the Group;

(b) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited accounts of the Company were made up).

The letter from Lego Corporate Finance dated 19 December 2022 set out on pages 29 to 56 in this circular was given for incorporation in this circular.

9. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cct-fortis.com for a period of 14 days from the date of this circular:

(a) the Subscription Agreement;

(b) the letter from the Board dated 19 December 2022, the text of which is set out on pages 7 to 26 of this circular;

(c) the letter from the Independent Board Committee dated 19 December 2022, the text of which is set out on pages 27 to 28 of this circular;

(d) the letter from the Independent Financial Adviser dated 19 December 2022, the text of which is set out on pages 29 to 56 of this circular; and

(e) the letter of consent from Lego Corporate Finance dated 19 December 2022 referred to in the above paragraph headed "8. Expert and Consent" in this appendix.

CCT FORTIS HOLDINGS LIMITED
（中建富通集團有限公司）

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00138)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of CCT FORTIS HOLDINGS LIMITED (the "**Company**") 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 purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the authorised share capital of the Company be increased from HK$200,000,000 divided into 2,000,000,000 ordinary shares of HK$0.10 each (each a "**Share**") 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 (the "**Increase in Authorised Share Capital**"); and

   (b) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital."

2. "**THAT**

   (a) the conditional subscription agreement (the "**Subscription Agreement**") dated 16 November 2022 and entered into between the Company as issuer and Treasure Goal International Limited (the "**Subscriber**") as subscriber in relation to the issue of unlisted convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$220,000,000 by the Company (a copy of the Subscription Agreement having been produced to the SGM and marked "A" and initialed by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the conversion Shares (the "**Conversion Shares**") upon exercise of conversion rights attaching to the Convertible Bonds) be and are hereby approved, confirmed and ratified;

(b) the board of Directors be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds; and

(c) any one or more Director(s) and/or the company secretary of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Subscription Agreement and the transactions contemplated thereunder."

By order of the Board
CCT FORTIS HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

Hong Kong, 19 December 2022

Registered office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head office and principal place of business in Hong Kong:
18/F., CCT Telecom Building
11 Wo Shing Street, Fotan
Shatin, New Territories
Hong Kong

Notes:

(1) A form of proxy for use at the SGM is enclosed herewith.

(2) The register of members of the Company will be closed from Friday, 6 January 2023 to Wednesday, 11 January 2023 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the eligibility to attend and vote at the SGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 5 January 2023.

(3) Any shareholder entitled to attend and vote at the SGM or at any adjourned meeting thereof (as the case may be) is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint not more than two proxies, or more than two proxies provided that the shareholder is a clearing house (who must be an individual or individuals) to attend and vote instead of him/her on the same occasion. A proxy need not be a shareholder of the Company but must attend the SGM or at any adjourned meeting thereof (as the case may be) in person to represent him/her.

(4) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 48 hours before the time appointed for holding the SGM (i.e. not later than 10:00 a.m. on Monday, 9 January 2023, Hong Kong time) or any adjourned meeting thereof (as the case may be). Such prescribed form of proxy for use at the SGM is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.cct-fortis.com/eng/investor/announcements.php.

(5) Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

(6) Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM or at any adjourned meeting thereof (as the case may be), either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or at any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(7) The ordinary resolutions set out above will be determined by way of a poll.

(8) As at the date of this notice, the executive Directors are Mr. Mak Shiu Tong, Clement and Ms. Cheng Yuk Ching, Flora; and the independent non-executive Directors are Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan.