
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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CNC HOLDINGS LIMITED
中國新華電視控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8356)

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

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

Nuada Limited

A letter from the Board is set out on pages 5 to 16 of this circular and a letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter of advice from Nuada Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 19 to 29 of this circular.

A notice convening the EGM to be held at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong on Tuesday, 12 February 2019 at 11:00 a.m. is set out on pages 36 to 38 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

16 January 2019

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, a Sunday and any public holiday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CNC China”	中國新華新聞電視網有限公司, a company incorporated in PRC, which owns 100% of the equity interests in CNC HK, a wholly-owned subsidiary of Xinhua News Agency (新華社) and a substantial Shareholder of the Company
“CNC HK”	China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Xinhua News Agency (新華社) and a substantial Shareholder of the Company
“Company”	CNC Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
“Conversion Period”	the period commencing from the date of the issue of the Convertible Bonds and ending upon the Third Extended Maturity Date
“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion
“Conversion Share(s)”	new Share(s) falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds issued by the Company to CNC HK in the principal amount of HK\$397,030,210 on 9 December 2011
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Third Supplemental Deed and Third Amendment of Terms and transactions contemplated thereunder
“First Supplemental Deed”	the first supplemental deed dated 9 December 2014 entered into between the Company and the CNC HK in relation to the amendment of certain terms and conditions of the Convertible Bonds in 2014
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Third Supplemental Deed and the transactions contemplated thereunder
“Independent Financial Adviser” or “Nuada Limited”	Nuada Limited, a corporation licensed under SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporation finance) regulated activities and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Third Amendment of Terms
“Independent Shareholder(s)”	the Shareholder(s) who are not interested or involved in the Third Supplemental Deed, the Third Amendment of Terms and the transactions contemplated thereunder
“Latest Practicable Date”	11 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“PRC”	The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 September 2011 entered into between the Company and CNC HK and other vendors in respect of acquisition of Xinhua TV Asia-Pacific Operating Co., Limited
“Second Extended Maturity Date”	the second extended maturity date of the Convertible Bonds, being 9 December 2018, pursuant to the Second Supplemental Deed
“Second Supplemental Deed”	the second supplemental deed dated 13 December 2017 entered into between the Company and the CNC HK in relation to the second amendment of terms and conditions of the Convertible Bonds in 2017
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
“Shares”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Third Amendment of Terms”	the proposed amendment of terms and conditions of the Convertible Bonds pursuant to the Third Supplemental Deed, in relation the Third Maturity Date Extension
“Third Extended Maturity Date”	the proposed third extended maturity date of the Convertible Bonds, being 9 December 2020, pursuant to the Third Supplemental Deed
“Third Maturity Date Extension”	the proposed third extension of the maturity date of the Convertible Bonds to 9 December 2020, pursuant to the Third Supplemental Deed

DEFINITIONS

“Third Supplemental Deed” the third supplemental deed dated 9 December 2018 entered into between the Company and the CNC HK in relation to the Third Amendment of Terms

“%” per cent.

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

LETTER FROM THE BOARD



CNC HOLDINGS LIMITED
中國新華電視控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8356)

Executive Directors:

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

Non-executive Directors:

Ms. Tang Li
Mr. Law Cheuk Hung

Independent non-executive Directors:

Mr. Fan Chun Wah, Andrew, JP
Mr. Wu Guo Ming
Mr. Wan Chi Keung, Aaron, BBS, JP
Mr. Wong Chung Yip, Kenneth

Registered office:

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

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

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

16 January 2019

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

References are made to the Company's announcements dated 11 October 2011, 9 December 2011, 10 December 2014, 13 December 2017 and 9 December 2018 and the circulars dated 19 November 2011, 6 January 2016 and 17 January 2018 in relation to, amongst other things, the issuance of the Convertible Bonds in 2011 and the amendment of certain terms and conditions of the Convertible Bonds in 2014 and 2017, respectively.

LETTER FROM THE BOARD

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

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

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

THE THIRD SUPPLEMENTAL DEED

On 9 December 2018, the Company entered into the Third Supplemental Deed with CNC HK, pursuant to which the Company and CNC HK agreed to amend the terms and conditions of the Convertible Bonds, where the maturity date of the Convertible Bonds will be extended for 2 years to 9 December 2020 and the Conversion Period will accordingly be extended to 9 December 2020. The Third Amendment of Terms is arrived at after arm's length negotiation between the Company and CNC HK.

LETTER FROM THE BOARD

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

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

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

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

THE CONVERTIBLE BONDS

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

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

Outstanding principal	HK\$257,030,210
amount as at the date of	
the Third Supplemental	
Deed	

Maturity	To the extent that the Convertible Bonds has not been previously converted, the Company shall repay the outstanding principal amount of the Convertible Bonds on the Third Extended Maturity Date (i.e. 9 December 2020).
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LETTER FROM THE BOARD

Interest rate	3% per annum
Conversion rights	The Convertible Bonds are convertible at any time, and from time to time, at the option of the holder of the Convertible Bonds, subject to compliance with the Takeovers Code and the GEM Listing Rules and any other statutory and regulatory requirements.
Conversion Shares	1,311,378,622 Conversion Shares will be issued on full conversion of the Convertible Bonds based on the outstanding principal amount of approximately HK\$257,030,210 and the Conversion Price of approximately HK\$0.196 per Conversion Share. The Conversion Shares represent approximately 32.34% of the existing issued share capital of the Company and approximately 24.44% of the issued share capital of the Company as enlarged by the Conversion Shares.
Conversion Price	HK\$0.196 per Conversion Share The Conversion Price of HK\$0.196 represents: (i) a premium of approximately 180.00% to the closing price of HK\$0.070 per Share as quoted on the Stock Exchange on the date of the Third Supplemental Deed; (ii) a premium of approximately 168.49% to the average closing price of HK\$0.073 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Third Supplemental Deed; and (iii) a premium of approximately 201.54% to the closing price of HK\$0.065 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

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

Transferability

The Convertible Bonds are transferable, provided that none of the Convertible Bonds may be transferred to any connected person of the Company.

Limitations on conversion

No conversion rights will be exercised by any of the holders of the Convertible Bonds if upon such conversion and immediately following the issue of the relevant Conversion Shares, (i) such holder and persons acting in concert (as defined in the Takeovers Code) with it would directly or indirectly control or be interested in an aggregate of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the Shares in issue, or if such holder and persons acting in concert (as defined in the Takeovers Code) with it would otherwise be obligated to make a general offer for the Shares in issue not being owned by them under Rule 26 of the Takeovers Code following such conversion; or (ii) the public float of the Shares will fall below 25% as required under the GEM Listing Rules.

LETTER FROM THE BOARD

Ranking	It is expected that the Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all Shares in issue on the date of allotment and issue thereof.
Voting rights	Holders of the Convertible Bonds will not be permitted to attend or vote at meetings of the Company.
Application of listing	No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

APPLICATION OF LISTING

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

REASONS FOR THE EXTENSION

The Third Amendment of Terms would allow the Company to refinance its debts under the Convertible Bonds on the same terms for another 2 years, and to provide flexibility to the Company's working capital management and deployment of its financial resources to fund its operation. Furthermore, CNC HK cannot convert the whole amount of the remaining Convertible Bonds on or before the Second Extended Maturity Date without triggering the mandatory offer obligation under Rule 26 of the Takeovers Code.

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

LETTER FROM THE BOARD

The Board considers the Third Maturity Date Extension of the Convertible Bonds for further 2 years is fair and reasonable for the reasons that: (i) the Group was in a net current liabilities position and net liabilities as at 30 September 2018 and hence has sought for financial support from CNC HK, which has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and requirements, to maintain the going concern of the Company which allowed the Company to extend the repayment for liabilities due to CNC HK to not earlier than 12 months commencing from 30 September 2018, including the Convertible Bonds, the interests payable for the Convertible Bonds and liabilities due to CNC HK in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due. As at the Latest Practicable Date, a promissory note issued by the Group in the principal amount of approximately HK\$45,040,000 remains outstanding. Also, there may be funding requirements for the operation of the businesses of the Company in the near future. Hence, the Board expects that the Company will not have enough cash to redeem the Convertible Bonds in the next few months or within the forthcoming financial year and the Third Maturity Date Extension would give reasonable time for the Group to improve its business performance and financial position. Thus, the Board considers that the Third Maturity Date Extension is in the best interests of the Company and the Shareholders as a whole.

The Company has considered other financing alternatives to raise funds to repay the Convertible Bonds, including but not limited to, bank borrowing and equity financing. However, the management of the Company is of the view that any bank borrowing which will incur interest expenses to the Company may adversely affect the financial position of the Group. In addition, any equity financing such as placement of Shares or rights issue will result in dilution on the shareholding of the existing Shareholders. As such, the Company considered that other financing alternatives are not the most appropriate means to refinance the Convertible Bonds at the moment.

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

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE THIRD AMENDMENT OF TERMS

Effect on liquidity

According to the Company's interim report for the six months ended 30 September 2018, the Group had cash and cash equivalents amounted to approximately HK\$58.6 million. Furthermore, the Group recorded net current liabilities of approximately HK\$261.0 million and net liabilities of approximately HK\$172.6 million as at 30 September 2018. The Third Maturity Date Extension will enable the Group to postpone a substantial cash outflow. In light of the above, the Third Maturity Date Extension would release the liquidity and working capital pressure of the Group.

Effect on gearing

As at 30 September 2018, the Group had a gearing ratio of approximately 118.3%, representing the Group's total borrowings which comprised of promissory note, Convertible Bonds and finance lease payables to the Group's total assets. The management of the Company expects that there will not be any material adverse changes to the gearing of the Group as a result of the Third Maturity Date Extension subject to the new valuation report which to be prepared by an independent valuer. However, if the conversion rights attaching to the Convertible Bonds are exercised, the gearing position of the Group would be improved.

Effect on finance cost

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

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

Note:

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

FUND RAISING ACTIVITIES IN THE PRIOR 12 MONTHS PERIOD

Save for the second amendment of terms and conditions of the Convertible Bonds pursuant to the Second Supplemental Deed, the Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this circular.

INFORMATION ON THE GROUP AND CNC HK AND CNC CHINA

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

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

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

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

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

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

As the Third Amendment of Terms does not fall into any exemption under Rule 20.71 of the GEM Listing Rules, the Third Amendment of Terms is subject to the reporting, announcement and shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. CNC HK has material interest in the Third Supplemental Deed, the Third Amendment of Terms and the transactions contemplated thereunder, accordingly, CNC HK and its associates will be required to abstain from voting in the EGM for approval of the Third Supplemental Deed, the Third Amendment of Terms and the transactions contemplated thereunder. Save as disclosed above, no other Shareholder has a material interest in the Third Supplemental Deed and is required to abstain from voting in the EGM.

EGM AND PROXY ARRANGEMENT

The EGM will be held at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Tuesday, 12 February 2019 for the Independent Shareholders to consider and, if thought fit, approve the Third Supplemental Deed, the Third Amendment of Terms and the transactions contemplated thereunder. The notice of the EGM is set out on pages 36 to 38 of this circular. The voting on such resolution will be conducted by way of poll in accordance with Rule 17.47(4) of the GEM Listing Rules.

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

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 4 February 2019 to Tuesday, 12 February 2019 both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 1 February 2019.

RECOMMENDATION

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

LETTER FROM THE BOARD

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

ADDITIONAL INFORMATION

Your attention is drawn to the (i) letter from the Independent Board Committee as set out on pages 17 to 18 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Third Supplemental Deed, the Third Amendment of Terms and transactions contemplated thereunder; and (ii) the letter from Nuada Limited set out in pages 19 to 29 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Third Supplemental Deed, the Third Amendment of Terms and transactions contemplated thereunder and the principal factors and reasons considered by Nuada Limited in arriving at its recommendations.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CNC HOLDINGS LIMITED
中國新華電視控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8356)

16 January 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION AND
PROPOSED THIRD AMENDMENT OF
THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS**

INTRODUCTION

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

We have been appointed by the Board to advise you on the terms of the Third Supplemental Deed, the Third Amendment of Terms and the transaction contemplated thereunder. Nuada Limited has been appointed as independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 19 to 29 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

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

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

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

LETTER FROM NUADA LIMITED

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 16 January 2019 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

16 January 2019

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed third amendment to the terms and conditions of the Convertible Bonds pursuant to the Third Supplemental Deed, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 16 January 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Board Letter, on 9 December 2018, the Company entered into the Third Supplemental Deed with CNC HK, pursuant to which the Company and CNC HK agreed to amend the terms and conditions of the Convertible Bonds, where the maturity date of the Convertible Bonds will be extended for 2 years to 9 December 2020 and the Conversion Period will accordingly be extended to 9 December 2020.

LETTER FROM NUADA LIMITED

As disclosed in the Board Letter, CNC HK is interested in 1,188,621,377 Shares, representing approximately 29.31% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, CNC HK is a substantial Shareholder and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. As such, the Third Amendment of Terms as contemplated under the Third Supplemental Deed constitutes a connected transaction of the Company under the GEM Listing Rules. As the Third Amendment of Terms does not fall into any exemption under Rule 20.71 of the GEM Listing Rules, the Third Amendment of Terms is subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

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

We are independent from, and are not connected with the Company, its substantial shareholder(s) or connected person(s) as defined under Rule 17.96 of the GEM Listing Rules, and accordingly are considered eligible to give independent advice in connection with the Third Supplemental Deed, the Third Amendment of Terms and the transactions contemplated thereunder. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we acted as the independent financial adviser of the Company in respect of a connected transaction of the Company providing our independent view to the Company's independent board committee and the independent shareholders (please refer to the Company's circular dated 17 January 2018 for the detailed information of the aforesaid transaction). Save for the above and this appointment as the Independent Financial Adviser in respect of the terms of the Third Supplemental Deed and the transactions contemplated thereunder, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

LETTER FROM NUADA LIMITED

BASIS OF THE OPINION

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

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

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

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

LETTER FROM NUADA LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Convertible Bonds

References are made to the Company's announcements dated 11 October 2011, 9 December 2011, 10 December 2014, 13 December 2017 and 9 December 2018 and the circulars dated 19 November 2011, 6 January 2016 and 17 January 2018 in relation to, amongst other things, the issuance of the Convertible Bonds in 2011 and the amendment of certain terms and conditions of the Convertible Bonds in 2014 and 2017, respectively.

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

As at the Latest Practicable Date, a portion of the Convertible Bonds in the principal amount of HK\$140,000,000 was converted into 714,285,714 Shares, where a principal amount of HK\$257,030,210 is still outstanding. As advised by the management of the Company, CNC HK has no intention to exercise the conversion rights of the Convertible Bonds.

LETTER FROM NUADA LIMITED

2. The Third Amendment of Terms

As stated in the Board Letter, on 9 December 2018, the Company entered into the Third Supplemental Deed with CNC HK, pursuant to which the Company and CNC HK agreed to amend the terms and conditions of the Convertible Bonds, where the maturity date of the Convertible Bonds will be extended to 9 December 2020 and the Conversion Period will accordingly be extended to 9 December 2020.

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

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

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

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

3. Business overview of the Group

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

LETTER FROM NUADA LIMITED

The following table summarises the consolidated financial results of the Group for the two years ended 31 March 2017 (“FY2017”) and 2018 (“FY2018”), and the two six-month periods ended 30 September 2017 (“FP2017”) and 2018 (“FP2018”).

Summary of the consolidated financial results of the Group

	For the six months ended		For the year ended 31 March	
	30 September		2018	2017
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	141,962	220,498	370,515	454,447
Gross (loss)/profit	(1,224)	26,135	32,515	(19,110)
Loss for the period/year	(39,495)	(24,038)	(45,817)	(104,527)
	As at		As at	
	30 September		31 March	
	2018		2018	
	(unaudited)		(audited)	
	HK\$'000		HK\$'000	
Cash and cash equivalents	58,558		70,296	
Total assets	253,447		287,130	
Total liabilities	426,061		418,426	
(Net liabilities)	(172,614)		(131,296)	

For FY2018

The revenue of the Group decreased from approximately HK\$454.4 million for FY2017 to approximately HK\$370.5 million for FY2018, representing a decrease of approximately 18.5%. According to annual report of the Company for FY2018 (the “**Annual Report**”), the decrease in revenue was mainly due to decrease in work from certain engineering projects reaching completion or maintenance stage. However, the Group recorded a gross profit of approximately HK\$32.5 million for FY2018 as compared with a gross loss of approximately HK\$19.1 million for FY2017. As disclosed in the Annual Report and according to the management of the Company, such turnaround from gross loss to gross profit was mainly due to (i) certain construction projects which had commanded better gross profit during FY2018 through cost control measures; and (ii) certain engineering projects were completed and reached maintenance stage and thus the major construction costs and maintenance costs were decreased during the year. Mainly resulted from such turnaround from gross loss to gross profit during FY2018, the Group recorded a loss of approximately HK\$45.8 million for FY2018 as compared with that of approximately HK\$104.5 million for FY2017.

LETTER FROM NUADA LIMITED

For FP2018

The revenue of the Group was approximately HK\$142.0 million for FP2018, representing a decrease of approximately 35.6% as compared with that of approximately HK\$220.5 million for FP2017. According to the interim report of the Company for FP2018 (the “**Interim Report**”), such decrease was mainly due to decrease in work from certain engineering projects of the Group reaching completion or maintenance stage. The Group recorded gross loss of approximately HK\$1.2 million in FP2018 as compared to gross profit of approximately HK\$26.1 million. As disclosed in the Interim Report, the occurrence of gross loss was mainly due to the decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage and thus marginal profits were decreased for the period. The loss for the period of the Group was approximately HK\$39.5 million for FP2018, which represents an increase of approximately 64.6% as compared to approximately HK\$24.0 million in FP2017, which was mainly due to the occurrence in gross loss and fair value loss of financial assets at fair value through profit or loss during the period.

The Group’s cash and cash equivalents amounted to approximately HK\$58.6 million as at 30 September 2018. The total assets of the Group as at 30 September 2018 amounted to approximately HK\$253.4 million whereas total liabilities of the Group amounted to approximately HK\$426.1 million, resulting in a net liabilities of approximately HK\$172.6 million.

Given that (i) the outstanding principal amount of the Convertible Bonds was approximately HK\$257.0 million as at the Latest Practicable Date; (ii) the unaudited cash and cash equivalents of the Group was approximately HK\$58.6 million as at 30 September 2018 according to the Interim Report and approximately HK\$66.5 million as at 30 November 2018 according to the management of the Company; and (iii) the Group recorded net current liabilities in recent financial years/periods, we are of the view and concur with the view of the management of the Company that the Group has short term cash flow pressure to repay the outstanding amount of the Convertible Bonds on its original maturity date, i.e. 9 December 2018.

4. Reasons for entering into the Third Supplemental Deed

As stated in the Board Letter, the Third Amendment of Terms would allow the Company to refinance its debts under the Convertible Bonds on the same terms for another 2 years, and to provide flexibility to the Company’s working capital management and deployment of its financial resources to fund its operation.

LETTER FROM NUADA LIMITED

The Board considers the Third Maturity Date Extension of the Convertible Bonds for further two years is fair and reasonable for the reasons that: (i) as disclosed in the Interim Report, the Group was in a net current liabilities position and net liabilities as at 30 September 2018 and hence has sought for financial support from CNC HK, which has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and requirements, to maintain the going concern of the Company. CNC HK therefore allowed the Company to extend the repayment for liabilities due to CNC HK to not earlier than 12 months commencing from 30 September 2018, including the Convertible Bonds, the interests payable for the Convertible Bonds and liabilities due to CNC HK in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due. According to the management of the Company, a promissory note issued by the Group in the principal amount of approximately HK\$45,040,000 remains outstanding as at the Latest Practicable Date. Also, there may be funding requirements for the operation of the businesses of the Company in the near future. Hence, the Board expects that the Company will not have enough cash to redeem the Convertible Bonds in the next few months or within the forthcoming financial year; and (ii) the Third Maturity Date Extension would give reasonable time for the Group to improve its business performance and financial position. Thus, the Board considers that the Third Maturity Date Extension is in the best interests of the Company and the Shareholders as a whole.

Taking into account (i) the unsatisfactory financial results of the Group in recent periods as stated under the paragraph headed “3. Business overview of the Group” above in this letter; (ii) the insufficiency of internal resources of the Group based on the unaudited cash and cash equivalents of the Group of approximately HK\$66.5 million as at 30 November 2018 and the outstanding principal amount of the Convertible Bonds was approximately HK\$257.0 million as at the Latest Practicable Date as stated under the paragraph headed “3. Business overview of the Group” above in this letter; (iii) the analysis of the terms of the Convertible Bonds (as amended by the Third Supplemental Deed) as stated in the paragraph headed “5. Comparable Analysis” below in this letter; (iv) the lack of other fund-raising alternatives available to the Company based on the recent financial performance of the Group as stated in paragraph headed “6. Other fund-raising alternatives” below in this letter; and (v) the financial effect of the Third Amendment of Terms on the Group as stated in paragraph headed “7. Financial effect of the Proposed Amendments” below, we are of the view and concur with the view of the Board the Third Supplemental Deed and the Third Amendment of Terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM NUADA LIMITED

5. Comparable Analysis

In order to assess the fairness and reasonableness of the terms of the Convertible Bonds (as amended by the Third Supplemental Deed), we have searched for relevant convertible bonds/notes issued by other issuers listed on the Stock Exchange (the “Comparable(s)”) as announced during the one month prior to and including 9 December 2018, being the date of the Third Supplemental Deed, and identified an exhaustive list of 12 Comparables. Notwithstanding the differences between the listed issuers of the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider that the Comparables can provide a general reference in relation to the terms of convertible bonds issued under recent market condition and sentiment. Also taking into account the sample size of 12 Comparables, we consider that the comparison period of one month is appropriate. Details of the Comparables are set out in the table below:

No.	Date of initial announcement	Stock Code	Name of company	Principal amount (million)	Premium over/ (discount) to the closing price (Note) (%)	Interest rate per annum (%)
1.	12 November 2018	1400	Moody Technology Holdings Limited	HK\$100.0	(20.00)	8.00
2.	13 November 2018	8022	Evershine Group Holdings Limited	HK\$300.0	(18.00)	1.00
3.	16 November 2018	2280	HC Group Inc.,	HK\$100.0	22.20	2.85
4.	16 November 2018	115	Grand Field Group Holdings Limited	HK\$112.3	5.13	3.00
5.	21 November 2018	996	Carnival Group International Holdings Limited	US\$350.0	57.48	8.00
6.	22 November 2018	2007	Country Garden Holdings Company Limited	HK\$7,830.0	30.00	4.50
7.	30 November 2018	1096	Sino Energy International Holdings Group Limited	HK\$50.0	35.91	8.00
8.	4 December 2018	803	Prosperity International Holdings (H.K.) Limited	HK\$10.0	46.34	8.00
9.	4 December 2018	803	Prosperity International Holdings (H.K.) Limited	HK\$20.0	46.34	8.00
10.	4 December 2018	8238	Winto Group (Holdings) Limited	HK\$60.0	87.50	nil
11.	6 December 2018	8347	F8 Enterprises (Holdings) Limited	HK\$40.0	69.49	10.00
12.	12 December 2018	715	China Oceanwide Holdings Limited	HK\$600.0	86.80	6.00
				Mean	37.43	5.61
				Maximum/highest premium	87.50	10.00
				Minimum/highest discount	(20.00)	nil
	9 December 2018	8356	The Company	HK\$257.0	180.00	3.00

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

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

LETTER FROM NUADA LIMITED

(a) Conversion price

The conversion prices of the Comparables severally represent from a discount of approximately 20.00% to a premium of approximately 87.50%, with an average premium of approximately 37.43%. The conversion price per Conversion Share of HK\$0.196 represents a premium of approximately 180.00% over the closing price per Share on the date of the Third Supplemental Deed, which is above the average and maximum premium represented by the Comparables.

(b) Interest rate

The interest rates of the Comparables range from nil to 10.00%, with an average interest rate of approximately 5.61%. The interest rate of 3% per annum of the Convertible Bonds for the extended period is below the average interest rate represented by the Comparables.

(c) Conclusion

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

6. Other fund-raising alternatives

As discussed with the management of the Company, we note that the Board has considered other alternative means of fund raising before entering into the Third Supplemental Deed. However, debt financing may be subject to lengthy due diligence and negotiations with banks and, like the Convertible Bonds, would also incur interest burden to the Group. Also, in view of the unsatisfactory financial performance of the Group mentioned under the section headed “3. Business overview of the Group” above in this letter, particularly the net loss of the Group and the net current liabilities position of the Group for recent financial years/periods, the Board considers that the Company may have difficulties in (a) obtaining bank borrowing; or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company.

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

LETTER FROM NUADA LIMITED

7. Financial effect of the Third Amendment of Terms

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

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

Ms. Po Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**(a) Directors' interests and short positions in the securities of the Company and its associated corporations**

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

Long position in the Shares:

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

Note:

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

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

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

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

Long position in the Shares:

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

Notes:

- (a) Details of the Convertible Bonds were set out on pages 7 to 10 of this circular.
- (b) CNC HK is wholly and beneficially owned by CNC China. Accordingly, CNC China is deemed to be interested in the 1,188,621,377 Shares and 1,311,378,622 underlying Shares held by CNC HK under the SFO.

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

(c) Directorship in and employment with substantial Shareholders

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

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

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

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

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

4. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

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

- (a) materially interested in any contract or arrangement entered into by any member of the Group which was subsisting at the date of this circular, and which was significant in relation to the business of the Group; or
- (b) had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. COMPETING INTERESTS

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

6. EXPERT

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

Name	Qualifications
Nuada Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities pursuant to the SFO

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

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

In addition, as at the Latest Practicable Date, Nuada Limited does not have any direct or indirect interest in any assets which had been since 31 March 2018, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company dated 7 November 2018 for the six months ended 30 September 2018, (i) the Group reported a decrease of approximately 35.6% in revenue for the six months ended 30 September 2018 as compared with that for the same period of the previous year, which was mainly due to decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage; (ii) the Group incurred a net loss of approximately HK\$39,495,000 during the same period and, as of 30 September 2018, the Group had net current liabilities and net liabilities of approximately HK\$260,951,000 and HK\$172,614,000 respectively; and (iii) as at 30 September 2018, the promissory note issued by the Group in principal amount of approximately HK\$45,040,000 was outstanding. As at the Latest Practical Date, the promissory note issued by the Group in principal amount of HK\$45,040,000 which was overdue on 31 December 2018 remains outstanding. The Group is the process of negotiating with the promissory noteholder for possible proposal regarding the promissory note including but not limited to potential renewal or extension of the promissory note and other feasible solutions as at the Latest Practicable Date. The Convertible Bonds remained overdue as at the Latest Practicable Date.

Save as disclosed above and in this circular, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group was made up.

8. MISCELLANEOUS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2017 and 31 March 2018;
- (c) First Supplemental Deed;
- (d) Second Supplemental Deed;
- (e) Third Supplemental Deed;
- (f) Sale and Purchase Agreement.
- (g) the written consent of the expert referred to in the paragraph headed “Expert” in this Appendix;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 in this circular;
- (i) the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 29 in this circular; and
- (j) this circular.

NOTICE OF EGM



CNC HOLDINGS LIMITED 中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of CNC Holdings Limited (the “**Company**”) will be held at Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong on Tuesday, 12 February 2019 at 11:00 a.m., for the purpose of considering and, if though fit, passing the following resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the supplemental deed dated 9 December 2018 (“**Third Supplemental Deed**”) entered into between the Company and a holder of the redeemable convertible bonds issued by the Company on 9 December 2011 in an outstanding principal amount of HK\$257,030,210 (the “**Convertible Bonds**”) (a copy of the Third Supplemental Deed having been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) in relation to the proposed amendment of terms and conditions of the Convertible Bonds, in relation to the proposed extension of maturity date of the Convertible Bonds to 9 December 2020 pursuant to the Third Supplemental Deed and all transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

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

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

Hong Kong, 16 January 2019

Registered office:

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

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

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

NOTICE OF EGM

Notes:

- (1) The register of members of the Company will be closed from Monday, 4 February 2019 to Tuesday, 12 February 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 February 2019.
- (2) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (3) A form of proxy for use at the EGM is enclosed with the circular of the Company dated 16 January 2019. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.
- (4) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (5) In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (6) Any voting at the EGM shall be taken by poll.