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If you have sold or transferred all your shares in i-CABLE Communications Limited, you should at once hand this circular and the accompanying forms of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

**(1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE OF THE COMPANY
AT HK\$0.109 PER RIGHTS SHARE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED CHANGE IN BOARD LOT SIZE;
(4) CLOSURE OF REGISTER OF MEMBERS; AND
(5) NOTICE OF GENERAL MEETING**

Financial adviser to the Company



Halcyon Capital Limited

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



Able Capital Partners Limited

**Underwriter of the Rights Issue
Forever Top (Asia) Limited**

A letter from the Board is set out on pages 16 to 56 of this circular. Letters from the Independent Board Committees containing its recommendation to the Independent Shareholders are set out on pages 57 to 60 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders is set out on pages 61 to 106 of this circular.

To qualify for the Rights Issue, the Shareholders must be registered as a member of the Company on the Record Date, which is currently expected to be Monday, 21 January 2019. In order to be registered as a member of the Company on the Record Date, the Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. on Monday, 14 January 2019. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Thursday, 10 January 2019. The Shares will be dealt with on an ex-rights basis from Friday, 11 January 2019.

A notice convening the GM to be convened at 3:00 p.m. on Wednesday, 9 January 2019 on Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong is set out on pages GM-1 to GM-4 of this circular. If a Shareholder is not able to attend the GM in person, such Shareholder is requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the Company's share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the GM. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the GM should the Shareholder so desire.

The Rights Issue is conditional upon the fulfilment of the conditions (or, in respect of certain conditions, waiver thereof) as set out in the section headed "Letter from the Board - Underwriting Agreement — Conditions of the Underwriting Agreement". It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by written notice to the Company at any time prior to the latest time for termination under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Letter from the Board — Underwriting Agreement — Termination of the Underwriting Agreement" on pages 36 to 38 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

Pursuant to the Company's constitutional documents and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, there are no requirements for minimum levels of subscription. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 24 January 2019 to Thursday, 31 January 2019 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before 4:00 p.m. on Thursday, 14 February 2019 (or such later time and/or date as the Company may determine), or the Whitewash Waiver is not granted, the Rights Issue will not proceed. Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Thursday, 24 January 2019 to Thursday, 31 January 2019 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

20 December 2018

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DEFINITIONS

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 9 November 2018 in relation to, among other things, the Rights Issue, the Whitewash Wavier and the Change in Board Lot Size
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bookrunner”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the bookrunner appointed by the Company to place any Unsubscribed Rights Shares under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules and the NQS Unsold Rights Shares
“Business Day”	any day on which banks are generally open for business in Hong Kong (excluding Saturday and Sunday)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Beneficial Owners”	beneficial owners of the Shares who hold pecuniary interests and voting rights in the Company with respect to the Shares deposited into CCASS and registered in the name of HKSCC Nominees
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Change in Board Lot Size”	the change in board lot size of the Shares from 10,000 Shares to 20,000 Shares after the commencement of dealings in fully-paid Rights Shares

DEFINITIONS

“ChinaClear”	China Securities Depository and Clearing Corporation Limited
“China Connect”	Shanghai Connect and Shenzhen Connect
“Circular” or “this circular”	the circular of the Company dated 20 December 2018 in relation to, among other things, the Rights Issue, and the Whitewash Wavier
“CMHK”	China Mobile Hong Kong Company Limited
“Committed Shares”	2,682,362,480 Rights Shares to be offered to and subscribed by the Controlling Shareholder under their entitlement, as set out in the Provisional Allotment Letter pursuant to the Rights Issue and the Undertaking Letter
“Communications Authority”	the Communications Authority of Hong Kong, an independent statutory body established under the Communications Authority Ordinance (Cap. 616) on 1 April 2012
“Company”	i-CABLE Communications Limited (Stock Code: 1097), a company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board
“Compensatory Arrangements”	placement of Unsubscribed Rights Shares by the Bookrunner on a best effort basis pursuant to arrangements described in Rule 7.21(1)(b) of the Listing Rules
“Concert Group”	the parties acting in concert with the Controlling Shareholder, including Tan Sri Dato’ David Chiu, Dr. Cheng Kar-Shun, Henry, Mr. Hoong Cheong Thard, Mr. Andrew Wah Wai Chiu, Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick (who is presumed to be acting in concert with the Controlling Shareholder and such presumption will cease to apply after the completion of the Rights Issue), Celestial Pioneer Limited, Chow Tai Fook Enterprises Limited, Celestial Channel Limited, Mr. John Huan Zhao, Hony Communications Limited, Expand Ocean L.P., Mr. Li Sze Lim and Profit Surge Investment Limited
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder” or “Underwriter”	Forever Top (Asia) Limited, a company incorporated in Hong Kong with limited liability on 9 January 2015 and as at the Latest Practicable Date is interested in approximately 43.2% of the total number of existing issued Shares. As at the Latest Practicable Date, the Controlling Shareholder is held by Tan Sri Dato’ David Chiu (as to 24.5%), Dr. Cheng Kar-Shun, Henry (through Celestial Pioneer Limited, his wholly-owned company, as to 31.5%), Chow Tai Fook Enterprises Limited (through Celestial Channel Limited, a company wholly-owned by Chow Tai Fook Enterprises Limited, as to 14.0%), Mr. John Huan Zhao (through Hony Communications Limited, his wholly-owned company as sole general partner of Expand Ocean L.P., as to 14.0%) and Mr. Li Sze Lim (through Profit Surge Investments Limited, his wholly-owned company, as to 16.0%)
“CSRC”	the China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (Announcement [2016] No. 21)
“Despatch Date”	Monday, 18 February 2019 (or such other date the Company may determine), being the intended date of despatch of certificates of the Rights Shares to those entitled thereto
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Facility Term Extension”	the extension of the term of the revolving loan facility of up to the principal amount of HK\$400 million granted by Wharf Finance Limited to HKCTV to 31 December 2019, which such extension became effective immediately after completion of the Loan Capitalisation Agreement and the principal loan amount was then revised to HK\$100 million
“Facility Term Extension Agreement”	the facility term extension agreement dated 14 April 2017 entered into among the Company, HKCTV and Wharf Finance Limited in relation to the Facility Term Extension
“Free TV Licence”	domestic free television programme service licence issued to FTV

DEFINITIONS

“FTV”	Fantastic Television Limited, a private company incorporated in Hong Kong, which is a consolidated structured entity of the Company and the Company holds 14.9% of its voting rights
“GM”	the general meeting of the Company to be convened to approve, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Group”	the Company, its subsidiaries and consolidated structured entities of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKCTV”	Hong Kong Cable Television Limited, a private company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iNOL”	i-CABLE Network Operations Limited
“Independent Board Committees”	collectively, the Rights Issue Independent Board Committee and the Whitewash Waiver Independent Board Committee
“Independent Financial Adviser” or “Able Capital”	Able Capital Partners Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committees for the purpose of advising the Independent Board Committees and the Independent Shareholders on the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	Shareholders other than (i) the Controlling Shareholder, (ii) the Concert Group, (iii) the associates of the Controlling Shareholder and (iv) Shareholders who are involved in, or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (as the case may be), who are required under the Listing Rules and/or Takeovers Code (as the case may be) to abstain from voting in the GM

DEFINITIONS

“Independent Third Party(ies)”	third party(ies) independent of the Company and any connected person(s) of the Company and not a connected person of the Company
“Last Trading Day”	9 November 2018, being the last full trading day for the Shares before the release of the Announcement
“Latest Acceptance Date”	Friday, 8 February 2019, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Latest Lodging Date”	4:30 p.m. on Monday, 14 January 2019, the latest time for lodging transfer documents of the Shares (together with the relevant shares certificate(s)) in order to qualify for the Rights Issue
“Latest Practicable Date”	Monday, 17 December 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Latest time for acceptance”	4:00 p.m. on the Latest Acceptance Date
“Latest time for termination”	4:00 p.m. on the date falling on the Business Day immediately preceding to the date of the results announcement of the Rights Issue (i.e. Thursday, 14 February 2019 based on the expected timetable set out in the section headed “Expected Timetable” in this circular) or such later date as the Company and the Underwriter may agree in writing
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Capitalisation Shares”	a total of 841,987,090 Shares (representing approximately 13.57% of the then total number of issued Shares) issued to The Wharf (Holdings) Limited, at the issue price of one Share for approximately HK\$0.3563, pursuant to the Loan Capitalisation Agreement which was completed on 15 September 2017
“Loan Capitalisation Agreement”	the conditional loan capitalisation agreement dated 14 April 2017 among Wharf Finance Limited, HKCTV and the Company in relation to the conversion of HK\$300 million to the Loan Capitalisation Shares which were issued on 15 September 2017

DEFINITIONS

“Long Stop Date”	5.00 p.m. on 30 June 2019 or such later date as the Underwriter may agree
“LPA”	the lapsed provisional allotments of the Rights Issue
“Main Board”	the Main Board of the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting (a) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares placed by the Bookrunner under the Compensatory Arrangements and the NQS Unsold Rights Shares; and (b) the aggregate amount of the expenses of the Bookrunner and any other related expenses/fees)
“Network Development Agreement”	a network development agreement entered into with CMHK by iNOL on 5 December 2018
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do(es) not subscribe for the Rights Shares (whether partially or fully) under the provisional letters of allotment or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Open Offer”	the open offer completed by the Company in September 2017
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong

DEFINITIONS

“Pay TV Licence”	the domestic pay television programme service licence issued to HKCTV
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Bookrunner dated 20 December 2018 in relation to the placing of the Unsubscribed Rights Shares
“Posting Date”	Tuesday, 22 January 2019, or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Southbound Trading Investors”	the PRC investors who hold Shares through ChinaClear as nominee under China Connect
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Date”	proposed date of Prospectus
“Prospectus Documents”	the Prospectus and the Provisional Allotment Letter to be issued by the Company to the Qualifying Shareholders
“Provisional Allotment Letter(s)” or “PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“Qualifying Shareholders”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently scheduled to be on Monday, 21 January 2019 or such later date as announced by the Company
“Registrar”	the share registrar of the Company, being Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Regulatory Licences”	collectively, (i) the unified carrier licence, (ii) the domestic free television programme service licence and (iii) the domestic pay television programme service licence, each granted to the Group by the Communications Authority

DEFINITIONS

“Relevant Period”	six months before the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the issue of no more than 6,345,620,156 Rights Shares and no less than 6,206,020,156 Rights Shares at the Subscription Price on the basis of one Rights Share for every one existing Share held on the Record Date payable in full on acceptance
“Rights Issue Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders on the terms of the Rights Issue and the Underwriting Agreement
“Rights Share(s)”	the new Share(s) to be allotted and issued in respect of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shanghai Stock Exchange, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shanghai
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option(s)”	a right to subscribe for Shares pursuant to the Share Option Scheme or any share option granted thereunder
“Share Option Scheme”	the share option scheme of the Company adopted on 24 May 2018
“Shenzhen Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shenzhen Stock Exchange, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shenzhen
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.109 per Rights Share
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Undertaking Letter”	the undertaking letter provided by the Controlling Shareholder to the Company dated 9 November 2018
“Underwriting Agreement”	the underwriting agreement dated 9 November 2018 and entered into between the Company and the Controlling Shareholder in relation to the Rights Issue
“Underwritten Shares”	the Rights Shares (other than the Committed Shares) being not less than 3,523,657,676 Rights Shares and not more than 3,663,257,676 Rights Shares to be underwritten by the Controlling Shareholder pursuant to the terms and conditions of the Underwriting Agreement
“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by Qualifying Shareholders
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Controlling Shareholder to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Controlling Shareholder and any parties acting in concert with it which may otherwise arise as a result of the taking up of the Unsubscribed Rights Shares, the NQS Unsold Rights Shares and the unsold fractions of the Rights Shares pursuant to the Underwriting Agreement

DEFINITIONS

“Whitewash Waiver
Independent Board
Committee”

an independent board committee of the Company comprising Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman and Mr. Luk Koon Hoo, Roger, which has been established under the Takeovers Code to advise the Independent Shareholders on the terms of the Rights Issue and the Whitewash Waiver. Tan Sri Dato’ David Chiu and Dr. Cheng Kar-Shun, Henry are directors and ultimate beneficial owners of the Controlling Shareholder. Mr. Hoong Cheong Thard is a director of the Controlling Shareholder. Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Tang Sing Ming Sherman are familially related to two of the ultimate beneficial owners of the Controlling Shareholder. Accordingly, they will not be members of the committee

“%”

per cent. or percentage

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this circular:

Basis of the Rights Issue:	One Rights Share for every one existing Share held on the Record Date
Subscription Price:	HK\$0.109 per Rights Share
Number of the existing Shares in issue as at the Latest Practicable Date:	6,206,020,156 Shares
Minimum number of Rights Shares:	6,206,020,156 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date)
Maximum number of Rights Shares:	6,345,620,156 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date) (i.e. 6,206,020,156 Shares plus the outstanding exercisable Share Options carrying the right to subscribe for a total number of 139,600,000 Shares)
Minimum enlarged issued share capital upon completion of the Rights Issue:	12,412,040,312 Shares (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue)
Maximum enlarged issued share capital upon completion of the Rights Issue:	12,691,240,312 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)
Underwriter:	The Controlling Shareholder
Total funds raised before expenses:	Not more than approximately HK\$691.7 million and not less than approximately HK\$676.5 million

As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 279,200,000 Shares at an exercise price of HK\$0.210 per Share, of which options for 139,600,000 Shares are exercisable from 15 June 2018 to 14 June

SUMMARY OF THE RIGHTS ISSUE

2028 (both dates inclusive) and options for 139,600,000 Shares are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the minimum number of 6,206,020,156 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 100.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 50.0% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 6,345,620,156 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 102.2% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 50.0% of the total number of the issued Shares as enlarged by the allotment and issue of all the Rights Shares immediately upon completion of the Rights Issue.

EXPECTED TIMETABLE

FOR THE RIGHTS ISSUE AND CHANGE IN BOARD LOT SIZE

Announcement	Friday, 9 November 2018
Despatch of circular with notice and form of proxy for the GM..	Thursday, 20 December 2018
Latest time for lodging transfer of Shares to be qualified for attendance at the GM.....	4:30 p.m. on Wednesday, 2 January 2019
Register of members of the Company closes (both dates inclusive).....	From Thursday, 3 January 2019 to Wednesday, 9 January 2019
Latest time for lodging forms of proxy for the GM.....	3:00 p.m. on Monday, 7 January 2019
Record date for attendance and voting at the GM	Wednesday, 9 January 2019
Date of GM.....	3:00 p.m. on Wednesday, 9 January 2019
Announcement of poll results of the GM	Wednesday, 9 January 2019
Last day of dealing in Shares on a cum-rights basis	Thursday, 10 January 2019
First day of dealing in Shares on an ex-rights basis	Friday, 11 January 2019
Latest time for lodging transfer documents of Shares in order to be qualified for the Rights Issue.....	4:30 p.m. on Monday, 14 January 2019
Register of members of the Company closes for determining entitlements under Rights Issue (both days inclusive)	From Tuesday, 15 January 2019 to Monday, 21 January 2019
Record Date for determining entitlements under Rights Issue	Monday, 21 January 2019
Register of members of the Company reopens.....	Tuesday, 22 January 2019
Despatch of Prospectus Documents.....	Tuesday, 22 January 2019
First day of dealing in nil-paid Rights Shares	Thursday, 24 January 2019
Latest time for splitting nil-paid Rights Shares.....	4:30 p.m. on Monday, 28 January 2019

EXPECTED TIMETABLE

Last day of dealing in nil-paid Rights Shares.....	Thursday, 31 January 2019
Latest time for lodging transfer documents of nil-paid Rights Shares	4:00 p.m. on Friday, 8 February 2019
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on Friday, 8 February 2019
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares to be posted on the Stock Exchange's website and the Company's website on or before.....	Monday, 11 February 2019
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner	Tuesday, 12 February 2019
Latest time for termination of Underwriting Agreement.....	4:00 p.m. on Thursday, 14 February 2019
Latest time of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner	6:00 p.m. on Thursday, 14 February 2019
Announcement of the results of the Rights Issue (including results of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements and the NQS Unsold Rights Shares) to be posted on the Stock Exchange's website and the Company's website on or before.....	Friday, 15 February 2019
Last day of trading of Shares in board lot of 10,000 Shares.....	Friday, 15 February 2019
Effective date of change in board lot size from 10,000 Shares to 20,000 Shares.....	Monday, 18 February 2019
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	Monday, 18 February 2019
Share certificates for fully-paid Rights Shares to be posted	Monday, 18 February 2019

EXPECTED TIMETABLE

Dealing of Rights Shares in board lot of 20,000 Shares in
fully-paid form commences 9:00 a.m. on Tuesday,
19 February 2019

Payment of Net Gain to relevant No Action Shareholders
and Non-Qualifying Shareholders (if any) Tuesday, 5 March 2019

The last day for the designated broker provide matching
services for odd lots of Shares Tuesday, 12 March 2019

Note: All times and dates in this circular refer to Hong Kong local times and dates. Shareholders should note that the dates or deadlines specified in the expected timetable of the Rights Issue as set out above, and in other parts of this circular, are indicative only and may be varied by agreement between the Company and the Underwriter. Further, investors should note that the relevant notice of waiver(s) in respect of the revised shareholding structure of the Company as a result of the Rights Issue from the Communications Authority may be obtained subsequent to the publication of the results announcement of the Rights Issue by the Company. In such event, and/or if any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. Any such extension or adjustment to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION

The latest time for acceptance of and payment for Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in the “Expected Timetable” section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

Non-executive Directors:

Tan Sri Dato' David Chiu (*Chairman*)
Dr. Cheng Kar-Shun, Henry *GBM, GBS (Vice-chairman)*
Dr. Cheng Chi-Kong, Adrian *JP*
Mr. Tsang On Yip, Patrick
Mr. Hoong Cheong Thard

Registered Office:

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

Executive Director:

Mr. Andrew Wah Wai Chiu

Independent Non-executive Directors:

Mr. Lam Kin-Fung, Jeffrey *GBS, JP*
Dr. Hu Shao Ming Herman *SBS, JP*
Mr. Luk Koon Hoo, Roger *BBS, JP*
Mr. Tang Sing Ming Sherman

20 December 2018

*To the Shareholders and for information purposes only,
the holders of the Share Options*

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE OF THE COMPANY
AT HK\$0.109 PER RIGHTS SHARE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED CHANGE IN BOARD LOT SIZE;
(4) CLOSURE OF REGISTER OF MEMBERS; AND
(5) NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue, the Whitewash Waiver and the Change in Board Lot Size. It was announced that the Company proposed to raise not more than approximately HK\$691.7 million and not less than approximately HK\$676.5 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue involves the issue of not less than 6,206,020,156 Rights Shares

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and not more than 6,345,620,156 Rights Shares at the Subscription Price of HK\$0.109 per Rights Share on the basis of one Rights Share for every one existing Share in issue on the Record Date.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Board has established the Whitewash Waiver Independent Board Committee, comprising Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman and Mr. Luk Koon Hoo, Roger, all being independent non-executive Directors, to advise the Independent Shareholders on whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and how to vote on the relevant resolutions at the GM. Tan Sri Dato' David Chiu and Dr. Cheng Kar-Shun, Henry are directors and ultimate beneficial owners of the Controlling Shareholder. Mr. Hoong Cheong Thard is a director of the Controlling Shareholder. As Dr. Cheng Chi-Kong, Adrian is the son of Dr. Cheng Kar-Shun, Henry, Mr. Tsang On Yip, Patrick's spouse is a niece of Dr. Cheng Kar-Shun, Henry and Mr. Tang Sing Ming Sherman is the brother of the sister-in-law of Tan Sri Dato' David Chiu, therefore Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Tang Sing Ming Sherman are familially related to two of the ultimate beneficial owners of the Controlling Shareholder. Accordingly, they will not be members of the Whitewash Waiver Independent Board Committee.

Pursuant to Rule 13.39(6) of the Listing Rules, the Board has established the Rights Issue Independent Board Committee, comprising of all independent non-executive Directors, namely Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman, to advise the Independent Shareholders on whether the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole and how to vote on the relevant resolutions at the GM.

Able Capital Partners Limited has been appointed to advise the Independent Board Committees and the Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and such appointment has been approved by the Independent Board Committees pursuant to Rule 2.1 of the Takeovers Code.

The purpose of this circular is to provide you with, among other things, (i) details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, the proposed Change in Board Lot Size and the transactions contemplated thereunder; (ii) a letter from the Rights Issue Independent Board Committee; (iii) a letter from the Whitewash Waiver Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in relation to the Rights Issue, Underwriting Agreement and the Whitewash Waiver and the transactions contemplated thereunder; and (v) a notice of the GM.

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RIGHTS ISSUE

The Board proposed the Rights Issue, details of which are summarised below:

Issue statistics

Basis of the Rights Issue:	One Rights Share for every one existing Share held on the Record Date
Subscription Price:	HK\$0.109 per Rights Share
Number of the existing Shares in issue as at the Latest Practicable Date:	6,206,020,156 Shares
Minimum number of Rights Shares:	6,206,020,156 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date)
Maximum number of Rights Shares:	6,345,620,156 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase Shares on or before the Record Date) (i.e. 6,206,020,156 Shares plus the outstanding exercisable Share Options carrying the right to subscribe for a total number of 139,600,000 Shares)
Minimum enlarged issued share capital upon completion of the Rights Issue:	12,412,040,312 Shares (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue)
Maximum enlarged issued share capital upon completion of the Rights Issue:	12,691,240,312 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)
Underwriter:	The Controlling Shareholder
Total funds raised before expenses:	Not more than approximately HK\$691.7 million and not less than approximately HK\$676.5 million

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As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 279,200,000 Shares at an exercise price of HK\$0.210 per Share, of which options for 139,600,000 Shares are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive) and options for 139,600,000 Shares are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the minimum number of 6,206,020,156 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 100.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 50.0% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 6,345,620,156 Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 102.2% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 50.0% of the total number of the issued Shares as enlarged by the allotment and issue of all the Rights Shares immediately upon completion of the Rights Issue.

Subscription Price

The subscription price of HK\$0.109 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 8.4% to the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 38.4% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of HK\$0.158;
- (iv) a discount of approximately 26.4% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of HK\$0.148;

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- (v) a discount of approximately 23.8% to the theoretical ex-rights price of approximately HK\$0.143 per Share based on the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 40.1% to the consolidated net asset value attributable to the Shareholders as at 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 of approximately HK\$0.182 per Share; and
- (vii) a dilution effect of approximately 19.2% to the existing Shareholders if they elect not to participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$0.143 per Share (taking into account the closing price of the Last Trading Day of HK\$0.177 per Share) and the closing price per Share as quoted on the Stock Exchange on the Last Trading Day of HK\$0.177 per Share.

The Subscription Price and the subscription ratio of the Rights Issue were determined by the Board with reference to, among other things, the amount of intended funding needs, the discount of recent market comparable of rights issue and the market price of the Shares prior to and including the Last Trading Day. Each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date.

Set out below are comparable rights issue exercises of companies listed on the Stock Exchange (the “Comparable(s)”) announced after 3 July 2018, being the date on which amendments to the Listing Rules in respect of rights issue came into effect, and up to the date of the Announcement:

Date	Company	Stock Code	Principle Business	Scale of rights issue (in HK\$ million)	Subscription price	Premium/ Discount to the closing price on the last trading day of the Comparable	Premium/ Discount to net asset value per share of the Comparable
8 November 2018	TSC Group Holdings Limited	206	Oilfield engineering-related businesses	662.9	HK\$0.450	-6.3%	55.2%
4 September 2018	Master Glory Group Limited	275	Security, property and water supply businesses	1,062.8*	HK\$0.688	1.2%	-92.7%
14 August 2018	Chong Hing Bank Limited	1111	Provision of banking and financial services	5,152.3*	HK\$14.260	-3.0%	-39.7%
14 August 2018	China Everbright International Limited	257	Energy and infrastructure-related businesses	9,961.6	HK\$6.000	-31.4%	7.3%

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Date	Company	Stock Code	Principle Business	Scale of rights issue (in HK\$ million)	Subscription price	Premium/Discount to the closing price on the last trading day of the Comparable	Premium/Discount to net asset value per share of the Comparable
4 July 2018	China Grand Pharmaceutical and Healthcare Holdings Limited	512	Manufacture of pharmaceuticals	2,879.1*	HK\$5.200	-3.7%	565.9%
					Maximum	1.2%	565.9%
					Minimum	-31.4%	-92.7%
					the Rights Issue	HK\$0.109	-38.4%
							-40.1%

* Calculated based on the maximum number of rights shares disclosed in the announcement of the Comparable.

Based on the Comparables, the discounts of the Subscription Price to the Last Trading Day closing Share price and the net asset value per Share were approximately 38.4% and 40.1% respectively. While the discount of the Subscription Price to the net asset value per Share falls within the relevant premium/discount range of the Comparables, the discount of the Subscription Price to the Last Trading Day closing Share price is higher than the Comparables. The Directors noted that, the closing price of the Shares as quoted on the Stock Exchange ranged from HK\$0.135 per Share to HK\$0.171 per Share between 2 October 2018 up to 7 November 2018 (i.e. two days before the date of the Announcement) and only increased to HK\$0.192 per Share and HK\$0.177 per Share on 8 November 2018 and the Last Trading Day respectively, the Directors (including members of the Whitewash Waiver Independent Board Committee and Rights Issue Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser), considered that the sudden increase in Share price in the last two days of trading prior to the date of the Announcement did not represent the general trend of the Share's trading price and hence do not consider the discount of the Subscription Price to closing price of the Last Trading Day of approximately 38.4% to be meaningful. Furthermore, after considering the loss making position of the Group, the Directors (including members of the Whitewash Waiver Independent Board Committee and Rights Issue Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) considered that a discount to closing price of the Last Trading Day would encourage the subscription of the Rights Shares by Qualifying Shareholders. For the discount to net asset value per Share, as the Group's assets mainly comprised of property, plant and equipment, programming library and deferred tax assets which were not immediately marketable in nature, therefore despite the Subscription Price represented a discount to net asset value per Share, the Directors (including members of the Whitewash Waiver Independent Board Committee and Rights Issue Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) consider the Subscription Price to be fair and reasonable.

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In view of the above, the Directors (including members of the Whitewash Waiver Independent Board Committee and Rights Issue Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) consider the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid with a record date falling after the date of allotment and issue of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date and not being a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Monday, 14 January 2019. It is expected that the last day of dealings in the Shares on a cum-rights basis is Thursday, 10 January 2019 and the Shares will be dealt with on an ex-rights basis from Friday, 11 January 2019.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Provisional Allotment Letter and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied for with the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:00 p.m. on the Latest Acceptance Date.

The Directors have made the relevant enquiries and they were advised that the PRC Southbound Trading Investors can participate in the Rights Issue through ChinaClear. ChinaClear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid Rights Shares on the Stock Exchange; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of shareholding held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations. In addition, according to the PRC legal adviser of the Company, the PRC Southbound Trading Investors (or the relevant ChinaClear participants as the case may be) whose stock accounts in the ChinaClear are credited with nil-paid Rights Shares could only sell those nil-paid Rights Shares on the Stock Exchange under China Connect but could not purchase any nil-paid Rights Shares nor transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors.

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The PRC Southbound Trading Investors should seek advice from their intermediary (including broker, custodian, nominee or ChinaClear participants) and/or other professional advisers for details of the logistical arrangements as required by ChinaClear, and provide instructions with such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the latest time for acceptance of and payment for Rights Shares or last day of dealing in nil-paid Rights Shares stated in the section headed “Expected Timetable” of this circular and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or ChinaClear in order to allow sufficient time to ensure that such instructions are given effect. According to the PRC legal adviser of the Company, as the Prospectus Documents have not been and are not intended to be filed with or approved by the CSRC other than in accordance with CSRC Notice, the Rights Shares (in nil-paid and fully-paid forms) shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity is a PRC Southbound Trading Investor (subject to certain limitations in relation to its rights to participate in the Rights Issue as explained in this circular) or an Overseas Shareholder in the PRC (i.e. a Qualifying Shareholder), or it has otherwise been exempt by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Rights of the Overseas Shareholders

As at the Latest Practicable Date, according to the register of members of the Company, the Company had 270 Overseas Shareholders (excluding CCASS Participants) with registered addresses in 22 jurisdictions, who collectively held 1,332,805 Shares in aggregate (representing approximately 0.021476% of the total number of Shares in issue). The table below further sets out the number of Overseas Shareholders in each of the 22 jurisdictions and their aggregate shareholding as at the Latest Practicable Date:

Jurisdiction of the registered address of the Overseas Shareholder(s)	Number of Overseas Shareholder(s)	Number of Shares held in aggregate as at the Latest Practicable Date	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
<i>Included in Rights Issue:</i> China Securities Depository and Clearing Corporation Limited (Shenzhen)	N/A	15,334	0.000247%

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Jurisdiction of the registered address of the Overseas Shareholder(s)	Number of Overseas Shareholder(s)	Number of Shares held in aggregate as at the Latest Practicable Date	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
China Securities Depository and Clearing Corporation Limited (Shanghai)	N/A	420,518	0.006776%
Sub-total (CCASS Participants) (Note 1)	N/A	435,852	0.007023%
PRC	50	265,953	0.004285%
Macau Special Administrative Region of the PRC (“ Macau ”)	19	158,452	0.002553%
The Republic of Singapore (“ Singapore ”)	35	423,515	0.006824%
United Kingdom	51	98,025	0.001580%
Portugal	1	4,259	0.000069%
Taiwan	3	9,916	0.000160%
Ireland	2	477	0.000008%
Gibraltar	1	86	0.000001%
Sub-total (Individual Overseas Shareholders included in Rights Issue excluding CCASS Participants):	162	960,683	0.015480%
<i>Excluded from Rights Issue:</i>			
Australia	4	190	0.000003%
Barbados	4	1,420	0.000023%
Brazil	1	2,724	0.000044%
Canada	2	2,162	0.000035%
Channel Islands	2	371	0.000006%
France	2	1,575	0.000025%
Indonesia	1	381	0.000006%
India	2	33,246	0.000536%
Japan	1	81	0.000001%
Malaysia	15	113,864	0.001835%
New Zealand	12	3,719	0.000060%
The Republic of the Philippines (“ the Philippines ”)	1	8,430	0.000136%
Thailand	2	21,153	0.000341%
The United States of America (“ the United States ”)	59	182,806	0.002946%
Sub-total (Overseas Shareholders excluded from Rights Issue):	108	372,122	0.005996%
Total (all Overseas Shareholders excluding CCASS Participants):	270	1,332,805	0.021476%

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Notes:

- (1) Shareholding up to the latest publication available on the Stock Exchange's website as at the Latest Practicable Date.
- (2) The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Overseas Shareholders (excluding those with registered address in jurisdictions which are included in the Rights Issue) on the Record Date may not be eligible to take part in the Rights Issue as explained below.

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than (a) Hong Kong; and (b) the PRC, in accordance with the CSRC Notice.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the rights of the Rights Shares to such Overseas Shareholders.

Based on the advice of the legal advisers in the PRC, Macau, Singapore, the United Kingdom, Portugal, Taiwan, Ireland and Gibraltar, under the applicable legislations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to the Overseas Shareholders in the relevant jurisdiction; or (ii) the Rights Issue meets the relevant exemption requirements under the relevant jurisdictions so that it would be exempt from obtaining approval or recognition from and/or registration of the Prospectus Documents with the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions. Accordingly, the Board is of the view that it is expedient to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC, Macau, Singapore, the United Kingdom, Portugal, Taiwan, Gibraltar and Ireland and such Overseas Shareholders are considered as Qualifying Shareholders. It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares.

The Company has also obtained the required advice from the legal advisers in Australia, Barbados, Brazil, Canada, Channel Islands, France, Indonesia, India, Japan, Malaysia, New Zealand, the Philippines, Thailand and the United States (collectively, the "Specified Territories"). The Directors have formed the view that, it is necessary or expedient to restrict the ability of Overseas Shareholders in the Specified Territories to take up their rights under the Rights Issue in view of the time and costs required for (i) ascertaining the exact aggregate shareholding interests in the Company held by Shareholders and CCASS Beneficial Owners in the Specified Territories and/or the trading volume in the Company's securities that occurred in the Specified Territory in the last financial year, for the purpose of determining the applicable threshold of compliance with relevant local legal or regulatory requirements in the Specified Territories, and/or (ii) complying with the onerous due diligence, Prospectus disclosure, Prospectus registration, financial reporting and/or other relevant legal and regulatory requirements in extending the Rights Issue to Overseas Shareholders (excluding CCASS

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Participants) in certain Specified Territories. Taking into account the aggregate shareholding of less than 0.006% in the Company held by the Overseas Shareholders in the Specified Territories as at the Latest Practicable Date, the expected timetable for the Rights Issue and the Company's current trading and financial position, the Board considered the time and costs required to extend the Rights Issue to such Overseas Shareholders (i) to be outweighing the potential benefit that would have been made available to the Overseas Shareholders in the Specified Territories if the Rights Issue is extended to them and (ii) not in the interests of the Company and the Shareholders as a whole. The Company will, to the extent reasonably practicable, send the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any application forms in respect of the Rights Issue to the Non-Qualifying Shareholders.

Option holders

The holders of the Share Options who wish to participate in the Rights Issue should exercise the Share Options in accordance with the terms and conditions of the Share Option Scheme, and be registered as holders of the Shares allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and the PRC, in accordance with the CSRC Notice. The Company will send copies of the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the Provisional Allotment Letter to them. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained above.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will first be placed by the Bookrunner under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully sold, will be taken up by the Underwriter. The proceeds of the sale as described above, less expenses and in the case of being sold by the Bookrunner, also less the Subscription Price, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong dollars, in the case of being sold by the Bookrunner, to be pro-rata together with the No Action Shareholders on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit.

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For the nil-paid Rights Shares that were sold as prescribed above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subjected to the Compensatory Arrangements. For the avoidance of doubt, the Non-Qualifying Shareholders will be entitled to vote at the GM unless such person is an associate of the Controlling Shareholder or a member of the Concert Group or is otherwise not an Independent Shareholder.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Non-Qualifying Shareholders should exercise caution when dealing in the Shares.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. The unsold fractions of the Rights Shares will be underwritten by the Underwriter.

Procedures in respect of Rights Shares not subscribed and the Compensatory Arrangements and the NQS Unsold Rights Shares

Pursuant to Rule 7.21(2) of the Listing Rules, as the Controlling Shareholder acts as the underwriter of the Rights Issue, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as required by Rule 7.21(2) of the Listing Rules.

The Company therefore appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro rata basis. The Bookrunner will on a best effort basis, procure, by not later than 6:00 p.m., on Thursday, 14 February 2019, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be taken up by the Controlling Shareholder pursuant to the terms of the Underwriting Agreement.

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In addition to the distribution of proceeds of the sale of the NQS Unsold Rights Shares by the Bookrunner as described under the paragraph headed “RIGHTS ISSUE — Non-Qualifying Shareholders” in this section, Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- A. where the nil-paid rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (C) below);
- B. where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (C) below);
- C. if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Shareholders are reminded that Net Gain may or may not be realized, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

The Company and the Bookrunner have entered into the Placing Agreement, setting out the key terms as summarised below of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares

Date: 20 December 2018

Bookrunner: China Galaxy International Securities (Hong Kong) Co., Limited was appointed as a bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis

The Bookrunner confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company. The Bookrunner also confirmed that there is no arrangement, agreement, understanding or undertaking with the Underwriter in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, save as the proposed terms of the Underwriting Agreement by which the Underwriter will take up all Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

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Fees and expenses:	The higher of HK\$200,000 or 1.75% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and reimbursed for the expenses in relation to the placing (including but not limited to legal expenses, roadshows expenses, marketing expenses and traveling expenses for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by the Bookrunner to the Company at completion.
Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe):	<p>The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the total of:</p> <p>(a) the Subscription Price; and</p> <p>(b) the estimated expenses per Unsubscribed Rights Share and/or NQS Unsold Rights Share (as the case maybe)</p> <p>The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement</p>
Placees:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties
Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the Latest Practicable Date
Conditions precedent:	The completion of the Placing Agreement is conditional upon the Underwriting Agreement becoming unconditional and not terminated in accordance with the terms of the Underwriting Agreement
Completion:	Subject to the fulfillment of the conditions precedent set out above, completion shall take place on the date of allotment and issue of Rights Shares or such later date as may be mutually agreed by the Bookrunner and the Company

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Termination:

The Placing Agreement shall end on 31 December 2019 or any other date by mutual written agreement between the Bookrunner and the Company

The engagement of the Bookrunner may also be terminated by mutual written agreement of the Company and the Bookrunner in case of force majeure resulting in the Company and the Bookrunner being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Bookrunner's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Bookrunner, may make it inadvisable to continue the engagement or, where applicable, may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant governmental bodies and/or regulatory authorities, the Bookrunner shall have the right to terminate the engagement by written notice to the Company with immediate effect.

The engagement between the Company and the Bookrunner for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiation between the Bookrunner and the Company. The Directors after considering placing commission as published on the Stock Exchange website since 1 August 2018 up to the date of the Announcement of approximately 2.18% on average, as the fee charged by the Bookrunner is 1.75% which is lower than such placing commission, consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms. The Directors believe the expenses as typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 20,000. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

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Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

Share Certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Monday, 18 February 2019 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risk.

Conditions of the Rights Issue

The Rights Issue will be conditional upon obtaining the Independent Shareholders' approval and the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to the section headed "Underwriting Agreement — Conditions of the Underwriting Agreement" in this circular.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Splitting and Transfer of Provisional Allotment Letter

If you wish to accept only part of your provisional allotment or transfer only part of your rights to subscribe for the Rights Shares provisionally allotted to or to transfer all or part of your rights to more than one person, the original PAL must be surrendered and lodged for cancellation and splitting of the relevant PAL(s) first together with a covering letter stating clearly the number of split PALs required and the number of nil-paid Rights Shares to be comprised in each split PAL (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original PAL) by not later than 4:30 p.m. on Monday, 28 January 2019 to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, who will then cancel this original PAL and issue new PAL(s) in the denominations required, which will be available for collection at the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's

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Road East, Hong Kong after 9:00 a.m. on the second business day after the surrender of this original PAL and the related fee will be borne by the Company. Thereafter, upon collection of new PAL(s), you can transfer the relevant nil-paid Rights Shares to the relevant transferee(s) following the procedures and steps as stated in the below paragraph.

If you wish to transfer all of your rights to subscribe for the Rights Shares provisionally allotted to you hereunder, you must complete and sign the “Form of transfer and nomination” (Form B) in the PAL and hand this PAL to the transferee(s) or through whom you are transferring your rights. The transferee(s) must then lodge the duly completed, signed and stamped “Registration application form” (Form C) in the PAL to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for re-registration during the period from 22 January 2019 to 8 February 2019. The Registrar will impose a re-registration fee of PAL on Shareholders. The related fee to be charged by the Registrar will follow Rule 13.60 of the Listing Rules at the option of level of services selected by you (including standard securities registration services or optional securities registration services or expedited securities registration services or bulk securities registration services) for each PAL issued or each PAL cancelled, whichever the number of PAL(s) involved is higher. The standard securities registration services, optional securities registration services, expedited securities registration services and bulk securities registration services will be provided during the whole subscription period of the Rights Issue. The new PAL(s) will be available for collection at the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong after 9:00 a.m. on the collection date indicated on the transfer receipt to be issued by Tricor Tengis Limited.

The Registrar will determine the eligibility for the cash compensation as derived from the lapsed PALs after the completion of the re-registration for all re-registration request received by the Registrar on or before the latest time for acceptance of and payment for Rights Shares and by all means before the announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements is posted on the Stock Exchange’s website and the Company’s website. The Registrar should notify the transferee(s) of any unsuccessful re-registration as soon as practicable.

THE UNDERTAKING LETTER

As at the Latest Practicable Date, Forever Top (Asia) Limited (i.e. the Underwriter) is the controlling shareholder of Company which is interested in 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares, has entered into the Undertaking Letter and has irrevocably and unconditionally undertaken to the Company that, among other things, it shall subject to the granting of the Whitewash Waiver by the Executive, accept in full the Committed Shares and shall procure that the Provisional Allotment Letter(s) in respect of the Committed Shares shall be lodged with the Registrar with payment in full therefor in cash on or before the latest time for acceptance of their entitlement under the Rights Issue in accordance with the instructions printed on the relevant Provisional Allotment Letter(s).

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UNDERWRITING AGREEMENT

Principal terms of the Underwriting Agreement are as follow:

Date:	9 November 2018
Issuer:	The Company
Underwriter:	Forever Top (Asia) Limited
Number of Underwritten Shares*:	Up to 3,663,257,676 Rights Shares (being the maximum number of Rights Shares, assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue and excluding the Committed Shares pursuant to the Undertaking Letter) and no less than 3,523,657,676 Rights Shares, being the minimum number of Rights Shares under the Rights Issue excluding the Committed Shares pursuant to the Undertaking Letter

The above mentioned Underwritten Shares do not represent the final amount of Rights Shares to be taken up by the Controlling Shareholder. The actual amount of Rights Shares to be taken up by the Controlling Shareholder pursuant to their underwriting commitment will depend on the level of subscription by Qualifying Shareholders, the results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and also the level of unsold fractions of the Rights Shares

Fees and expenses:	a commission of 1.75% of sum which is equal to the Subscription Price multiplied by the number of Underwritten Shares and the reasonable costs, fees and other expenses of the Underwriter
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* The maximum and minimum number of Underwritten Shares are calculated based on the maximum and minimum total number of Rights Shares less the Committed Shares, which does not take into account the number of Unsubscribed Rights Shares which would be placed to independent placees under the Compensatory Arrangements nor the NQS Unsold Rights Shares.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the latest time for termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not being taken up by the Qualifying Shareholders and not being placed by the Bookrunner under the Compensatory Arrangements, unsold entitlement of the Non-qualifying Shareholders to the Rights Shares and unsold fractions of the Rights Shares.

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The Board (including members of the Independent Board Committees whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) considers that the Underwriting Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

Conditions of the Underwriting Agreement

The obligations of the Controlling Shareholder to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement are conditional on the fulfilment (or waiver, if applicable, by the Underwriter and subject as mentioned below) of the following conditions:

- (i) the despatch of the circular of the Company to the Shareholders, and the passing of the resolutions for approving the Rights Issue at the GM;
- (ii) the approval by the Independent Shareholders of the Rights Issue, the Whitewash Waiver and the Underwriting Agreement (and the transactions contemplated under the Underwriting Agreement), in each case by way of poll at the GM in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Date;
- (iii) the grant by the Communications Authority of the relevant notice of waiver(s) in respect of the revised shareholding structure of the Company as a result of the Rights Issue;
- (iv) the grant by the Executive (and such grant not having been withdrawn or revoked) of the Whitewash Waiver, and the fulfilment of all conditions, if any, attached to it;
- (v) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Prospectus Date of one copy of each of the Prospectus Documents each duly certified in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Listing Rules;
- (vi) the despatch on the Prospectus Date of copies of the Prospectus Documents to the Qualifying Shareholders;
- (vii) the compliance and performance by the Company with/of all its obligations and undertakings pursuant to the terms and conditions of the Underwriting Agreement and by the times specified;
- (viii) the compliance by the Underwriter with its obligations under the Underwriting Agreement by the times specified;
- (ix) the Shares remaining listed on the Stock Exchange at all times prior to the latest time for termination and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than three trading days (or such longer period as the Company and the Underwriter may agree); and no indication being received before 4:00 p.m. on the date of the latest time for termination from the Stock Exchange to the effect that

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such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;

- (x) the grant by the Listing Committee of the Stock Exchange (and such permission not being withdrawn or revoked) of the permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) (subject only to allotment and despatch of the appropriate documents of title) by no later than the business day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms respectively);
- (xi) all relevant consents and approvals being obtained from the regulatory authorities, including the Communications Authority, the Stock Exchange and the SFC, as the case may require in connection with the Rights Issue by the relevant time that each consent and approval is required;
- (xii) receipt by the Underwriter (in a form and substance satisfactory to it) of all the relevant documents on or before such time as specified in the Underwriting Agreement;
- (xiii) no breach of any of the warranties having come to the knowledge of the Underwriter by the latest time for termination; and
- (xiv) the obligations of the Underwriter under the Underwriting Agreement not being terminated.

All the above conditions precedent are required to be satisfied (or waived, if applicable). None of the Company and the Underwriter may waive the conditions precedent in (i) to (xi) set out in the above. The Underwriter has the sole discretion to waive the conditions precedent in (xii) to (xiv) set out in the above in whole or in part by written notice to the Company.

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

In the event that the above conditions precedent have not been satisfied (or waived in whole or in part by the Underwriter, if applicable) in accordance with the terms hereof by; or the latest time for termination occurs, or will occur, after, the Long Stop Date (or such later date or dates as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall be terminated and the obligations of all parties under the Underwriting Agreement shall be terminated and the provision under the termination clause shall apply.

Although the Company does not expect the consents and/or approvals from the SFC, the Stock Exchange or the Communications Authority other than those already stated will be required, condition precedent (xi) is intended to provide for any other consents and/or approvals, if any, which would be required for these regulators.

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Termination of the Underwriting Agreement

If at any time prior to the latest time for termination:

- (i) any breach of any of the warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement; or
- (ii) any event occurs or matter arises, which, if it had occurred before the date of the Underwriting Agreement or before any of the times on which the warranties are deemed to be given pursuant to the terms of the Underwriting Agreement would have rendered any of those warranties untrue, incorrect or misleading in any respect; or
- (iii) any statement contained in the Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omission therefrom; or
- (iv) there is any material adverse change or prospective material adverse change in the condition, results of operations, management, business, stockholders' equity or in the financial or trading position of any member of the Group which, in the sole and absolute opinion of the Underwriter, is or may be materially adverse in the context of the Rights Issue; or
- (v) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (vi) any expert, who has given advice which is contained in the Prospectus, has withdrawn its respective consent to the issue of the Prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of the Prospectus; or
- (vii) the Company withdraws the circular of the Company or the Prospectus (and/or any other documents issued or used in connection with the Rights Issue) or the Rights Issue; or
- (viii) any adverse change in market conditions (including with limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which, in the reasonable opinion of the Underwriter, is likely to materially adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ix) any suspension of dealings in the Shares (other than pending publication of announcements in respect of the Rights Issue or where such suspension is temporary or routine in nature for not more than 10 trading days); or

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- (x) order or petition (not withdrawn on or before the latest time for termination) for the winding up being levied upon any of the Company, Hong Kong Cable Television Limited, Fantastic Television Limited, Hong Kong Cable News Express Limited and Hong Kong Cable Enterprises Limited being material members of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of these companies or anything analogous thereto occurring in respect of any of these companies; or
- (xi) any of the Regulatory Licences is revoked or suspended indefinitely; or
- (xii) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (a) any change (whether or not permanent) in the local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in or affecting the PRC, Hong Kong or the United States; or
 - (b) any event force majeure (including, without limitation, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in or affecting the PRC, Hong Kong or the United States); or
 - (c) the declaration of a banking moratorium by the PRC, Hong Kong or United States authorities occurring due to exceptional financial circumstances or otherwise; or
 - (d) any moratorium, suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange or any major disruption of any securities settlement or clearing services in Hong Kong; or
 - (e) any new law or regulation or any change, or any development involving a prospective change, in existing laws or regulations in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
 - (f) any change or development occurs involving a prospective change in taxation in Hong Kong, the PRC or any other jurisdiction(s) to which any member of the Group is subject or the implementation of any exchange controls; or
 - (g) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group; or

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- (h) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC or any other jurisdiction(s) relevant to the Group; or
- (i) any governmental or regulatory commission, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal in any relevant jurisdiction commencing any investigation, or formally announcing to investigate or take other legal action, against the Group or any of the Directors in respect of any matter related to the Group's business, which investigation has or would have material adverse effect on the trading price of the Shares or the Group; or

the effect of which events or circumstances referred to in the above, individually or in the aggregate (in the sole and absolute opinion of the Underwriter): (1) is or will likely be materially adverse to the Group (taken as a whole), or materially prejudicially affects or would materially and prejudicially affect, the Group (taken as a whole) or the Rights Issue; or (2) makes or will likely make it inadvisable or inexpedient to proceed with the Rights Issue, or (3) will make or is likely to make the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Rights Issue or pursuant to the underwriting thereof.

then in any such case the Underwriter may by notice in writing to the Company, serves prior to the latest time for termination, rescinds or terminates the Underwriting Agreement.

If prior to the latest time for termination any such notice as is referred to the termination clause of the Underwriting Agreement is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall be terminated forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that, among other things, the Company shall pay the fees and expenses specified in the Underwriting Agreement; and such termination shall be without prejudice to the rights of the parties in respect of any breach of the Underwriting Agreement and claims arising from the Underwriting Agreement occurring prior to such termination.

If the Underwriting Agreement is terminated by the Underwriter at such time before the latest time for termination but after the Underwriter has in accordance the Underwriting Agreement paid or procured payment to the Company of the aggregate Subscription Price in respect of the Underwritten Shares for which the Underwriter is obliged to subscribe or procure subscription under the provisions of the Underwriting Agreement, the Company shall, not later than the end of the second business day after (but not including) the date of receipt of the notice of termination issued by the Underwriter pursuant to the termination clause of the Underwriting Agreement, remit to the Underwriter such amount of aggregate Subscription Price which it has received from the Underwriter.

Rescission or termination of the Underwriting Agreement under the termination clause of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other party prior to such rescission or termination.

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EFFECT OF RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding structure of the Company immediately after completion of Rights Issue are set out as below:

		Shareholdings immediately after the completion of the Rights Issue									
	As at the Latest Practicable Date	Assuming no exercise of the exercisable Share Options on or before the Record Date and 100% of the Rights Shares taken up by all Qualifying Shareholders		Assuming no exercise of the exercisable Share Options on or before the Record Date and 100% of the Rights Shares fully placed to independent third parties under the Compensatory Arrangements other than the Controlling Shareholder		Assuming no exercise of the exercisable Share Options on or before the Record Date and Rights Shares had only been taken up by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement		Assuming full exercise of the exercisable Share Options on or before the Record Date and 100% of the Rights Shares fully placed to independent third parties under the Compensatory Arrangements other than the Controlling Shareholder		Assuming full exercise of the exercisable Share Options on or before the Record Date, the Option Holders had not taken up the Rights Shares and Rights Shares had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement	
		Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%
Controlling Shareholder											
Forever Top (Asia) Limited		2,682,362,480	43.2%	5,364,724,960	43.2%	8,888,382,636	71.6%	5,364,724,960	42.3%	9,027,982,636	71.2%
Parties acting in concert with Forever Top (Asia) Limited											
Tan Sri Dao' David Chiu		—	—	—	—	—	—	62,000,000	0.5%	31,000,000	0.2%
Dr. Cheng Kar-Shun, Henry		—	—	—	—	—	—	62,000,000	0.5%	31,000,000	0.2%
Mr. Hoing Cheong Thard		—	—	—	—	—	—	26,250,000	0.2%	13,125,000	0.1%
Mr. Andrew Wah Wai Chiu		—	—	—	—	—	—	35,500,000	0.3%	17,750,000	0.2%
Dr. Cheng Chi-Kong, Adrian		—	—	—	—	—	—	20,000,000	0.1%	10,000,000	0.1%
Mr. Tsang On Yip, Patrick (Note)		—	—	—	—	—	—	26,250,000	0.2%	13,125,000	0.1%
Subtotal of the Concert Group		2,682,362,480	43.2%	5,364,724,960	43.2%	8,888,382,636	71.6%	5,364,724,960	42.3%	9,143,982,636	72.1%
Public											
Other Share Options Holders		—	—	—	—	—	—	47,200,000	0.4%	23,600,000	0.2%
Other public Shareholders		3,523,657,676	56.8%	7,047,315,352	56.8%	3,523,657,676	28.4%	7,186,915,352	56.6%	3,523,657,676	27.7%
Total		6,206,020,156	100.0%	12,412,040,312	100.0%	12,412,040,312	100.0%	12,412,040,312	100.0%	12,691,240,312	100.0%

Note:

Mr. Tsang On Yip, Patrick is a non-executive Director and is presumed to be acting in concert with the Controlling Shareholder under class (6) presumption under the definition of “acting in concert” under the Takeovers Code. This class (6) presumption will cease to apply after the completion of the Rights Issue. Assuming full exercise of the exercisable Share Options on or before the Record Date, the Share Option holders had not taken up the Rights Shares which had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement, the Controlling Shareholder and the Concert Group will be interested in an aggregate of 9,130,857,636 Shares, representing approximately 72.0% of the then total number of the issued Shares after completion of the Rights Issue (i.e. not taking into account 13,125,000 Shares through full exercise of the exercisable Share Options on or before the Record Date by Mr. Tsang On Yip, Patrick).

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FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not conducted any fund raising activities in the twelve (12) months immediately preceding the Latest Practicable Date.

DEALINGS AND INTEREST OF CONTROLLING SHAREHOLDER AND PARTIES ACTING IN CONCERT WITH IT IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, neither the Controlling Shareholder nor any parties acting in concert with it:

- (a) save for the Shares held by the Controlling Shareholder as set out in the section headed “Effect of Rights Issue on shareholdings in the Company”, owns, controls or has direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) has received an irrevocable commitment to vote for or against the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Underwriting Agreement and the Undertaking Letter, has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;
- (e) save for the Underwriting Agreement and the Undertaking Letter, has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver; or
- (f) save for the Share Options granted on 15 June 2018 to Tan Sri Dato’ David Chiu, Dr. Cheng Kar-Shun, Henry, Mr. Andrew Wah Wai Chiu, Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard under the Share Option Scheme, had dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the Underwriting Agreement.

REASONS FOR THE RIGHTS ISSUE

The Group is an integrated communication services provider in Hong Kong, commanding a large and influential television viewer and communications services user base in town. It owns and operates a near universal wireline telecommunications network in Hong Kong to

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provide television, internet and multimedia services to over two million households. It is also one of the producers of television and multimedia content based in Hong Kong for distribution over conventional and new media, with a particular focus on news, information, sports and entertainment.

The Group had been in a state of loss-making in the recent years. Since Forever Top (Asia) Limited became the Controlling Shareholder in 2017 as a result of being the underwriter of the Open Offer of the Company, the Company has been focusing formulating an organisational restructuring which included, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability, as well as the financial performance of the Group. As part of a strategic review, the Group is evaluating forming partnership or disposing its loss making operations to reduce the cash drain on the business. Although early discussions are being held, there is no certainty that these may lead to any satisfactory conclusion for any transactions and whether and how it would affect the proposed use of proceeds from the Rights Issue. To enable the Group to function properly, the Board is of the view that the Rights Issue is necessary to recapitalize the business to allow sufficient time for the restructuring initiatives to be implemented.

The Group had completed the Open Offer to raise additional capital for the Group's development in 2017 and as at the Latest Practicable Date, proceeds from the Open Offer will be substantially utilized according to the updated plan of use of proceeds by the end of 2018.

The proceeds from the Open Offer were utilized in the following manner:

Intended use of net proceeds as disclosed in the circular and the prospectus of the Open Offer	Actual use of net proceeds up to 30 September 2018 used as originally intended	The amount of the unutilised proceeds from the Open Offer which has been reallocated as operating funds	Intended use of unutilised net proceeds from the Open Offer and expected timeline
Approximately HK\$170 million for investments in network related capital expenditure;	Approximately HK\$104 million	Approximately HK\$44 million	Approximately HK\$22 million* to be utilised within 3 years from the completion of the Open Offer
Approximately HK\$160 million for investments in television capital expenditure;	Approximately HK\$57 million	Approximately HK\$94 million	Approximately HK\$9 million* to be utilised within 3 years from the completion of the Open Offer
Approximately HK\$90 million for investments in other capital expenditure; and	Approximately HK\$64 million	Approximately HK\$10 million	Approximately HK\$16 million*, to be utilised within 3 years from the completion of the Open Offer

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Intended use of net proceeds as disclosed in the circular and the prospectus of the Open Offer	Actual use of net proceeds up to 30 September 2018 used as originally intended	The amount of the unutilised proceeds from the Open Offer which has been reallocated as operating funds	Intended use of unutilised net proceeds from the Open Offer and expected timeline
Approximately HK\$267 million (including the difference between the actual net proceeds of approximately HK\$687 million and the estimated net proceeds of approximately HK\$669 million as disclosed in the circular and prospectus of the Open Offer) as funding required net of cash received from operations (including subscription, service and related fees for television, internet and telephone services, advertising income, channel service and distribution fees, programme licensing income, film exhibition and distribution income and network maintenance income) for the Company's operating requirements (including the fulfilment of the relevant funding commitments to the Pay TV Licence and Free TV Licence)	Approximately HK\$263 million	Not applicable. An aggregate of approximately HK\$148 million was reallocated from the above intended uses	Approximately HK\$152 million to be utilised by December 2018. Specific use of such funds included salaries and benefits amounting to approximately HK\$120.8 million, rental and utilities amounting to approximately HK\$26.0 million, other general and administrative use amounting to approximately HK\$3.2 million and government/music licences fees amounting to approximately HK\$2.0 million.

** Amount of the unutilised proceeds from the Open Offer which will be used as originally intended.*

As a result of (i) the contraction of customer base experienced in the earlier months of the first half of 2018; and (ii) the decline of pay television advertising revenue (mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media), the Group's revenue was unable to meet planned funding requirement of its daily operation.

In order to fund the Group's operational required cash flow, the Company considered it necessary to reallocate some proceeds from the Open Offer to finance the Group's operating cash flow requirement would be in the interest of the Company and its shareholders as a whole.

Given that a substantial amount of proceeds from the Open Offer intended to be applied towards capital expenditure investment of the Group was reallocated to accommodate the Group's operating cash flow requirement, the proposed cash to be generated under the Rights Issue would accommodate the Group to meet its on-going expenditure requirement and in light of the other aforesaid circumstances, the Board (including members of the Whitewash Waiver

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Independent Board Committee and Rights Issue Independent Board Committee whose opinion will be set forth in this circular after having been advised by the Independent Financial Adviser) considers that the Rights Issue is in the interest of the Company and its Shareholders as a whole, and will strengthen the Group's capital base, provide additional funding for the Group's capital expenditure, meet the cash flow needs of the Group and provide additional funding to fulfil the investment requirements under the television licences of the Group in the medium to long term as the business of the Group undergoes restructuring in order to turnaround the operations.

Set out below is the breakdown of the working capital requirement of the Group from December 2018 to November 2019 and the ways of funding such working capital requirement based on the Board's latest estimates:

	<i>HK\$'million</i> <i>(approximately)</i>
Total working capital requirement (including capital expenditure)	
of which includes:	1,602.8
Operating expenses (<i>Note</i>)	1,057.4
Capital expenditure	140.5
Acquisition of programmes and programme production	404.9
To be satisfied by internal generated funds	937.2
To be satisfied by the fund raised from the Open Offer	66.3
To be satisfied by the fund raised from the Rights Issue	599.3

Note: The estimated operating expenses do not include repayment of short term borrowings amounted to HK\$395 million which are repayable on demand. Should such amount is required to be repaid, the Group will repay such amount with internal resources (including but not limited to the Group's operating cash flow).

In view of the above and as confirmed in the working capital statement as set out in Appendix I, the Company can satisfy the expected funding needs in the next 12 months from the Latest Practicable Date after taking into account the proceeds from the Rights Issue.

Other fund-raising alternatives

Apart from the Rights Issue fully underwritten by the Controlling Shareholder, the Directors have also considered other financing methods, such as engaging other independent underwriters, open offer and debt financing, in order to meet the Group's financing requirement.

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Although it is not compulsory under the Listing Rules for the rights issue to be fully underwritten, the Company considers that engaging an underwriter to fully underwrite the Rights Issue would provide certainty of funds to the Group's working capital requirement. The Company has approached two independent licensed brokers (including the Bookrunner) for underwriting the Rights Issue, from the preliminary discussion with the independent licensed brokers, the independent licensed brokers indicated that, given (i) the Rights Issue does not fit in the investment horizon of the independent licensed brokers; (ii) the Group had been loss making and the Open Offer was under-subscribed by the then Shareholders (excluding the then Controlling Shareholder of the Company which undertook not to subscribe for the Shares under the Open Offer) by approximately 23.59% of the total number of the Shares available for subscription under the Open Offer; and (iii) considering the recent volatile market condition, the independent licensed brokers were not interested to proceed with further negotiation with the Company in underwrite the Rights Issue. The Company was also advised by its financial adviser that it would be difficult to engage independent licensed broker to underwrite the Rights Issue on favourable terms to the Company (including but not limited to underwriting commission charged and discount to last trading price required) under such circumstances.

Similar to a rights issue, an open offer also offers qualifying Shareholders to participate in the fund raising, but it does not provide for the trading of rights entitlements in the open market in which would be less favourable for non-participating qualifying Shareholders. On the other hand, a placing of new Shares would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company on an equitable basis.

In respect of debt financing, the Board has also considered debt financing. However, the use of debt financing (i) will create additional interest burden to the Group, which would unavoidable adversely affect the Group's performance; (ii) are in general repayable on demand which would create unexpected liquidity stress to the Company; and (iii) the Group due to its historical loss making financial performance would require the provision of additional pledge assets and may require including but not limited to, additional lengthy due diligence and negotiations with banks or financial institutions.

Having considered the above factors, the Board considers that raising funds by way of the Rights Issue fully underwritten by the Controlling Shareholder is an appropriate option for the Company as it represents an opportunity for the Company to improve liquidity and broaden its capital base. In addition, while the Rights Issue enables the Company to enhance its financial position, it will also allow all Qualifying Shareholders with the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue. Despite Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue, nevertheless, they will also be able to trade their nil-paid Rights Shares in the open market or be subject to the Compensatory Arrangements if no action has been taken by them. Hence, the Directors (including members of the Whitewash Waiver Independent Board Committee and Rights Issue Independent Board Committee whose opinion will be set forth in this circular after having been advised by the Independent Financial Adviser) are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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Potential Dilutive Impact of the Rights Issue

Qualifying Shareholders who do not elect to subscribe for their respective entitlements to the Rights Shares under the Rights Issue in full will have their shareholding interests in the Company being diluted. Taking into account factors mentioned above including (i) the finance cost in association with obtaining debt financing; (ii) the proceeds of the Open Offer will be substantially utilized by the end of 2018 and the Rights Issue would provide the fund for the Group to continue to pursue its business operations and restructuring plans; (iii) the Rights Issue would strengthen the capital base of the Group; (iv) the Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the continuing business of the Company; and (v) the inherent dilutive nature of Rights Issue in general if the existing Shareholder did not take up his/her/its entitlements under the Rights Issue, the Board (including members of the Independent Board Committees whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) considered that raising funds by way of the Rights Issue is more cost effective and beneficial to the Company and its Shareholders as a whole despite the potential dilution impact on existing Shareholders who do not participate in the Rights Issue.

PROPOSED USE OF PROCEEDS

The estimated net proceeds from the Rights Issue after deducting the expenses are estimated to be not less than approximately HK\$661.7 million (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) after deduction of the estimated expenses. Based on the current business need, the Company intends to apply the net proceeds from the Rights Issue as to:

- (i) approximately HK\$140 million for investments in capital expenditure including but not limited to the following in the 18 months following the completion of the Rights Issue:
 - Enhancement of network infrastructure amounting to approximately HK\$41.0 million;
 - Upgrade broadcasting equipment amounting to approximately HK\$20.0 million;
 - Upgrade converters and modems amounting to approximately HK\$36.0 million;
 - Leasehold improvement, furniture and fixture, and office equipment amounting to approximately HK\$43.0 million;

The reasons for incurring such capital expenditure are including but not limited to (a) enhancement of the Group's overall competitiveness in the market; (b) enhancement of network infrastructure/upgrade converters and modems as customers are constantly demanding for better quality and higher-speed internet services which enable subscribers to enjoy more stable and faster internet access. The upgrade can also enhance content viewing features so as to facilitate the acquisition and retention of television subscription customers; and (c) broadcasting equipment is upgraded to improve the video and

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transmission quality of television programmes, and the viewing experience, which in turn could enhance the operating efficiency of the Company. In view of above, the Directors consider incurring such capital expenditure is in the interest of the Company and its Shareholders as a whole.

(ii) approximately HK\$350 million for acquisition of programmes from independent third parties and programme production including but not limited to the following in the 18 months following the completion of the Rights Issue:

- Acquired channels (including channels committed amounting to approximately HK\$139.0 million and new or other channels yet to be committed amounting to approximately HK\$22.0 million);
- Live programmes, movies and dramas, and other entertainment programs amounting to approximately HK\$100 million;
- Self-produced programmes amounting to approximately HK\$89 million; and

The Group would acquire rights for channels and/or programmes and produce programmes for broadcasting on the Group's pay television channels and providing the domestic free television programme service (as respectively required under the Pay TV Licence and the Free TV licence) from time to time. The programming content includes news, finance, sports, lifestyle, documentary, children, movies, dramas and general entertainment. It is expected that payment for the committed acquired channel will be amounting to approximately HK\$61 million during the first 6 months after the completion of the Rights Issue and approximately HK\$78 million will be paid between the 7th to 12th months after the completion of the Rights Issue.

Save as certain programming commitments, mainly acquired channels, the Company has not yet identified any other acquisition or investment opportunities regarding the acquisition of programmes from independent third parties. Despite the Group had yet to identify any acquisition or investment opportunities regarding the acquisition of programmes, to continue to update the Group's program library, sourcing for new programmes have been on-going on a continuing basis, with sufficient funding on hand, the Group will be able to commit to ideal programmes once they are identified. Acquired channels committed by the Group included a variety of the programmes such as world-class sports, entertainment, lifestyle and news contents.

Set out below are the investment requirements under the television licences of the Group:

Pay TV Licence

Upon acceptance of the renewal of the Pay TV Licence of HKCTV for the period of 12 years from 1 June 2017 to 31 May 2029, HKCTV will be subject to a commitment of a six-year investment plan of HK\$3,447 million from 2017 to 2023,

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comprising HK\$251 million of capital investment and HK\$3,196 million of programming investment in content including in-house channels containing self-produced or acquired programs as well as in acquired channels.

Free TV Licence

In accordance with the terms of the Free TV Licence, FTV has issued a performance bond in favour of the Hong Kong Government in the sum of HK\$20 million. Under the terms of the performance bond, unless the Communications Authority otherwise approves or determines:

- within 18 months from the commencement date of the Free TV Licence (being 31 May 2016) (the “Free TV Commencement Date”), FTV shall incur not less than HK\$168 million as the capital and programming expenditure for providing the domestic free television programme service;
 - within 30 months from the Free TV Commencement Date, FTV shall incur not less than HK\$336 million as the cumulative capital and programming expenditure for providing the domestic free television programme service; and
 - within 42 months from the Free TV Commencement Date, FTV shall incur not less than HK\$504 million as the cumulative capital and programming expenditure for providing the domestic free television programme service.
- (iii) approximately HK\$171.7 million for general working capital (including but not limited to the payment of staff remuneration) for the Group in the 12 months following the completion of the Rights Issue.

Set out below summarizes the plan for applying the proceeds for general working capital from the Rights Issue:

	First 6 months after completion of the Rights Issue (in HK\$ million)	7th to 12th months after completion of the Rights Issue (in HK\$ million)	Total (in HK\$ million)
Salaries and benefits	94.0	47.0	141.0
Rental and utilities	13.0	7.0	20.0
Government/music licence fees	5.0	2.0	7.0
Other general and administrative expenses	2.0	1.7	3.7
Total	114.0	57.7	171.7

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The estimated expenses of the Rights Issue (including underwriting fee, printing, registration, translation, legal, accounting and documentation charges) are estimated to be approximately HK\$14.8 million and will be payable by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) is expected to be approximately HK\$0.107.

Depending on the number of total Rights Shares to be issued, the proceeds of the Rights Issue may increase to up to approximately HK\$676.9 million, in such event, the Company will increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

THE RIGHTS ISSUE IS SUBJECT TO CERTAIN CONDITIONS INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE RIGHTS ISSUE, THE UNDERWRITING AGREEMENT AND THE WHITEWASH WAIVER BY THE INDEPENDENT SHAREHOLDERS AT THE GM AND THE WHITEWASH WAIVER BEING GRANTED BY THE EXECUTIVE. IT IS EXPECTED THAT SHARES WILL BE DEALT WITH ON AN EX-RIGHTS BASIS FROM FRIDAY, 11 JANUARY 2019. THE RIGHTS SHARES WILL BE DEALT WITH IN THEIR NIL-PAID FORM FROM THURSDAY, 24 JANUARY 2019 TO THURSDAY, 31 JANUARY 2019. IF THE APPROVAL OF THE RIGHTS ISSUE, THE UNDERWRITING AGREEMENT AND THE WHITEWASH WAIVER BY THE INDEPENDENT SHAREHOLDERS AT THE GM IS NOT OBTAINED AND/OR THE WHITEWASH WAIVER NOT BEING GRANTED BY THE EXECUTIVE, THE RIGHTS ISSUE WILL NOT PROCEED.

ANY SHAREHOLDER OR OTHER PERSON CONTEMPLATING TRANSFERRING, SELLING OR PURCHASING SHARES AND/OR RIGHTS SHARES IN THEIR NIL-PAID FORM IS ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES AND/OR RIGHTS SHARES. ANY PERSON WHO IS IN ANY DOUBT ABOUT HIS/HER/ITS POSITION OR ANY ACTION TO BE TAKEN IS RECOMMENDED TO CONSULT HIS/HER/ITS OWN PROFESSIONAL ADVISER(S). ANY SHAREHOLDER OR OTHER PERSON DEALING IN THE SHARES OR IN THE NIL-PAID RIGHTS SHARES UP TO THE DATE ON WHICH ALL THE CONDITIONS TO WHICH THE RIGHTS ISSUE IS SUBJECT ARE FULFILLED WILL ACCORDINGLY BEAR THE RISK THAT THE RIGHTS ISSUE MAY NOT PROCEED.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Controlling Shareholder and the Concert Group, is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares.

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Pursuant to the Underwriting Agreement, the Controlling Shareholder has conditionally agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders except for the Controlling Shareholder pursuant to the Undertaking Letter under the Rights Issue, no exercise of the Share Options on or before the Record Date and no Unsubscribed Rights Shares are placed to places under the Compensatory Arrangements, the Controlling Shareholder will be required to take up the Underwritten Shares and the maximum aggregate shareholding held by the Controlling Shareholder and the Concert Group upon completion of the Rights Issue would amount to approximately 71.6% of the then total number of issued Shares as enlarged by the allotment and issue of the Rights Shares. Assuming no acceptance by the Qualifying Shareholders except for the Controlling Shareholder pursuant to the Undertaking Letter under the Rights Issue, full exercise of the exercisable Share Options on or before the Record Date and no Unsubscribed Rights Shares are placed to places under the Compensatory Arrangements, the entitlement of the Non-Qualifying Shareholders were unsold and the fractions of the Rights Shares unsold, the Controlling Shareholder will be required to take up the Underwritten Shares and the maximum aggregate shareholding held by the Controlling Shareholder and the Concert Group upon completion of the Rights Issue would amount to approximately 72.1% of the then total number of issued Shares as enlarged by the allotment and issue of the Rights Shares. Assuming full exercise of the exercisable Share Options on or before the Record Date, the Option Holders had not taken up the Rights Shares which had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement, the Controlling Shareholder and the Concert Group will be interested in an aggregate of 9,130,857,636 Shares, representing approximately 72.0% of the then total number of the issued Shares after completion of the Rights Issue (i.e. not taking into account 13,125,000 Shares through full exercise of the exercisable Share Options on or before the Record Date by Mr. Tsang On Yip, Patrick. Mr. Tsang On Yip, Patrick is a non-executive Director and is presumed to be acting in concert with the Controlling Shareholder under class (6) presumption under the definition of “acting in concert” under the Takeovers Code. This class (6) presumption will cease to apply after the completion of the Rights Issue). Under such circumstance or in the event above the Controlling Shareholder is required to take up such number of Underwritten Shares that will result in an increase in its shareholding by more than 2%, the Controlling Shareholder would be required to make a mandatory general offer for all the securities of the Company (other than those already owned or agreed to be acquired by the Controlling Shareholder and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Controlling Shareholder has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and the Whitewash Waiver is subject to the condition that relevant resolution relating to the Rights Issue and Whitewash Waiver being approved by the Independent Shareholders at the GM. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Rights Issue and Whitewash Waiver by the Independent Shareholders at the GM by way of poll. The resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are either in person or by proxy by the Independent Shareholders at the GM. If the Whitewash Waiver is not approved by the Independent Shareholders, the Rights Issue will not proceed.

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The Executive has indicated that it is minded to grant the Whitewash Waiver which will be conditional upon, among other things, the approval of the Independent Shareholders of the Rights Issue, the Underwriting Agreement and Whitewash Waiver by way of poll at the GM in which Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (including the Controlling Shareholder and the Concert Group) will abstain from voting.

The Controlling Shareholder, the Concert Group, the associates of the Controlling Shareholder and Shareholders who are involved in or interested in the transactions regarding the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (as the case may be) will not be entitled to vote at the GM. The Controlling Shareholder, who is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares, and parties acting in concert with it shall abstain from voting in respect of the resolution(s) relating to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

None of the members of the Controlling Shareholder and the Concert Group has any dealings in any securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Relevant Period.

Save for the Undertaking Letter from the Controlling Shareholder which provide for irrevocable and unconditional commitments to accept the Controlling Shareholder's entitlement of the Rights Shares, the Company has not received any other irrevocable commitments to accept or reject the Rights Shares or to vote for or against the Rights Issue and/or the Whitewash Waiver.

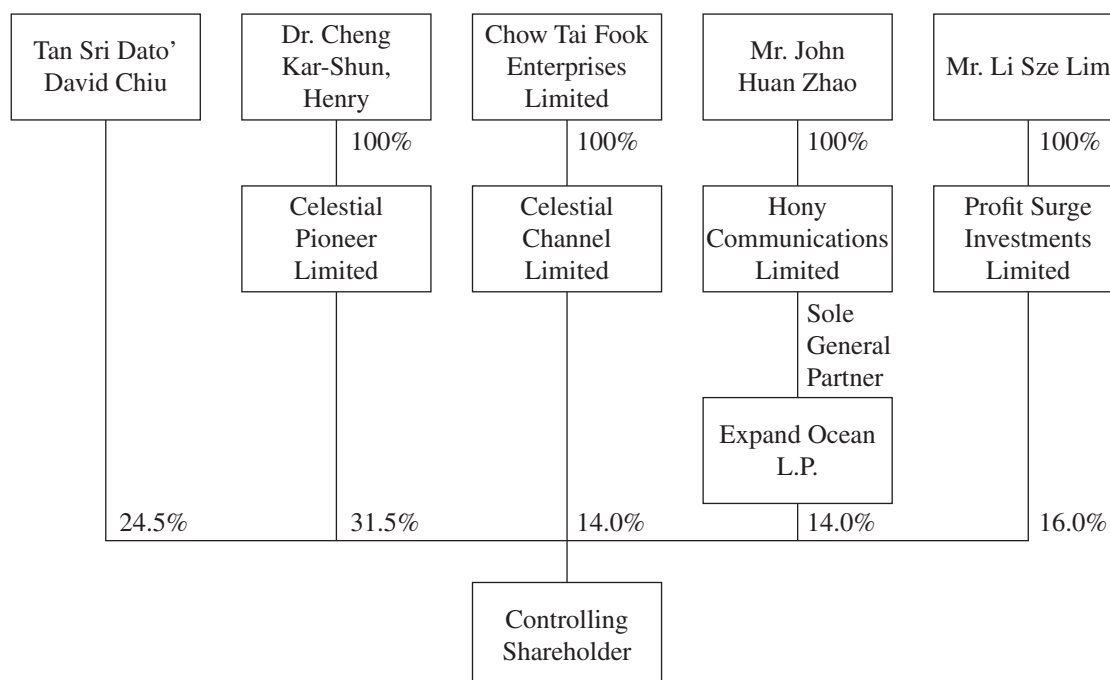
INFORMATION ON THE CONTROLLING SHAREHOLDER

Forever Top (Asia) Limited, a company incorporated in Hong Kong with limited liability on 9 January 2015 whose principal business is investment holding.

As at the Latest Practicable Date, the Controlling Shareholder is held by Tan Sri Dato' David Chiu (as to 24.5%), Dr. Cheng Kar-Shun, Henry (through Celestial Pioneer Limited, his wholly-owned company, as to 31.5%), Chow Tai Fook Enterprises Limited (through Celestial Channel Limited, a company wholly-owned by Chow Tai Fook Enterprises Limited, as to 14.0%), Mr. John Huan Zhao (through Hony Communications Limited, his wholly-owned company as sole general partner of Expand Ocean L.P., as to 14.0%) and Mr. Li Sze Lim (through Profit Surge Investments Limited, his wholly-owned company, as to 16.0%).

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A corporate structure chart showing the shareholding of the Controlling Shareholder is set out below:



Based on information obtained from public domain or otherwise available, set out below are background information of each shareholder of the Controlling Shareholder:

Tan Sri Dato' David Chiu, the chairman of the Board and a non-executive Director, is the chairman, an executive director and the chief executive officer of Far East Consortium International Limited, a company listed on the Main Board (Stock Code: 35).

Dr. Cheng Kar-Shun, Henry, the vice-chairman of the Board and a non-executive Director, is a director of Chow Tai Fook Enterprises Limited. He is also the chairman and an executive director of New World Development Company Limited (Stock Code: 17), NWS Holdings Limited (Stock Code: 659) and Chow Tai Fook Jewellery Group Limited (Stock Code: 1929), the chairman and a non-executive director of New World Department Store China Limited (Stock Code: 825) and FSE Services Group Limited (Stock Code: 331), and a non-executive director of SJM Holdings Limited (Stock Code: 880), all of which are companies listed on the Main Board.

Celestial Pioneer Limited is a company incorporated in the British Virgin Islands whose principal business is investment holding and is wholly-owned by Dr. Cheng Kar-Shun, Henry. The directors of Celestial Pioneer Limited are Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kam Biu, Wilson and Mr. Tsang On Yip, Patrick.

Chow Tai Fook Enterprises Limited is a company incorporated in Hong Kong and a 100% owned subsidiary of Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is the controlling shareholder of Chow Tai Fook Jewellery Group Limited (Stock Code: 1929) and a 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow

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Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy, collectively hold a majority controlling interests in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited. Chow Tai Fook Enterprises Limited is a premier family investor with a diversified global business portfolio.

Celestial Channel Limited is a company incorporated in the British Virgin Islands whose principal business is investment holding and is wholly-owned by Chow Tai Fook Enterprises Limited.

Expand Ocean L.P. is an exempted limited partnership registered in the Cayman Islands on 14 March 2016 whose principal business is investment holding. The general partner of Expand Ocean L.P. is Hony Communications Limited, a company incorporated in the Cayman Islands with limited liability on 14 March 2016 wholly owned by Mr. John Huan Zhao whose principal business is investment holding. Mr. John Huan Zhao is the president and founder of Hony Capital, a leading private equity firm established in 2003 that focuses on China market. Mr. John Huan Zhao is also an executive director of Legend Holdings Corporation (Stock Code: 3396), a non-executive director of Lenovo Group Limited (Stock Code: 992), a non-executive director of China Glass Holdings Limited (Stock Code: 3300), the chairman, executive director and chief executive officer of Best Food Holding Company Limited (Stock Code: 1488), the chairman and non-executive director of Hospital Corporation of China Limited (Stock Code: 3869) and a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (Stock Code: 1157), all of which are companies listed on the Main Board.

Mr. Li Sze Lim is the co-founder, the chairman and an executive director of Guangzhou R&F Properties Co., Ltd., a company listed on the Main Board (Stock Code: 2777).

Profit Surge Investments Limited is a company incorporated in the British Virgin Islands whose principal business is investment holding and is wholly-owned by Mr. Li Sze Lim.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 January 2019 to Wednesday, 9 January 2019 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the GM.

The register of members of the Company will be closed from Tuesday, 15 January 2019 to Monday, 21 January 2019 (both days inclusive) for determining the entitlements under the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

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LISTING RULES IMPLICATIONS

As at the Latest Practicable Date the Controlling Shareholder is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares and is a substantial Shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, in accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue may increase the number of issued Shares by more than 50%, the Rights Issue is subject to the approval from the Independent Shareholders at the GM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval from the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. The Controlling Shareholder, is interested in 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares as at the Latest Practicable Date shall abstain from voting in respect of the resolution relating to the Rights Issue.

ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF THE SHARE OPTIONS

Adjustments to the exercise price and number of the outstanding Share Options may be required under the relevant terms of the instrument constituting the Share Option Scheme. Further announcement(s) will be made by the Company in this regard by February 2019.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are trading on the Stock Exchange in board lot of 10,000 Shares. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 3 July 2018, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the closing price of HK\$0.177 per Share (equivalent to a theoretical ex-right price of HK\$0.143 per Share and assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) as at the Last Trading Day, upon the allotment and issue of the Rights Shares, the value of each board lot of 10,000 Shares is estimated to be HK\$1,430 (based on a theoretical ex-right price of HK\$0.143 per Share as at the Last Trading Day). It is proposed that upon the Rights Issue becoming effective and the commencement of dealings in fully-paid Rights Shares, the board lot size of the Shares shall be changed from 10,000 Shares to 20,000 Shares so that the estimated market value per board lot of the Shares will be HK\$2,860 (based on a theoretical ex-right price of HK\$0.143 per Share as at the Last Trading Day and assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) that is higher than HK\$2,000. The Board considers that the change in board lot size will increase the value of each board lot of the Shares, as well as reduce transaction and registration costs incurred by the Shareholders and investors of the Company and may increase liquidity of the

LETTER FROM THE BOARD

Shares and therefore attract more investors and extend the base of the Shareholders. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and the Shareholders as a whole.

All existing share certificates in board lot of 10,000 Shares will continue to be good evidence of legal title to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 10,000 Shares to new share certificates in board lot size of 20,000 Shares is necessary.

Except for the proposed Rights Issue and the proposed change in board lot size from 10,000 Shares to 20,000 Shares as mentioned in this circular, the Board currently does not have any intention or plan, or otherwise foresee to undertake in the next 12 months any (a) equity fundraising; or (b) other corporate action or arrangement that may affect the trading arrangement in shares (including share consolidation or subdivision or change in board lot size).

ODD LOT ARRANGEMENT

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue and the change in board lot size, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Monday, 18 February 2019 to Tuesday, 12 March 2019 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot, may directly or through their broker, contact Mr. Gilbert Lam at (852) 3970 0990 or Mr. Terence Chung at (852) 3970 0963 of Halcyon Securities Limited or by facsimile at (852) 3970 0998 during such period. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

GENERAL

Under the Takeovers Code, the Whitewash Waiver is conditional on, among other matters, approval of the Rights Issue and Whitewash Waiver by the Independent Shareholders at the GM. The resolutions proposed to be voted at the GM will be conducted by way of poll. The resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the GM.

Upon completion of the Rights Issue, the maximum potential holding of the Controlling Shareholder and the Concert Group may exceed 50% of the then total number of issued Shares in which case, the Controlling Shareholder and the Concert Group may increase their shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

LETTER FROM THE BOARD

Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as the Controlling Shareholder is interested in the Whitewash Waiver, it and parties acting in concert with it are required to abstain from voting on the resolution to be proposed at the GM in relation to the Whitewash Waiver. Save for the Controlling Shareholder and parties acting in concert with it, no Shareholder is involved in or interested in the Rights Issue and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolutions at the GM.

The Rights Issue Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the GM. The Whitewash Waiver Independent Board Committee comprising Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman and Mr. Luk Koon Hoo, Roger, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the GM. Tan Sri Dato' David Chiu and Dr. Cheng Kar-Shun, Henry are directors and ultimate beneficial owners of the Controlling Shareholder. Mr. Hoong Cheong Thard is a director of the Controlling Shareholder. As Dr. Cheng Chi-Kong, Adrian is the son of Dr. Cheng Kar-Shun, Henry, Mr. Tsang On Yip, Patrick's spouse is a niece of Dr. Cheng Kar-Shun, Henry and Mr. Tang Sing Ming Sherman is the brother of the sister-in-law of Tan Sri Dato' David Chiu, therefore Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Tang Sing Ming Sherman are familially related to two of the ultimate beneficial owners of the Controlling Shareholder. Accordingly, they will not be members of the Whitewash Waiver Independent Board Committee. The Independent Financial Adviser has been appointed to advise the Independent Board Committees and the Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and such appointment has been approved by the Independent Board Committees pursuant to Rule 2.1 of the Takeovers Code. Mr. Hui Chiu Chung, Stephen ("Mr. Hui"), a director of the Independent Financial Adviser, is currently serving as an independent non-executive director of FSE Services Group Limited ("FSE"), a listed public company in Hong Kong. Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company and an ultimate beneficial owner of the Controlling Shareholder, which in turn is a shareholder of the Company, is the chairman and a non-executive director of FSE. Apart from the fact that Mr. Hui and Dr. Cheng Kar-Shun, Henry both serve on the board of FSE, there is no significant connection, financial or otherwise, between Dr. Cheng Kar-Shun, Henry and/or his family members and Mr. Hui of a kind reasonably likely to create, or to create the perception of a conflict of interest or reasonably likely to affect the objectivity of the Independent Financial Adviser's advice. Accordingly, the Independent Financial Adviser is considered independent and eligible to provide objective advice to the Independent Board Committees. The Independent Board Committees will formulate their views, as the case may be, with respect to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver after obtaining and considering the advice of the Independent Financial Adviser.

LETTER FROM THE BOARD

Upon the approval by the Independent Shareholders of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the GM having been obtained and the granting of the Whitewash Waiver by the Executive, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable. The Overseas Letter and the Prospectus, without the Provisional Allotment Letter, will be sent to the Non-Qualifying Shareholders (if any) for their information only.

Yours faithfully,
For and on behalf of the Board
i-CABLE COMMUNICATIONS LIMITED
Tan Sri Dato' David Chiu
Chairman



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

20 December 2018

To the Independent Shareholders:

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE OF THE COMPANY
AT HK\$0.109 PER RIGHTS SHARE**

We refer to the circular dated 20 December 2018 issued by the Company to its Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Rights Issue Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, entering into the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Rights Issue Independent Board Committee have any direct or indirect interest in the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder.

In addition, Able Capital Partners Limited has been appointed as independent financial adviser to advise the Rights Issue Independent Board Committee and Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 61 to 106 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 16 to 56 of the Circular and the general information set out in this circular. Having considered the terms of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent

LETTER FROM THE RIGHTS ISSUE INDEPENDENT BOARD COMMITTEE

Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, but are not in the ordinary or usual course of business of the Company due to the nature of such transaction. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the terms of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,

For and on behalf of

the Rights Issue Independent Board Committee

Lam Kin-Fung, Jeffrey

Hu Shao Ming Herman

Luk Koon Hoo, Roger

Tang Sing Ming Sherman

Independent non-executive Directors



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

20 December 2018

To the Independent Shareholders:

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE OF THE COMPANY
AT HK\$0.109 PER RIGHTS SHARE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 20 December 2018 issued by the Company to its Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Whitewash Waiver Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, application for the Whitewash Waiver, entering into the Rights Issue and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Whitewash Waiver Independent Board Committee have any direct or indirect interest in the application for the Whitewash Waiver, the Rights Issue and the transactions contemplated thereunder.

In addition, Able Capital Partners Limited has been appointed as independent financial adviser to advise the Whitewash Waiver Independent Board Committee and Independent Shareholders in respect of the application for the Whitewash Waiver, the Rights Issue and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 61 to 106 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 16 to 56 of the Circular and the general information set out in this circular. Having considered the application for the Whitewash Waiver, the terms of the Rights Issue and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we are of the opinion that the application for the Whitewash Waiver, the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, and the application for the Whitewash Waiver, the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the

LETTER FROM THE WHITEWASH WAIVER INDEPENDENT BOARD COMMITTEE

Company and the Shareholders as a whole, but are not in the ordinary or usual course of business of the Company due to the nature of such transaction. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the terms of the Rights Issue, the transactions contemplated thereunder and the special resolution approving the Whitewash Waiver, thereunder to be proposed at the GM.

Yours faithfully,

For and on behalf of

the Whitewash Waiver Independent Board Committee

Lam Kin-Fung, Jeffrey

Hu Shao Ming Herman

Luk Koon Hoo, Roger

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Able Capital Partners Limited to the Independent Board Committees and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



ABLE CAPITAL PARTNERS LIMITED

Unit 2201, 22nd Floor
Cosco Tower
183 Queen's Road Central
Hong Kong

20 December 2018

*To the Independent Board Committees and the Independent Shareholders of
i-CABLE Communications Limited*

Dear Sirs,

**(1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE OF THE COMPANY
AT HK\$0.109 PER RIGHTS SHARE;**

AND

(2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the letter from the Board (the "Letter from the Board") contained in this circular of the Company, of which this letter forms part. Unless otherwise stated, terms used in this letter shall have the same meanings as those defined in this circular.

1. The Rights Issue

On 9 November 2018, the Company published the announcement that it proposed to raise not more than approximately HK\$691.7 million and not less than approximately HK\$676.5 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue involves the issue of not less than 6,206,020,156 Rights Shares and not more than 6,345,620,156 Rights Shares at the Subscription Price of HK\$0.109 per Rights Share on the basis of one Rights Share for every one existing Share in issue on the Record Date. The Rights Shares will not be issued to the Non-Qualifying Shareholders. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company. The unsold fractions of the Rights Shares will be underwritten by the Underwriter. The net proceeds from the Rights Issue after deducting the expenses are estimated to be not more than approximately HK\$676.9 million and not less than approximately HK\$661.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 9 November 2018, the Controlling Shareholder, which is interested in 2,682,362,480 Shares as at the Latest Practicable Date, representing approximately 43.2% of the total number of the existing issued Shares, has entered into the Undertaking Letter and has irrevocably and unconditionally undertaken to the Company that it shall accept in full the Committed Shares.

On the same date, the Company entered into the Underwriting Agreement with the Underwriter (i.e. the Controlling Shareholder) in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. Further details of the Underwriting Agreement are set out in the section headed “Underwriting Agreement” in the Letter from the Board.

As at the Latest Practicable Date, the Controlling Shareholder is a substantial Shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue may increase the number of the issued Shares by more than 50%, the Rights Issue is subject to the approval from the Independent Shareholders at the GM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on the approval from the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. The Controlling Shareholder shall abstain from voting in respect of the resolution relating to the Rights Issue.

2. The Whitewash Waiver

Assuming no acceptance by the Qualifying Shareholders except for the Controlling Shareholder pursuant to the Undertaking Letter under the Rights Issue, no exercise of the Share Options on or before the Record Date and no Unsubscribed Rights Shares are placed to placees under the Compensatory Arrangements, the Controlling Shareholder will be required to take up the Underwritten Shares and the maximum aggregate shareholding held by the Controlling Shareholder and the Concert Group upon completion of the Rights Issue would amount to approximately 71.6% of the then total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming no acceptance by the Qualifying Shareholders except for the Controlling Shareholder pursuant to the Undertaking Letter under the Rights Issue, full exercise of the exercisable Share Options on or before the Record Date and no Unsubscribed Rights Shares are placed to placees under the Compensatory Arrangements, the entitlement of the Non-Qualifying Shareholders were unsold and the fractions of the Rights Shares unsold, the Controlling Shareholder will be required to take up the Underwritten Shares and the maximum aggregate shareholding held by the Controlling Shareholder and the Concert Group upon completion of the Rights Issue would amount to approximately 72.1% of the then total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming full exercise of the exercisable Share Options on or before the Record Date, the Share Option holders had not taken up the Rights Shares which had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement, the Controlling Shareholder and the Concert Group will be interested in an aggregate of 9,130,857,636 Shares, representing approximately 72.0% of the then total number of the issued Shares after completion of the Rights Issue (i.e. not taking into account 13,125,000 Shares through full exercise of the exercisable Share Options on or before the Record Date by Mr. Tsang On Yip, Patrick. Mr. Tsang On Yip, Patrick is a non-executive Director and is presumed to be acting in concert with the Controlling Shareholder under class (6) presumption under the definition of “acting in concert” under the Takeovers Code. This class (6) presumption will cease to apply after the completion of the Rights Issue).

In the event that the Controlling Shareholder is required to take up such number of the Underwritten Shares that will result in an increase in its shareholding by more than 2% in the past twelve months, the Controlling Shareholder would be required to make a mandatory general offer for all the securities of the Company (other than those already owned or agreed to be acquired by the Controlling Shareholder and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Controlling Shareholder has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and the Whitewash Waiver is subject to the condition that relevant resolution relating to the Rights Issue and Whitewash Waiver being approved by the Independent Shareholders at the GM. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Rights Issue and the Whitewash Waiver by the Independent Shareholders at the GM by way of poll. The resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are either in person or by proxy by the Independent Shareholders at the GM. If the Whitewash Waiver is not granted by the Executives or not approved by the Independent Shareholders, the Rights Issue will not proceed.

The Executive has indicated that it is minded to grant the Whitewash Waiver which will be conditional upon, among other things, the approval of the Independent Shareholders of the Rights Issue, the Underwriting Agreement and Whitewash Waiver by way of poll at the GM in which Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (including the Controlling Shareholder and the Concert Group) will abstain from voting.

The Controlling Shareholder, the Concert Group, the associates of the Controlling Shareholder and Shareholders who are involved in or interested in the transactions regarding the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (as the case may be) will not be entitled to vote at the GM. The Controlling Shareholder, who as at the Latest Practicable Date is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares, and parties acting in concert with it and those Shareholders who are interested in or are involved in the Rights

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issue, the Underwriting Agreement and/or the Whitewash Waiver shall abstain from voting in respect of the resolution(s) relating to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver.

3. The Independent Board Committees

The Rights Issue Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the GM.

The Whitewash Waiver Independent Board Committee comprising Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman and Mr. Luk Koon Hoo, Roger, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the GM. Tan Sri Dato' David Chiu and Dr. Cheng Kar-Shun, Henry are directors and ultimate beneficial owners of the Controlling Shareholder. Mr. Hoong Cheong Thard is a director of the Controlling Shareholder. As Dr. Cheng Chi-Kong, Adrian is the son of Dr. Cheng Kar-Shun, Henry, Mr. Tsang On Yip, Patrick's spouse is a niece of Dr. Cheng Kar-Shun, Henry and Mr. Tang Sing Ming Sherman is the brother of the sister-in-law of Tan Sri Dato' David Chiu, therefore Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Tang Sing Ming Sherman are familially related to two of the ultimate beneficial owners of the Controlling Shareholder. Accordingly, they will not be members of the Whitewash Waiver Independent Board Committee.

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committees and the Independent Shareholders in such regard.

One of our directors, Mr. Hui Chiu Chung, Stephen ("Mr. Hui"), is currently serving as an independent non-executive director of FSE Services Group Limited ("FSE"), a listed public company in Hong Kong. Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company and an ultimate beneficial owner of the Controlling Shareholder, which in turn is a shareholder of the Company, is the non-executive chairman of FSE. Apart from the fact that Mr. Hui and Dr. Cheng Kar-Shun, Henry both serve on the board of FSE, there is no significant connection, financial or otherwise, between Dr. Cheng Kar-Shun, Henry and/or his family members and Mr. Hui of a kind reasonably likely to create, or to create the perception of a conflict of interest or reasonably likely to affect the objectivity of the our advice.

Save for the aforementioned common directorship between Mr. Hui and Dr. Cheng Kar-Shun, Henry in FSE, as at the Latest Practicable Date, we are not associated or connected with the Company, the Controlling Shareholder or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent and eligible to give objective advice on the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver to the Independent Board Committees.

Apart from normal professional fee paid or payable to us in connection with this appointment, no arrangements exists whereby we will receive any fees or benefits from the Company, the Controlling Shareholder or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. For the last two years up to the Latest Practicable Date, we have not acted as an independent financial adviser to the Group in relation to other transactions.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on (i) the information and facts contained or referred to in this circular; (ii) the latest published audited consolidated financial statements of the Company for the year ended 31 December 2017 (the “2017 Annual Report”); (iii) the unaudited consolidated financial statements of Company for the six months ended 30 June 2018 (the “2018 Interim Report”); (iv) other information provided by the Directors and/or the senior management of the Company (the “Management”); (v) the opinions expressed by and the representations of the Directors and the Management; and (vi) our review of the relevant public information. We have assumed that all the information provided and representations made and opinions expressed to us or contained or referred to in this circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted or withheld from the information provided and referred to in this circular and that all information or representations provided to us by the Directors, for which they are solely and wholly responsible, are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. The Company will notify the Shareholders of any material changes as soon as possible subsequent to the Latest Practicable Date and up to the completion of the Rights Issue in accordance with Rule 9.1 of the Takeovers Code. If we shall become aware of any such material change, we will notify the Independent Shareholders of the potential impact on our opinion and/or recommendation set out in this letter as soon as possible. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this circular, save and except for this letter of advice.

We consider that we have reviewed sufficient information currently available to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group.

This letter is issued for advising the Independent Board Committees and the Independent Shareholders solely in connection with their consideration of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and, except for its inclusion in this circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Background of and recent information on the Group

The Group is an integrated communication services provider in Hong Kong, commanding a large and influential television viewer and communications services user base in the territory. It owns and operates a near universal wireline telecommunications network in Hong Kong to provide television, internet and multimedia services to over two million households. It is also one of the producers of television and multimedia contents based in Hong Kong for distribution over conventional and new media, with a particular focus on news, information, sports and entertainment.

The Group's revenue is mainly derived from two segments, namely (a) television and (b) internet and multimedia. The television segment includes operations related to the television subscription business, domestic free television programme services, advertising, channel carriage, television relay services, programme licensing, network maintenance, and other television related businesses. The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services as well as other internet access related businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain key financial information of the Group for the six months ended 30 June 2018 and 2017 and the years ended 31 December 2017 and 2016 as derived from the 2018 Interim Report and the 2017 Annual Report:

	For the six months ended 30 June		For the year ended 31 December	
	2018	2017	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Television	419,915	470,699	913,784	1,042,830
Internet and multimedia	156,127	162,296	321,294	335,653
Unallocated	17,365	15,286	41,769	52,015
Inter-segment elimination	<u>(5,939)</u>	<u>(7,169)</u>	<u>(18,417)</u>	<u>(24,130)</u>
Revenue	587,468	641,112	1,258,430	1,406,368
Programming costs (<i>Note</i>)	(482,832)	(463,136)	(889,343)	(869,949)
Network expenses (<i>Note</i>)	(165,902)	(194,307)	(219,492)	(209,392)
Selling, general and administrative and other operating expenses (<i>Note</i>)	(179,518)	(167,746)	(309,844)	(339,869)
Cost of sales	<u>(43,406)</u>	<u>(37,763)</u>	<u>(79,014)</u>	<u>(84,697)</u>
Operating costs (<i>Note</i>)	(871,658)	(862,952)	(1,497,693)	(1,503,907)
Loss from operations before depreciation	(Note)	(Note)	(239,263)	(97,539)
Depreciation	<u>(Note)</u>	<u>(Note)</u>	<u>(204,678)</u>	<u>(214,324)</u>
Loss from operations	(284,190)	(221,840)	(443,941)	(311,863)
Interest income	1,458	62	776	40
Financial costs	(4,300)	(4,686)	(9,315)	(5,489)
Non-operating income/(expenses)	<u>32,445</u>	<u>82,890</u>	<u>86,268</u>	<u>(556)</u>
Loss before taxation	(254,587)	(143,574)	(366,212)	(317,868)
Income tax credit	<u>1,024</u>	<u>2,437</u>	<u>3,385</u>	<u>5,078</u>
Loss for the period/year attributable to equity shareholders of the Company	<u>(253,563)</u>	<u>(141,137)</u>	<u>(362,827)</u>	<u>(312,790)</u>

Note: According to the note 19 to the condensed consolidated interim financial information as stated in the 2018 Interim Report, certain comparative figures have been reclassified to conform to presentation for the six months ended 30 June 2018. There is no impact on net loss, net assets or net cash flows as a result of the reclassification. The Management advised us that the operating costs for the six months ended 30 June 2018 and 2017 included depreciation and therefore are not directly comparable to those for the year ended 31 December 2017 and 2016.

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For the year ended 31 December 2016 (“FY2016”) and 2017 (“FY2017”)

The revenue of the Group for FY2017 decreased by approximately HK\$148 million or 12% to approximately HK\$1,258 million (FY2016: HK\$1,406 million). As stated in the 2017 Annual Report, the decline in revenue was primarily attributable to the lower subscription and advertising income as a result of the keen competition and the contraction of customer base. For FY2017 and FY2016, the operating costs of the Group before depreciation remained flat at approximately HK\$1,498 million and HK\$1,504 million respectively, resulting in the higher loss from operations before depreciation of approximately HK\$239 million for FY2017 (FY2016: HK\$98 million). For FY2017 and included in the non-operating income were gains on the disposal of the Group’s property holding subsidiaries and properties totalling approximately HK\$83 million (FY2016: Nil). As a result, net loss of the Group for FY2017 was approximately HK\$363 million, representing an increase of 16% as compared with the net loss of HK\$313 million for FY2016.

For the six months ended 30 June 2018 (“1H2018”)

The revenue of the Group in 1H2018 decreased by approximately HK\$54 million or 8% to approximately HK\$587 million (2017: HK\$641 million). As stated in the 2018 Interim Report, the decline in revenue was primarily attributable to the lower subscription and advertising income as a result of the persistent keen competition and the contraction of customer base. For 1H2018, the operating costs of the Group increased by approximately HK\$9 million to approximately HK\$872 million (2017: HK\$863 million), resulting in the higher loss from operations of approximately HK\$284 million (2017: HK\$222 million). The Group recorded gains on the disposal of its property holding subsidiaries and properties of approximately HK\$32 million during 1H2018 (2017: HK\$83 million). As a result, net loss of the Group for 1H2018 was approximately HK\$254 million, representing an increase of 80% as compared with the net loss of HK\$141 million for the corresponding period in 2017.

Set out below is the summary of the consolidated statements of financial position of the Group as at 30 June 2018 and 31 December 2017 as extracted from the 2018 Interim Report:

	As at 30 June 2018 HK\$’000 (unaudited)	As at 31 December 2017 HK\$’000 (audited)
Total assets	1,823,489	2,064,782
— Restricted bank balances	14,490	16,710
— Cash and bank balances	<u>298,097</u>	<u>568,034</u>
 (a) Total bank deposits and cash	 312,587	 584,744

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	As at 30 June 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Total liabilities	902,288	934,935
— Interest-bearing borrowings (current portion)	395,000	395,000
— Interest-bearing borrowings (non-current portion)	<u>100,000</u>	<u>100,000</u>
 (b) Total interest-bearing borrowings	 495,000	 495,000
 (c) Net current liabilities	 (331,155)	 (129,767)
 (d) Net assets	 921,201	 1,129,847
 (e) Net (debt) cash ((a) less (b))	 (182,413)	 89,744
 (f) Gearing ratio ((b) divided by (d))	 53.7%	 43.8%

During 2017 and as a result of the introduction of a group of new investors to the Company and the related implementation of financing exercises (being the Open Offer and the Loan Capitalization as defined in the Company's announcement dated 20 April 2017) which were completed in September 2017, the Group's financial position was considerably strengthened. Under the new management led by Forever Top (Asia) Limited which became the Controlling Shareholder, the Group has been undergoing business and organizational changes as further set out under the section headed "4. Reasons for the Rights Issue and proposed use of proceeds" in this letter.

As set out in the above table, the Group's liquidity position has been deteriorated from the net cash position of approximately HK\$90 million as at 31 December 2017 to a net debt position of approximately HK\$182 million as at 30 June 2018. Of the totalling interest-bearing borrowings of HK\$495 million as at 30 June 2018, HK\$395 million are bank borrowings repayable within 12 months, and the balance of HK\$100 million is due for repayment to Wharf Finance Limited on 31 December 2019. As at 30 June 2018, the committed borrowing facilities available to the Group but not drawn was HK\$5 million.

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Our view

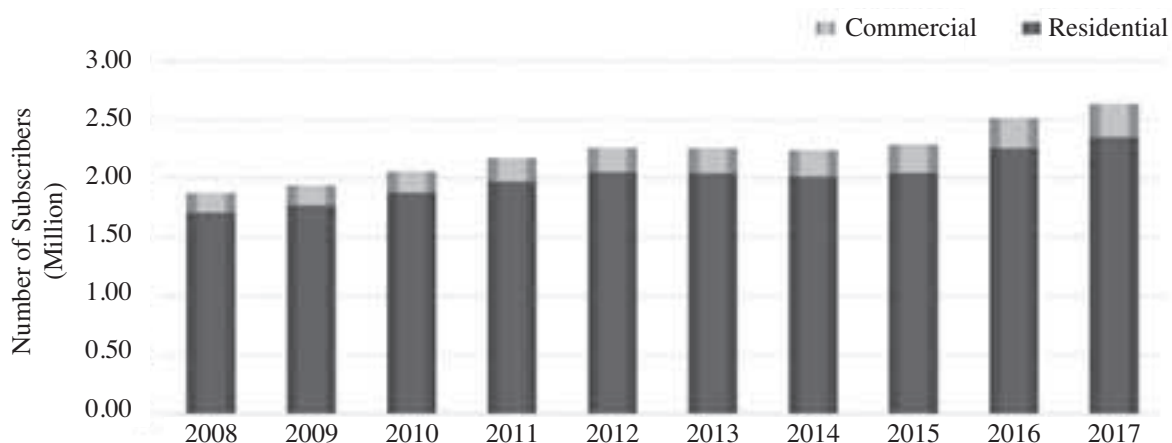
Given the history of losses incurred by the Group in recent years, and the continuing business and organization restructuring in the quest to improve profitability and to turnaround loss-making performance of the Group, we concur with the Board's view that it is in the interests of the Company and the Shareholders as a whole to raise new long-term financing to address the future cash flow requirements of the Group in the medium to long term and to improve the Group's financial and liquidity position.

2. Industry outlook

2.1 Broadband market in Hong Kong

According to the website of the Communications Authority (<https://www.coms-auth.hk>), there were 252 internet service providers licensed to provide broadband services up to November 2018. In July 2018, there were about 2.68 million registered customers using broadband services in Hong Kong with a household penetration rate of around 92.5%.

The diagram below sets out the number of subscribers of fixed broadband services in Hong Kong, which is extracted from the 2017/18 annual report of the Communications Authority:



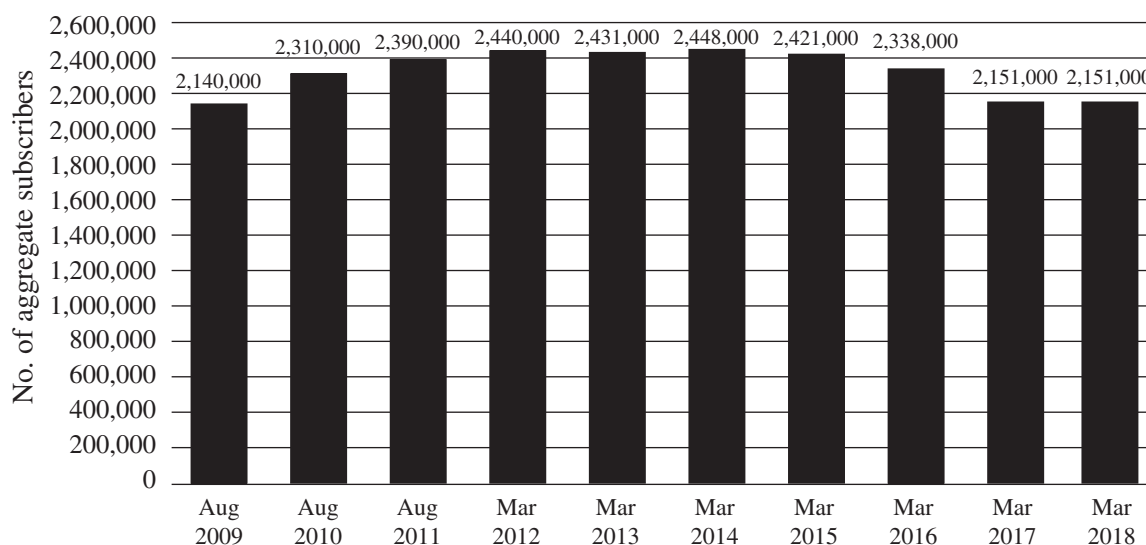
As demonstrated in the diagram above, after experiencing a period of gradual increase in the number of subscribers of fixed broadband services up to 2012, the number of subscribers plateaued and remained relatively flat from 2013 to 2015, and followed by a more noticeable increase in subscribers in 2016 and 2017. Despite the fierce market competition with the high fixed broadband services penetration rate in such a matured market and the large number of players in the broadband market, there was an overall increase in the number of subscribers in the broadband market during the above-mentioned period.

2.2 Television broadcasting market in Hong Kong

According to the list of licensed broadcasting services in Hong Kong published on the website of the Communications Authority on 27 October 2018, there are four categories of television programme services, namely (i) domestic pay, (ii) domestic free, (iii) non-domestic (mainly satellite television services targeting the Asia Pacific region) and (iv) other licensable (mainly television programme services for hotels) television programme services. There are currently three domestic free television programme service licensees, namely Fantastic Television Limited (“FTV”, a consolidated structured entity of the Company), HK Television Entertainment Company Limited (HKTVE) and Television Broadcasts Limited (TVB), and nine non-domestic television programme service licensees.

In respect of domestic pay television programme services, and as disclosed in the 2016 annual report of the Company, the viewing share of pay television programme services of Hong Kong Cable Television Limited (“HKCTV”), PCCW Media Limited and TVB Network Vision Limited (“TVBNV”) was approximately 50%, 28% and 22% for the year ended 31 December 2016, respectively. In April 2017, the Chief Executive in Council accepted the recommendation submitted by the Communications Authority and approved the application of TVBNV for termination of its pay television licence with effect from 1 June 2017. We note from the website of the Communications Authority that currently there are only two domestic pay television programme service licensees, namely HKCTV (a wholly-owned subsidiary of the Company) and PCCW Media Limited, providing 143 channels and 257 channels respectively.

The below diagram sets out the number of subscribers of domestic pay television in Hong Kong, which is extracted from the 2017/18 annual report of the Communications Authority:



Source: Communications Authority

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As demonstrated in the diagram above, the number of subscribers of pay television services recorded a gradual drop since 2014 from approximately 2.45 million subscribers to approximately 2.15 million subscribers in 2017 and 2018, and as disclosed in the 2017/18 annual report of the Communications Authority, the household penetration rate of pay television services in 2018 was around 85%. Following the withdrawal of TVBNV from providing domestic pay television services, this has left the Company and PCCW Media Limited as the only two service providers in pay television services in Hong Kong. With the wider range of channels and contents available on the various platforms and the gradual decrease in the number of subscribers being served by the remaining two service providers, the Directors consider that the outlook of the Group's businesses is positive but remains challenging.

3. Prospect of the Group

The television segment of the Group is experiencing intense competition in a crowded marketplace with a super dominant operator and changing user behaviour. The proliferation and abundance of a wide range of online contents available on new media platforms and various mobile devices, allowing users to select and view anytime and anywhere, also present competition with the Group's subscription contents. At the same time, the increasingly keen competition for contents has raised acquisition costs, and the entire internet and multimedia segment has to cope with fast technology changes and customers demand for better quality and higher-speed internet service.

As disclosed in the 2017 Annual Report, in May 2017, HKCTV, a subsidiary of the Company, accepted the offer of the renewal of the domestic pay television programme service licence for a period of 12 years until 31 May 2029. In addition, FTV launched its integrated Cantonese channel under the domestic free television programme service licence in May 2017. As disclosed in the 2018 Interim Report, the Group has expanded its operation to include an English news desk and Putonghua finance desk, to support the newly established Hong Kong International Business Channel, a 24-hour English free television channel in Hong Kong, which was officially launched on 30 July 2018 on Channel 76 and focuses on providing financial news and information with programmes in both English and Putonghua. The Directors expect the above measures could enhance the overall competitiveness of the Group.

As advised by the Management, the Group will continue to exercise prudence to invest in programming library, contents enrichment, high-definition and/or over-the-top upgrades, customer service improvement, higher speed broadband service upgrades, as well as marketing and media initiatives to sharpen the competitiveness of the Group.

4. Reasons for the Rights Issue and proposed use of proceeds

4.1 Reasons for and benefits of the Rights Issue

With reference to the Letter from the Board, since Forever Top (Asia) Limited became the Controlling Shareholder in 2017 as a result of the completion of the Open Offer of the Company, the Company has been focusing on formulating an organisational restructuring which included, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation

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models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability and financial performance of the Group. As part of a strategic review, the Group is evaluating forming partnership or disposing of its loss-making operations with a view to reducing the cash drain on the business. Although early discussions are being held, it is uncertain whether these discussions may lead to any satisfactory conclusion for any transactions and whether, and how any result would affect the proposed use of proceeds from the Rights Issue. To enable the Group's businesses to function properly and perform, the Board is of the view that the Rights Issue is necessary to recapitalize the business and to allow sufficient time for the restructuring initiatives to be fully implemented.

As stated in the Letter from the Board, the Group completed the Open Offer in September 2017 and raised proceeds of approximately HK\$687 million which was utilised in the following manner:

	Intended use of net proceeds as disclosed in the circular and the prospectus of the Open Offer <i>HK\$'million</i>	Actual use of net proceeds up to 30 September 2018 used as originally intended <i>HK\$'million</i>	The amount of the unutilised proceeds from the Open Offer which has been reallocated as operating funds <i>HK\$'million</i>	Intended use of unutilised amount of net proceeds as at 30 September 2018 <i>HK\$'million</i>	Expected timeline to utilise such net proceeds from the completion of the Open Offer on 14 September 2017
Investments in network related capital expenditure	170	104	44	22	Within 3 years
Investments in television related capital expenditure	160	57	94	9	Within 3 years
Investments in other capital expenditure	90	64	10	16	Within 3 years
Funding required net of cash received from operations for the Company's operating requirements	267	263	Not applicable. An aggregate of approximately HK\$148 million was reallocated from the above intended uses	152	by December 2018
Total	<u>687</u>	<u>488</u>		<u>199</u>	

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As stated in the Letter from the Board, as a result of the contraction of customer base experienced in the earlier months of the first half of 2018, and the decline of pay television advertising revenue (mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media), the Group's revenue was unable to meet the planned funding requirement of its daily operation. In order to fund the Group's operational required cash flow, the Company considered it necessary to reallocate some proceeds from the Open Offer to finance the Group's operating cash flow requirements.

Given that the Group has utilised a substantial amount of the net proceeds from the Open Offer, and that a substantial amount of such net proceeds intended to be applied towards capital expenditure investment of the Group was reallocated to accommodate the Group's operating cash flow requirement, the proposed cash to be generated under the Rights Issue would accommodate the Group to meet its on-going expenditure requirements.

Historically, the Group had been in a state of loss-making in the recent years and has not conducted any fund-raising activities since the completion of the Open Offer in September 2017. As at 30 June 2018, the gearing ratio of the Group was 53.7%, comprising interest-bearing borrowings amounted to approximately HK\$495 million, of which HK\$395 million is repayable within one year. In order to improve the financial position of the Group, the Board is of the view that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital, which will strengthen the Group's capital base, provide additional funding to meet the Group's capital expenditure and investment requirements under the television licences in the medium to long term.

As disclosed in the 2017 Annual Report, the 2018 Interim Report and the Company's announcements dated 2 September 2018 and 5 December 2018, the following sets out some of the recent business initiatives of the Group since May 2017:

- In May 2017, HKCTV accepted the offer of the renewal of the domestic pay television programme service licence for a period of 12 years from 1 June 2017 to 31 May 2029. In the same month, FTV launched its integrated Cantonese channel.
- In March 2018, the Group entered into business arrangements with Fox Networks Group Asia Pacific Limited on the provision of programme channels to pay television with a variety of programmes including world-class sports, entertainment, lifestyle and news contents. These arrangements serve to complement i-CABLE's award-winning news and creative local production programmes, and provides a range of new genres for the subscribers.
- The Group has expanded its operation to include an English news desk and Putonghua finance desk, to support the newly established Hong Kong International Business Channel ("HKIBC"), a 24-hour English free television channel in Hong Kong, which was officially launched on 30 July 2018 on Channel 76. HKIBC focuses on providing financial news and information with programmes in both English and Putonghua.

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- On 2 September 2018, i-CABLE Telecom Limited, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the “MOU”) with China Mobile Hong Kong Company Limited (“CMHK”). Pursuant to the MOU, the parties expressed their intention to negotiate a binding agreement which was expected to have a period of 20 years for certain commercial arrangements in relation to, among other things: (a) in consideration for the payment of certain fees by CMHK to the Group: (i) the use by CMHK of the Group’s network resources; (ii) CMHK’s engagement of the Group to provide professional advice and/or related services for network construction and maintenance; and (iii) the provision of television content to CMHK; and (b) the exploration of prospective business opportunities over the combined CMHK newly built network and the Group’s network.
- On 5 December 2018, i-CABLE Network Operations Limited (“iNOL”), an indirect wholly-owned subsidiary of the Company, entered into the Network Development Agreement with CMHK, pursuant to which iNOL and CMHK agreed to, among other things, the following non-exclusive commercial arrangements: (1) (a) the use of certain parts of the spare network resources on the Group’s network on rental basis and related services by CMHK and the grant of programming licence to CMHK, and (b) the provision of initial network and system setup services by iNOL to CMHK within the scope of work agreed between CMHK and iNOL; (2) the entrustment by CMHK to iNOL to construct certain infrastructure for the telecommunication network of CMHK (the “CMHK Newly Built Network”), in connection with which CMHK shall also pay to iNOL a project management fee based on a percentage of the construction costs of the CMHK Newly Built Network; and (3) the provision of operation and maintenance services by iNOL to CMHK at a fee based on a percentage of the accumulated construction costs of the CMHK Newly Built Network. The Network Development Agreement has a period of 20 years with an option to renew for five years by CMHK. CMHK may also terminate the Network Development Agreement at any time after the tenth year by giving not less than 12 months’ written notice to iNOL. The Management advised us that the entering into of the Network Development Agreement would potentially provide an additional source of income to the Group and it will not affect the proposed use of proceeds from the Rights Issue as discussed below. The Management has taken into account the expected net income to be generated from this agreement (which has been reflected in the Group’s working capital forecast prepared by the Management) in arriving the funding requirements of the Group and the terms of the Rights Issue, and we have also considered this in our analysis and recommendation in respect of the Rights Issue.

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As disclosed in the 2017 Annual Report, the following sets out the investment requirements under the television licences of the Group:

Pay TV Licence

Upon acceptance of the renewal of the Pay TV Licence of HKCTV for the period of 12 years from 1 June 2017 to 31 May 2029, HKCTV is bound to a commitment of a six-year investment plan of HK\$3,447 million from 2017 to 2023, comprising HK\$251 million of capital investment and HK\$3,196 million of programming investment in content including in-house channels containing self-produced or acquired programs as well as in acquired channels.

Free TV Licence

In accordance with the terms of the Free TV Licence, FTV has issued a performance bond in favour of the Hong Kong Government in the sum of HK\$20 million. Under the terms of the performance bond, unless the Communications Authority otherwise approves or determines:

- within 18 months from the commencement date of the Free TV Licence (being 31 May 2016) (the “Free TV Commencement Date”), FTV shall incur not less than HK\$168 million as the capital and programming expenditure for providing the domestic free television programme service;
- within 30 months from the Free TV Commencement Date, FTV shall incur not less than HK\$336 million as the cumulative capital and programming expenditure for providing the domestic free television programme service; and
- within 42 months from the Free TV Commencement Date, FTV shall incur not less than HK\$504 million as the cumulative capital and programming expenditure for providing the domestic free television programme service.

As further stated in the 2018 Interim Report, the number of subscribers has improved following the introduction of new contents and channels during 1H2018. As discussed under the section headed “2. Industry outlook”, the exit of TVBNV from its domestic pay television business has given the Group an opportunity to capture more market share. The Management also expects the launch of FTV and various free channels to further enhance the overall competitiveness of the Group. Therefore, the Board is of the view that it would be in the best interests of the Company and the Shareholders as a whole to raise funds to support business expansion and facilitate implementation of the above-mentioned business strategies.

Taking into account the above reasons and recent market and business developments, we concur with the view of the Board that, upon completion of the Rights Issue, the Group will be able to secure significant financial resources for

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better capturing the potential business opportunities as described above as well as supporting the funding requirement of the Group's ongoing business operations, with the view to achieve further growth in the Group's businesses.

4.2 Proposed use of proceeds

As stated in the Letter from the Board, the estimated net proceeds of the Rights Issue after deducting the expenses are estimated to be not less than approximately HK\$661.7 million (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) after deduction of the estimated expenses. Based on the current business need, the Company intends to apply the net proceeds from the Rights Issue as to:

- (i) approximately HK\$140.0 million for investments in capital expenditure including but not limited to the following in the 18 months following the completion of the Rights Issue:

- Enhancement of network infrastructure amounting to approximately HK\$41.0 million;
- Upgrade broadcasting equipment amounting to approximately HK\$20.0 million;
- Upgrade converters and modems amounting to approximately HK\$36.0 million; and
- Leasehold improvement, furniture and fixture, and office equipment amounting to approximately HK\$43.0 million.

We understand from the Management that the above-mentioned capital expenditure requirements are necessary in order to (a) enhance the Group's overall competitiveness in the market; (b) improve the network infrastructure/upgrade converters and modems as customers are constantly demanding for better quality and higher-speed internet services, which would in turn enable subscribers to enjoy more stable and faster internet access and the infrastructure upgrade can also enhance content viewing features and would help facilitating the acquisition and retention of television subscription customers; and (c) upgrade broadcasting equipment, which would lead to improvement in the video and transmission quality of television programmes and the viewing experience of customers and general enhancement of the appeal of the Group's service offerings in the market.

- (ii) approximately HK\$350.0 million for acquisition of programming from independent third parties and programme production comprising the following in the 18 months following the completion of the Rights Issue:

- Acquired channels (including channels already committed amounting to approximately HK\$139.0 million and new or other channels yet to be committed amounting to approximately HK\$22.0 million);

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- Live programmes, movies and dramas, and other entertainment programs amounting to approximately HK\$100.0 million; and
- Self-produced programmes amounting to approximately HK\$89.0 million.

The Group intends to acquire additional rights for channels and/or programmes and produce programmes for broadcasting on the Group's pay television channels and its domestic free television programme services (as respectively required under the Pay TV Licence and the Free TV Licence) from time to time. The programming content includes news, finance, sports, lifestyle, documentary, children, movies, dramas and general entertainment. Of the HK\$139.0 million that the Group had committed for acquisition of channels, approximately HK\$61.0 million is expected to be paid during the first six months after the completion of the Rights Issue, and the balance will be settled between the seventh and twelve months after the completion of the Rights Issue.

Save as the above-mentioned HK\$139.0 million committed for channel acquisitions, the Group has not yet identified any other acquisition or investment opportunities of programmes from independent third parties. However, with the availability of the Rights Issue proceeds, the Group shall be well positioned to continue to seek opportunities to upgrade the Group's program library, sourcing new programmes and new channels, and be able to invest in any suitable opportunities as they are identified.

- (iii) approximately HK\$171.7 million for general working capital (including but not limited to the payment of staff remuneration) for the Group in the 12 months following the completion of the Rights Issue.

The Group intends to apply the balance of the Rights Issue proceeds of approximately HK\$171.7 million for the Group's general working capital as follows:

	First 6 months after completion of the Rights Issue <i>HK\$ million</i>	7th to 12th months after completion of the Rights Issue <i>HK\$ million</i>	Total <i>HK\$ million</i>
Salaries and benefits	94.0	47.0	141.0
Rental and utilities	13.0	7.0	20.0
Government/music licence fees	5.0	2.0	7.0
Other general and administrative expenses	<u>2.0</u>	<u>1.7</u>	<u>3.7</u>
Total	<u><u>114.0</u></u>	<u><u>57.7</u></u>	<u><u>171.7</u></u>

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We have reviewed the working capital forecast of the Group prepared by the Management for the period covering at least 12 months from the Latest Practicable Date, and discussed the said forecast and its underlying bases and assumptions with the Management. We note that in preparation of the Group's working capital forecast, the Management has taken into account, amongst other items (i) the schedule of repayment of the Group's existing debt in the next twelve months (which is not part of the planned use of proceeds under the Rights Issue); (ii) the operation needs of the Group in the next twelve months; (iii) the recent strategic plan of the Group to invest in television and network related businesses; and (iv) the current level of cash and bank balances. We further understand that the Group can only satisfy the aforementioned funding needs in the next 12 months after taking into account the net proceeds from the Rights Issue. We have also discussed with the Management and understand that the proposed use of proceeds is in line with the investment requirements under the television licences rights secured by the Group as described in the sub-section headed "4.1 Reasons for and benefits of the Rights Issue".

Depending on the number of total Rights Shares to be issued, the proceeds of the Rights Issue may increase to up to approximately HK\$676.9 million, in such event, the Company will increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

Having regard to the Group's commitment to investment requirements under its television licences and the ongoing working capital requirements for the Group's operations, we concur with the view of the Board that the intended use of proceeds as outlined above is fair and reasonable and would serve the interests of the Company as well as the Shareholders as a whole.

4.3 Other financing alternatives available to the Group

With reference to the Letter from the Board, the Company has considered other financing methods, such as engaging other independent underwriters in respect of a rights issue, an open offer, share placement and debt financing, in order to meet the Group's financing requirements.

Although it is not compulsory under the Listing Rules for a rights issue to be fully underwritten, the Company considers that engaging an underwriter to fully underwrite the Rights Issue would provide certainty of funds to meet the Group's capital requirements. However, an underwritten rights issue by an independent financial institution would inevitably expose the Group to timing, market and execution risks. We have discussed with the Management and have been advised that the Company approached two independent licensed brokers (including the Bookrunner) to seek their interests in underwriting a rights issue. From the preliminary discussion with these independent licensed brokers, they indicated that, given (i) the proposed Rights Issue does not fit in with the investment horizon of the independent licensed brokers; (ii) the Group had been loss making and the Open Offer was under-subscribed by the then Shareholders (excluding the then controlling shareholder of the Company which undertook not to subscribe for the Shares under the Open Offer) by approximately 23.59% of the total

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number of the Shares available for subscription under the Open Offer; and (iii) the recent volatile market condition, the said independent licensed brokers were not interested to proceed with further negotiation with the Company in underwriting the proposed Rights Issue. The Company was also advised by its financial adviser that it would be difficult to engage any other independent licensed broker to underwrite a rights issue on favourable terms to the Company (including but not limited to the possible levels of underwriting commission and pricing discount to historical trading prices required). Upon receiving these feedbacks from potential independent underwriters and the Company's financial adviser, the Company decided to engage the Controlling Shareholder to act as the underwriter for the Rights Issue. In the circumstances and given the current financial position and the impending and substantial funding needs of the Company, the Directors concluded that the Rights Issue underwritten by the Controlling Shareholder as the only and commercially feasible equity funding option available to the Group. Having considered the aforementioned background, we consider it is acceptable for the Company to engage the Controlling Shareholder as the Underwriter given that this is the only financing option available to the Group with a degree of certainty of funding subject to the fulfilment of the conditions of the Rights Issue and the Underwriting Agreement.

Similar to a rights issue, an open offer also offers all qualifying Shareholders the opportunity to participate in the fund raising on a pro-rata basis, but an open offer does not provide for the trading of rights entitlements in the open market, and hence is less favourable for the non-participating qualifying Shareholders. The Board has also considered and concluded that a placing of new Shares would be subject to market conditions and considerable implementation risks, including the uncertainties in achieving acceptable pricing and timing of execution, and would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company on an equitable basis. Based on the above, we concur with the view of the Board that the Rights Issue is more favourable than an open offer and a placing of new shares as the Rights Issue not only allows the Qualifying Shareholders to trade their rights entitlements in the open market for economic benefits but also provides an opportunity to the Qualifying Shareholders to maintain their respective pro-rata shareholdings.

In respect of debt financing, the Board is of the view that the use of debt financing would (i) impose additional interest burden to the Group; (ii) create further liquidity stress to the Company; and (iii) require the provision of additional pledge assets which may not be readily available, and may entail lengthy due diligence and negotiations with banks or financial institutions.

Having regard to the Group's net liabilities position as at 30 June 2018, with its total assets mainly comprised relatively illiquid assets such as property, plant and equipment, programming library and deferred tax assets, and the existing amount of interest-bearing borrowings of HK\$495 million (of which HK\$395 million are bank borrowings repayable on demand and within 12 months and the balance of HK\$100 million is due for repayment on 31 December 2019), we agree with the Management that the Group would have difficulties in providing suitable assets pledge on any new debt financing. In comparison, the Rights Issue, which is fully underwritten, can readily enhance the net tangible assets

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of the Group and improve its working capital position and the gearing position of the Group as discussed in the section headed “8. Expected financial effects of the Rights Issue”. Accordingly, we concur with the view of the Board that the Rights Issue is a preferred option over debt financing at this juncture of the Group’s development.

Having considered the above factors, the Board considers that raising funds by way of the Rights Issue which is fully underwritten by the Controlling Shareholder is an appropriate option for the Company as it represents, subject to the fulfilment of the conditions of the Rights Issue and the Underwriting Agreement, a real opportunity for the Company to secure long-term funding and broaden its capital base. In addition, the Rights Issue will also allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the future development of the Group through the Rights Issue. For the Qualifying Shareholders who do not wish to take up the Rights Shares to which they are entitled to, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. In such circumstances, the Rights Issue provides such Shareholders the possibility to trade their nil-paid Rights Shares in the open market or be subject to potential compensation under the Compensatory Arrangements (as further discussed in section 6 of this letter) if no action has been taken by them. Hence, we concur with the view of the Directors that in the absence of any other viable funding alternatives, the implementation of the Rights Issue (which is underwritten by the Controlling Shareholder) is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Rights Issue and the Underwriting Agreement

5.1 Issue statistics

The Company proposed to raise not more than approximately HK\$691.7 million and not less than approximately HK\$676.5 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue involves the issue of not less than 6,206,020,156 Rights Shares and not more than 6,345,620,156 Rights Shares at the Subscription Price of HK\$0.109 per Rights Share on the basis of one Rights Share for every one existing Share in issue on the Record Date.

Major terms of the Rights Issue are summarised as below:

Basis of the Rights Issue	: One Rights Share for every one existing Share held on the Record Date
Subscription Price	: HK\$0.109 per Rights Share
Number of the existing Shares in issue as at the Latest Practicable Date	: 6,206,020,156 Shares

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- Number of Rights Shares : Not less than 6,206,020,156 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) and not more than 6,345,620,156 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date) (i.e. 6,206,020,156 Shares plus the outstanding exercisable Share Options carrying the right to subscribe for a total number of 139,600,000 Shares)
- Enlarged issued share capital upon completion of the Rights Issue : Not less than 12,412,040,312 Shares (assuming no new Shares are issued (other than the Rights Shares) and no repurchase of Shares on or before the completion of the Rights Issue) and not more than 12,691,240,312 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)
- Total funds raised before expenses : Not less than approximately HK\$676.5 million and not more than approximately HK\$691.7 million
- Underwriter : The Controlling Shareholder

The estimated expenses of the Rights Issue (including underwriting fee, printing, registration, translation, legal, accounting and documentation charges) are estimated to be approximately HK\$14.8 million and will be payable by the Company.

As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 279,200,000 Shares at an exercise price of HK\$0.210 per Share, of which options for 139,600,000 Shares are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive) and options for 139,600,000 Shares are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

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Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the minimum number of 6,206,020,156 Rights Shares to be issued pursuant to the terms of the Rights Issue represents:

- (a) approximately 100.0% of the total number of the existing issued Shares of 6,206,020,156 as at the Latest Practicable Date; and
- (b) approximately 50.0% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the maximum number of 6,345,620,156 Rights Shares to be issued pursuant to the terms of the Rights Issue represents:

- (a) approximately 102.2% of the total number of the existing issued Shares of 6,206,020,156 as at the Latest Practicable Date; and
- (b) approximately 50.0% of the total number of the issued Shares as enlarged by the allotment and issue of all the Rights Shares immediately upon completion of the Rights Issue.

In determining the current subscription ratio and the Subscription Price of the Rights Issue, we note that the Company has considered many factors, including (i) as in other market precedents, that a reasonable discount to the closing price of the Share is necessary to attract the Shareholders to participate in the Rights Issue; (ii) the funding needs of the Group; (iii) the recent rights issues conducted by other Hong Kong listed issuers; (iv) the Subscription Price has to be set at a discount to the closing price of Share that is acceptable to the Underwriter; and (v) the dilution effect to the existing Shareholders as further discussed in the section headed “7. Possible dilution of the shareholding interests of the existing public Shareholders”. In balancing these factors, the Directors consider that the subscription ratio of one rights shares for each existing share to be appropriate. Given the minimum of the Rights Issue proceeds envisaged of HK\$661.7 million is necessary to meet its funding requirements, we consider setting a higher subscription price or a more dilutive subscription ratio (which would have corresponding effects of reducing the applicable discount of the subscription price to the closing market prices of the Shares, or increasing the dilution impact) to be not commercially practical based on our comparison with other rights issue transactions recently conducted in the Hong Kong stock market, and taking into account the pricing and dilution effect of the Comparables (as defined below) as further discussed under the sub-section headed “5.2 Our assessment of the Subscription Price” below.

In the ensuing sections under 5.2 to 5.4, 6 and 7, we set out our methodology and analysis on the terms of the Rights Issue in assessing if the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The same

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methodology and analytical assessment would also be applied to a rights issue that is underwritten by an independent third party had the Company was successfully to enlist the commitment of an independent underwriter.

5.2 Our assessment of the Subscription Price

The Subscription Price for the Rights Shares is HK\$0.109 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 8.4% to the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 38.4% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of HK\$0.158;
- (iv) a discount of approximately 26.4% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of HK\$0.148;
- (v) a discount of approximately 23.8% to the theoretical ex-rights price of approximately HK\$0.143 per Share based on the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 26.4% to the unaudited net asset value per Share of approximately HK\$0.148 based on the unaudited net asset value of the Company attributable to equity holders of the Company of approximately HK\$921,201,000 and 6,206,020,156 Shares in issue as at 30 June 2018; and
- (vii) a dilution effect of approximately 19.2% to the existing Shareholders if they elect not to participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$0.143 per Share (taking into account the closing price of the Last Trading Day of HK\$0.177 per Share) and the closing price per Share as quoted on the Stock Exchange on the Last Trading Day of HK\$0.177 per Share.

As advised by the Directors, the Subscription Price and the subscription ratio of the Rights Issue were determined by the Board with reference to, among other things, the amount of intended funding needs, the discount of recent market comparable of rights

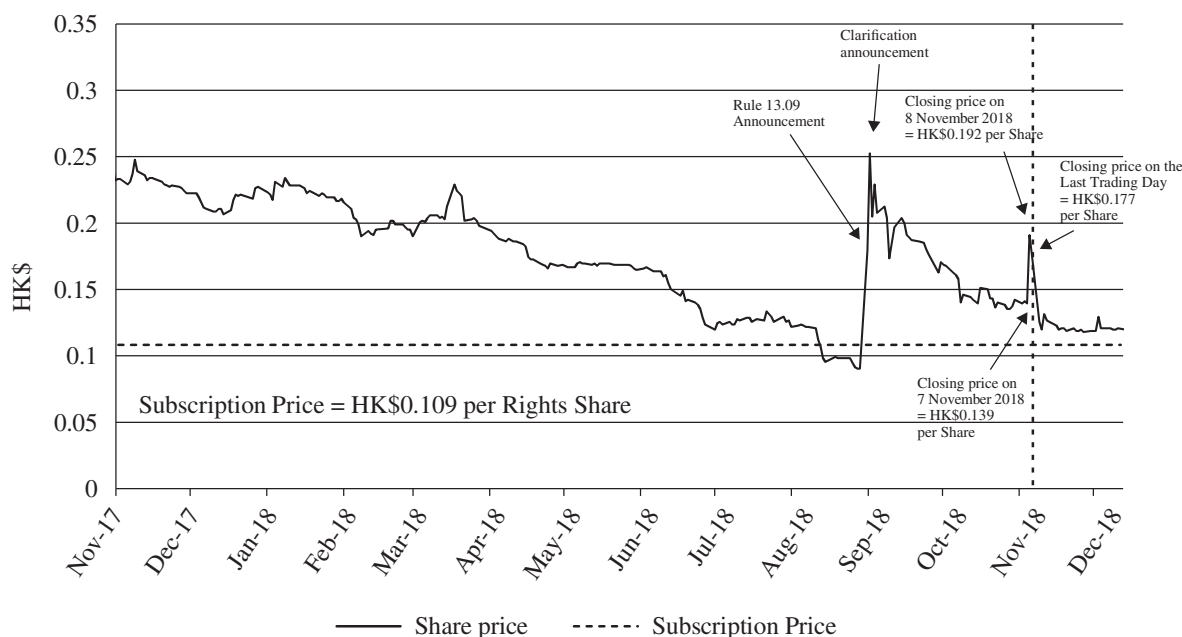
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issue and the market price of the Shares prior to and including the Last Trading Day. Each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date.

(a) Historical Share price performance and trading volume of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices of the Shares on the Stock Exchange for the period from 1 November 2017 (being approximately twelve-month period prior to the Last Trading Day, that is 9 November 2018), up to and including the Latest Practicable Date (the “Review Period”). We consider that a period of approximately twelve months prior to the Latest Practicable Date, is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Subscription Price.

Graph 1: Daily closing price of the Shares during the Review Period



Source: the website of the Stock Exchange

As shown in the graph above, the closing prices of the Shares during the Review Period ranged from HK\$0.089 per Share to HK\$0.255 per Share, with an average closing price of HK\$0.174 per Share. The Subscription Price of HK\$0.109 per Share represents a discount of approximately 57.3% and 37.4% to the highest and average closing price of the Shares respectively and represents a premium of approximately 22.5% to the lowest closing price of the Shares during the Review Period.

The closing price of Shares showed a general decreasing trend from November 2017 to the lowest of HK\$0.089 per Share on 31 August 2018 and then surged to HK\$0.255 per Share on 4 September 2018. As announced by the Company on 3 September 2018 (“Rule 13.09 Announcement” dated 2 September 2018), i-CABLE

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Telecom Limited, an indirect wholly-owned subsidiary of the Company, entered into the MOU with CMHK to express their intention to negotiate a binding agreement for certain commercial arrangements. Subsequent to the date of the Rule 13.09 Announcement, the closing price of the Shares surged and closed at HK\$0.255 per Share on 4 September 2018, representing an increase of approximately 186.5% from the closing price of HK\$0.089 per Share on 31 August 2018, being the last trading day prior to the Rule 13.09 Announcement. The Company issued a clarification announcement on 4 September 2018 and stated that save as to the information set out in the Rule 13.09 Announcement and certain news articles regarding the remarks by the Chairman of the Company on his view and expectation on the funding need of the Company, the Directors are not aware of any reasons for the price and trading volume movements. Following the issue of the above-mentioned clarification announcement, the Share price gradually declined to HK\$0.139 per Share on 7 November 2018. On 8 November 2018, the closing price of the Shares increased to HK\$0.192 per Share and, on the following day (i.e. the Last Trading Day), decreased to HK\$0.177 per Share. We are advised by the Management that they are not aware of any reason of the increase in the closing price of the Shares on 8 November 2018.

Apart from the daily closing price of the Shares, we have also reviewed the average daily trading volume per month of the Shares for the period from 1 November 2017 up to and including the Last Trading Day as set out in the following Table A.

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Table A: Average daily trading volume of the Shares

Month	Number of trading day(s) during the month/period	Average daily trading volume of the Shares during the month/period	Percentage of average daily trading volume to total number of Shares in issue	Percentage of average daily trading volume to total number of Shares in issue held by public Shareholders (Note)
2017				
November	22	17,774,869	0.29%	0.50%
December	19	8,755,031	0.14%	0.25%
2018				
January	22	9,929,368	0.16%	0.28%
February	18	6,035,588	0.10%	0.17%
March	21	12,000,982	0.19%	0.34%
April	19	4,847,041	0.08%	0.14%
May	21	2,045,025	0.03%	0.06%
June	20	3,721,117	0.06%	0.11%
July	21	2,418,354	0.04%	0.07%
August	23	4,082,307	0.07%	0.12%
September	19	187,481,832	3.02%	5.32%
October	21	10,347,036	0.17%	0.29%
November (up to and including the Last Trading Day)	7	65,872,554	1.06%	1.87%

Source: the website of the Stock Exchange

Note: The calculation is based on 3,523,657,676 Shares in issue held by public Shareholders as at the end of each respective month.

As shown in the Table A above, the highest average daily trading volume to total number of Shares in issue held by public Shareholders of 5.32% appeared in September 2018, of which 4 out of 19 trading days was over 5.0% of the total number of Shares in issue held by public Shareholders and we believe that such sudden increase in trading volume was likely due to the market reaction to the publication of the Rule 13.09 Announcement on 2 September 2018 and the above-mentioned clarification announcement on 4 September 2018. Excluding the month of September 2018, the average daily trading volume of Shares in each month/period as a percentage of the total number of Shares in issue held by public Shareholders ranged from approximately 0.06% to approximately 1.87% with an average of approximately 0.35%, which indicates a relatively thin trading liquidity of the Shares. Given the relatively thin trading liquidity of the Shares, it would be difficult for the Shareholders to acquire the Shares in the open market without creating an

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upward pressure on the price of the Shares. Accordingly, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company.

(b) Comparison with other rights issues

We have also compared the terms of the Rights Issue to other rights issues conducted by other Hong Kong publicly listed companies. We have identified an exhaustive list of 15 comparable rights issue conducted by other companies listed on the Stock Exchange (the “Comparables”) as set out in Table B below covering approximately a twelve-month period immediately before the date of the Last Trading Day (i.e. 1 November 2017 up to the Last Trading Day).

We note that only 2 out of 15 Comparables (i.e. PPS International (Holdings) Limited (stock code: 8201.HK) and Century Ginwa Retail Holdings Limited (stock code: 162.HK)) had the same subscription ratio as to the Rights Issue (that is, one rights share for every one existing share) with maximum dilution effect of 50%. In the interest of having sufficient number of samples with similar fund raising size and announced over a reasonable recent period for comparison, we have selected the Comparables based on the selection criteria of (a) rights issues announced in the last 12 months before the date of the Announcement; (b) amount of gross proceeds raised of less than HK\$1 billion; and (c) dilution effects on existing shareholders of not less than 33.3% (i.e. 1 rights share for every 2 existing shares) and not more than 66.7% (i.e. 2 rights shares for every 1 existing share).

We consider that the above-mentioned review period is adequate and appropriate given that (i) such period would provide us with the recent relevant information to demonstrate the prevailing market practice prior to the date of the Announcement; and (ii) we were able to identify sufficient samples for comparison within such period. This is an exhaustive list of fully-underwritten rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues. Although the businesses, operations, financial positions and prospects of the Company may not be the same as those of the subject companies of the Comparables, the Comparables can still serve to demonstrate the recent market practices of rights issue transactions in the market conducted by Hong Kong listed companies. Shareholders should note that we have not conducted any independent verification with regard to the businesses and operations of the subject companies of the Comparables.

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Table B: Comparison of issue statistics

Date of announcement	Company (stock code)	Principal businesses	Basis of entitlement	Premium/ (Discount) of the subscription price over/ to the closing price on the last trading day	Premium/ (Discount) of the subscription price over/ to the theoretical ex-rights price, based on the last trading day	Premium/ (Discount) of the subscription price over/ to the consolidated net asset value per share	Maximum dilution on the shareholding (Note 1)	Underwriting commission
				(i)	(ii)	(iii)		
				Approximate %	Approximate %	Approximate %	Approximate %	(v) %
28-Jun-18	Sunway International Holdings Limited (58) (Note 3)	Manufacturing and sale of high-strength concrete piles	1 for 2	(12.2)	(8.3)	(77.2)	33.3	0.0
25-Jun-18	Hao Tian International Construction Investment Group Limited (1341)	Construction machinery related businesses	1 for 2	(29.6)	(21.9)	2.0	33.3	0.0
13-Jun-18	Shougang Concord Grand (Group) Limited (730)	Finance leasing businesses	1 for 2	(2.1)	(1.4)	(61.0)	33.3	3.5
8-Jun-18	IDT International Limited (167) (Note 3)	Electronic products businesses	1 for 2	(9.4)	(6.5)	122.8 (Note 2)	33.3	0.0
30-May-18	Champion Technology Holdings Limited (92)	Trading of cultural products	1 for 2	(43.7)	(34.1)	(48.2)	33.3	2.5
19-Apr-18	China Star Entertainment Limited (326)	Media and entertainment	2 for 1	(36.7)	(16.1)	(93.1)	66.7	0.0
11-Apr-18	PPS International (Holdings) Limited (8201)	Provision of environmental and cleaning services	1 for 1	(32.1)	(19.3)	(67.6)	50.0	0.0
8-Feb-18	Century Ginwa Retail Holdings Limited (162) (Note 3)	Store operation	1 for 1	26.7	15.2	(91.4)	50.0	5.0
25-Jan-18	China Agroforestry Low-Carbon Holdings Limited (1069)	Biomass fuel business	3 for 2	(29.7)	(14.8)	(35.0)	60.0	1.0 (for connected person) to 2.5
25-Jan-18	LongiTech Smart Energy Holding Limited (1281)	Primary land development and public infrastructure construction business	1 for 2	(41.5)	(32.2)	81.8	33.3	0.0
23-Jan-18	Bolina Holding Co., Ltd. (1190)	Manufacture and sales of sanitary ware products	2 for 1	(24.8)	(9.9)	(87.2)	66.7	2.5
3-Jan-18	DeTai New Energy Group Limited (559)	Electric cycles, wine and financial businesses	2 for 1	(29.7)	(11.9)	(63.9)	66.7	2.5
20-Dec-17	Yu Tak International Holdings Limited (8048)	Information technology (IT) related businesses	1 for 2	5.3	3.5	45.3	33.3	0.0
21-Nov-17	National Investments Fund Limited (1227)	Investment in listed and unlisted companies	1 for 2	(41.7)	(32.3)	438.5 (Note 2)	33.3	3.0
19-Nov-17	REXLot Holdings Limited (555)	Lottery and related businesses	1 for 2	(12.1)	(8.4)	(90.6)	33.3	1.0
Maximum (Note 4)				(43.7)	(34.1)	(93.1)	66.7	5.0
Minimum (Note 4)				26.7	15.2	81.8	33.3	0.0
Average				(20.9)	(13.2)	(45.1)	44.0	
The Company		Communications, media and entertainment business	1 for 1	(38.4)	(23.8)	(26.4)	50.0	1.75

Source: the website of the Stock Exchange

Notes:

- Maximum dilution on the shareholding of each of the Comparables is calculated as: ((number of rights shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares to be issued under the basis of entitlement) x 100%), e.g. for an rights issue with basis of one (1) rights share for every one (1) existing share, the maximum dilution effect is calculated as $(1/(1+1) \times 100\%) = 50.0\%$.

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2. The net asset values attributable to owners of the company per share of National Investments Fund Limited (stock code: 1227.HK) and IDT International Limited (stock code: 167.HK) are excluded from our analysis as they appear to be extreme outliers as compared to the rest of the Comparables, thus do not provide a meaningful analysis.
3. The rights issues of Sunway International Holdings Limited (stock code: 58.HK), IDT International Limited (stock code: 167.HK) and Century Ginwa Retail Holdings Limited (stock code: 162.HK) were terminated following the termination of the underwriting agreements which were mutually agreed by the respective companies and underwriters. Despite the terminations as stated above and for completeness, we have included these three samples to be the Comparables as, similar to the other Comparables under review, they were all entered into by the parties after arm's length negotiations and the subscription prices were determined based on the then prevailing market conditions.
4. Maximum represents the highest discount of subscription price to the referenced parameters in (i), (ii) and (iii) of Table B, the highest maximum dilution on the shareholding as per (iv) of Table B and the highest underwriting commission as per (v) of Table B amongst the Comparables. Minimum represents the highest premium of subscription price over the referenced parameters in (i), (ii) and (iii) of Table B, the lowest maximum dilution on the shareholding as per (iv) of Table B and the lowest underwriting commission as per (v) of Table B amongst the Comparables.

Based on the above table, we noted that:

- (i) the subscription prices to the closing prices on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a premium of approximately 26.7% to a discount of approximately 43.7% (the "Comparable LTD Range"), with an average discount of approximately 20.9% (the "Comparable LTD Average"). The discount of approximately 38.4% to the closing price per Share on the Last Trading Day as represented by the Subscription Price (the "LTD Discount") is within the Comparable LTD Range and higher than the Comparable LTD Average;
- (ii) the subscription prices to the theoretical ex-rights prices per share based on the last trading day prior to the rights issue announcements of the Comparables ranged from a premium of approximately 15.2% to a discount of approximately 34.1% (the "Comparable TERP Range"), with an average discount of approximately 13.2% (the "Comparable TERP Average"). The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share (the "TERP Discount") is approximately 23.8%, which is within the TERP Range and higher than the Comparable TERP Average; and
- (iii) the subscription prices to the consolidated net asset value (the "NAV") per share ranged from a discount of approximately 93.1% to a premium of approximately 81.8% (the "Comparable Price-to-NAV Range"), with an average discount of approximately 45.1% (the "Comparable Price-to-NAV Average"). The Subscription Price as compared to the NAV per Share (the "Price-to-NAV Discount") as at 30 June 2018 is at a discount of approximately 26.4%, which is within the Comparable Price-to-NAV Range and lower than the Comparable Price-to-NAV Average.

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We also observed that, each of the LTD Discount, the TERP Discount and Price-to-Adjusted-NAV Discount under the Rights Issue is within the Comparable LTD Range, the Comparable TERP Range and the Comparable Price-to-NAV Range of the Comparables.

In respect of the LTD Discount of 38.4% and the TERP Discount of 23.8%, they were based on the closing price of the Shares of HK\$0.177 per Share on the Last Trading Day. Shareholders should note that the closing price on the Last Trading Day and the preceding day was subject to unexplained and exceptional upward movements, which rose from the closing price of HK\$0.139 per Share on 7 November 2018 to HK\$0.192 per Share on 8 November 2018 before retreating to HK\$0.177 per Share on the Last Trading Day.

Given the above-mentioned unexplained fluctuations in the Share price, we would concur with the view of the Directors that such fluctuations do not represent the general trend of the Company's Share price. Accordingly, we consider the calculations of the LTD Discount and the TERP Discount, both based on the closing price on the Last Trading Day, by themselves alone to be not meaningful.

To supplement this comparison, we have used the average of the closing prices of the ten previous consecutive trading days up to and including the Last Trading Day to arrive a more representative price of HK\$0.148 per Share (the "Average Price") and based on this, the theoretical ex-rights price would be HK\$0.129 per Share (the "Average TERP"). Based on the above, the Subscription Price of HK\$0.109 per Rights Share would represent (i) a discount of approximately 26.4% to the Average Price, which is also within the Comparable LTD Range but closer to the Comparable LTD Average; and (ii) a discount of approximately 15.5% to the Average TERP, which is also within the Comparable TERP Range and slightly higher than the Comparable TERP Average. Having regard to the foregoing analysis, we consider that the Subscription Price was set at a reasonable level vis-a-vis the pricing of the Comparables.

Furthermore, and as shown in the Table B above, the subscription prices of 13 out of 15 Comparables were priced at a discount to the respective closing prices of their shares on the last trading day prior to the release of their respective rights issue announcements. Thus, it is a common market practice that the subscription price of a rights issue normally represents a discount to the prevailing historical market prices of the relevant shares with a view to enhancing the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue.

In terms of the Comparable Price-to-NAV Range, the Comparables cover a wide range from a discount of 93.1% to a premium of 81.8%. As each of the Comparables is engaging in different businesses with their own characteristics and prospects, any comparisons drawn can only be of general reference value. In the interest of narrowing down the population and addressing the extreme outlier samples in calculating the maximum, minimum and average numbers, we have excluded IDT International Limited and National Investments Fund Limited which were priced at

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the premium of 122.8% and 438.5% respectively. Excluding them, the applicable discount for the Rights Issue of 26.4% is lower than the Comparable Price-to-NAV Average of 45.1%. Shareholders' are reminded of the fact that approximately 72.7 % of the Group's total assets as disclosed in the 2018 Interim Report are long-term assets such as property, plant and equipment, programming library and deferred tax assets, which are primary assets deployed by the Group's core business in Hong Kong and are fairly illiquid with limited marketability. In conclusion, we are of the view that the aforementioned discount percentage in relation to the Company's net asset value per Share is fair and reasonable.

In addition to the issue statistics of the Comparables, we have also compared the terms of the Rights Issue with the Open Offer (which was completed in September 2017) as follows:

Table C: Comparison of the terms of the Open Offer and the Rights Issue

Date of announcement	Maximum gross proceeds raised <i>HK\$ million</i>	Basis of entitlement (maximum dilution effect)	Discount of subscription price to closing price on the last trading day %	Discount of subscription price to theoretical ex-rights price %	Discount of subscription price to latest published net asset value per share %	Underwriting commission %	Whitewash waiver application <i>Yes/No</i>
<i>Open Offer</i>							
20 April 2017	704.0	5 for 3 (62.5%)	65.6%	41.7%	16.0%	2.00%	Yes
<i>Rights Issue</i>							
9 November 2018	691.7	1 for 1 (50.0%)	38.4%	23.8%	26.4%	1.75%	Yes

Shareholders' attention is drawn to the above table which shows that the amount of gross proceeds raised under the two offerings are similar, but the Rights Issue is priced at lower discounts to the relevant share price benchmarks, and at a higher discount to the net asset value per Share, and on less dilutive than the terms offered under the Open Offer.

We have discussed the result of our comparison with the Management and understand that the relatively more favourable underwriting terms of the Rights Issue reflect the higher confidence of the Controlling Shareholder in the Group since taking control of the management of the Group.

Based on the above analyses, we consider that the Subscription Price to be within the range of the Comparables and on relatively better terms than the Open Offer and accordingly, we are of the view that the Subscription Price is fair and reasonable.

5.3 The Undertaking Letter

As at the Latest Practicable Date, Forever Top (Asia) Limited (i.e. the Underwriter and the Controlling Shareholder) has entered into the Undertaking Letter and has irrevocably and unconditionally undertaken to the Company that, among other things, it shall subject to the granting of the Whitewash Waiver by the Executive, accept in full the Committed Shares and shall procure that the Provisional Allotment Letter(s) in respect of the Committed Shares shall be lodged with the Registrar with payment in full therefor in cash on or before the latest time for acceptance of their entitlement under the Rights Issue in accordance with the instructions printed on the relevant Provisional Allotment Letter(s).

5.4 The Underwriting Agreement

The principal terms of the Underwriting Agreement are set out as follows:

Date	: 9 November 2018
Issuer	: The Company
Underwriter	: Forever Top (Asia) Limited
Number of Underwritten Shares (<i>Note</i>)	: Up to 3,663,257,676 Rights Shares (being the maximum number of Rights Shares, assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue and excluding the Committed Shares pursuant to the Undertaking Letter) and no less than 3,523,657,676 Rights Shares, being the minimum number of Rights Shares under the Rights Issue excluding the Committed Shares pursuant to the Undertaking Letter

The above-mentioned Underwritten Shares do not represent the final amount of Rights Shares to be taken up by the Controlling Shareholder. The actual amount of Rights Shares to be taken up by the Controlling Shareholder pursuant to their underwriting commitment will depend on the level of subscription by Qualifying Shareholders, the results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and also the level of unsold fractions of the Rights Shares

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Fees and expenses : a commission of 1.75% of sum which is equal to the Subscription Price multiplied by the number of Underwritten Shares and the reasonable costs, fees and other expenses of the Underwriter

Note: The maximum and minimum number of Underwritten Shares are calculated based on the maximum and minimum total number of Rights Shares less the Committed Shares, which does not take into account the number of Unsubscribed Rights Shares which would be placed to independent placees under the Compensatory Arrangements nor the NQS Unsold Rights Shares.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the latest time for termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not being taken up by the Qualifying Shareholders and not being placed by the Bookrunner under the Compensatory Arrangements, unsold entitlement of the Non-Qualifying Shareholders to the Rights Shares and unsold fractions of the Rights Shares.

As advised by the Management, the underwriting commission of 1.75% was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the scale of the Rights Issue, the current and expected market conditions and the commission rates charged by underwriters in the recent market precedents of rights issue.

As set out in the sub-section headed "(b) Comparison with other rights issues" above, for the 12-month period immediately before the Last Trading Day, the range of underwriting commissions charged by the underwriters for the rights issues of the Comparables was between 0.0% and 5.0%. Having considered the underwriting commission of 1.75% under the Underwriting Agreement (i) falls within the range of the Comparables, (ii) is lower than the underwriting commission of the Open Offer, and (iii) is the same with the best-effort placing fee charged by the Bookrunner under the section headed "6. Procedures in respect of Rights Shares not subscribed and the Compensatory Arrangements and the NQS Unsold Rights Shares", we are of the view that the commission charged by the Underwriter is in line with common market practice.

Shareholders' attention is drawn to the Compensatory Arrangements as explained under the section headed "6. Procedures in respect of Rights Shares not subscribed and the Compensatory Arrangements and the NQS Unsold Rights Shares" of this letter. Under the arrangements, the Company has appointed the Bookrunner to place, on a best effort basis, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares with independent placees at a stipulated price, and the Controlling Shareholder shall take up any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares which the said Bookrunner is unable to place. As such, the Underwriter has no assurance that they shall be able to keep any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares despite the underwriting commitment. The Underwriting Agreement together with the Undertaking Letter would, however, provide assurance that the Company shall, upon the fulfilment of the conditions precedent, receive the net proceeds of the Rights Issue.

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The Board considers that the underwriting arrangements as described demonstrate the commitment of the Controlling Shareholder to the Rights Issue and their confidence in the future of the Group.

We have also reviewed the other major terms of the Underwriting Agreement including, but not limited to, the payment terms, the termination of the Underwriting Agreement and conditions of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we considered that the principal terms are in line with market practice. As such, we are of the view that the terms of the Underwriting Agreement, including the underwriting commission, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole.

6. Procedures in respect of Rights Shares not subscribed and the Compensatory Arrangements and the NQS Unsold Rights Shares

Pursuant to Rule 7.21(2) of the Listing Rules, as the Controlling Shareholder acts as the underwriter of the Rights Issue, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as required by Rule 7.21(2) of the Listing Rules.

As stated in the Letter from the Board, the Company appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Bookrunner will, on a best effort basis, procure, by not later than 6:00 p.m., on Thursday, 14 February 2019, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be taken up by the Controlling Shareholder pursuant to the terms of the Underwriting Agreement.

In addition to the distribution of proceeds of the sale of the NQS Unsold Rights Shares by the Bookrunner as described under the paragraph headed “Non-Qualifying Shareholders” in the Letter from the Board, Net Gain (if any) will be paid (without interest) on a pro-rata (on the basis of an NQS Unsold Rights Shares and Unsubscribed Rights Shares) basis to the No Action Shareholders (but rounded down to the nearest cent) as set out below.

- A. where the nil-paid rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (C) below);

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- B. where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (C) below);
- C. if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Shareholders are reminded that Net Gain may or may not be realized, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

The Company and the Bookrunner have entered into the Placing Agreement on 20 December 2018, setting out the key terms of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares as summarised below:

Date : 20 December 2018

Bookrunner : China Galaxy International Securities (Hong Kong) Co., Limited was appointed as a bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis

The Bookrunner confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company. The Bookrunner also confirmed that there is no arrangement, agreement, understanding or undertaking with the Underwriter in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, save as the proposed terms of the Underwriting Agreement by which the Underwriter will take up all Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

Fees and expenses : The higher of HK\$200,000 or 1.75% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and reimbursed for the expenses in relation to the placing (including but not limited to legal expenses, roadshows expenses, marketing expenses and traveling expenses for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by the Bookrunner to the Company at completion.

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| Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be) | : | The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be) shall be at least equal to the total of: <ul style="list-style-type: none"> (a) the Subscription Price; and (b) the estimated expenses per Unsubscribed Rights Share and/or NQS Unsold Rights Share (as the case may be) <p>The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement</p> |
| Placees | : | The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties |
| Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares | : | The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the Latest Practicable Date |
| Conditions precedent | : | The completion of the Placing Agreement is conditional upon the Underwriting Agreement becoming unconditional and not terminated in accordance with the terms of the Underwriting Agreement |
| Completion | : | Subject to the fulfillment of the conditions precedent set out above, completion shall take place on the date of allotment and issue of Rights Shares or such later date as may be mutually agreed by the Bookrunner and the Company |

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Termination : The Placing Agreement shall end on 31 December 2019 or any other date by mutual written agreement between the Bookrunner and the Company

The engagement of the Bookrunner may also be terminated by mutual written agreement of the Company and the Bookrunner in case of force majeure resulting in the Company and the Bookrunner being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Bookrunner's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Bookrunner, may make it inadvisable to continue the engagement or, where applicable, may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant governmental bodies and/or regulatory authorities, the Bookrunner shall have the right to terminate the engagement by written notice to the Company with immediate effect

The engagement between the Company and the Bookrunner for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiation between the Bookrunner and the Company. We have performed a research on non-underwritten share placing transaction precedents as published on the Stock Exchange website since 1 August 2018 up to the date of the Announcement and note that the average placing commission rate of these transaction precedents to be approximately 2.11%, and that it is a normal practice that a placing agent to charge a fixed retainer to cover the minimum costs incurred for placing. As the fee charged by the Bookrunner of 1.75% is lower than the above-mentioned average placing commission of approximately 2.11% and the minimum fixed fee of HK\$200,000 is comparable to the other placing cases with a minimum fixed charge, we concur with the view of the Directors that the expenses are typical and ordinary in the marketing of securities and the terms of the Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms, and the placing fee is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

We consider the terms of the Placing Agreement with the Bookrunner is consistent with market practice, and in particular the fees and expenses payable to the Bookrunner is comparable to those under a non-underwritten placing for publicly listed securities in Hong Kong. We also consider that the aforementioned arrangements governing the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares complies with the spirit of Rule 7.21(2) of the Listing Rules. Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders, we are of the view that the

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Compensatory Arrangements are fair and reasonable, in the interest of the Company and the Shareholders as a whole, and are intended to protect the interest of the Independent Shareholders.

7. Possible dilution of the shareholding interests of the existing public Shareholders

For illustration purpose only, the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company immediately after completion of the Rights Issue are set out in the following tables:

Table D: Assuming no exercise of the exercisable Share Options on or before the Record Date

	As at the Latest Practicable Date		Assuming 100% of the Rights Shares taken up by all Qualifying Shareholders		Assuming 100% of the Rights Shares fully placed to independent third parties under the Compensatory Arrangements other than the Controlling Shareholder		Assuming Rights Shares had only been taken up by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement	
	Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%
Forever Top (Asia) Limited	2,682,362,480	43.2	5,364,724,960	43.2	5,364,724,960	43.2	8,888,382,636	71.6
Parties acting in concert with								
Forever Top (Asia) Limited								
— Tan Sri Dato' David Chiu	—	—	—	—	—	—	—	—
— Dr. Cheng Kar-Shun, Henry	—	—	—	—	—	—	—	—
— Mr. Hoong Cheong Thard	—	—	—	—	—	—	—	—
— Mr. Andrew Wah Wai Chiu	—	—	—	—	—	—	—	—
— Dr. Cheng Chi-Kong, Adrian	—	—	—	—	—	—	—	—
— Mr. Tsang On Yip, Patrick	—	—	—	—	—	—	—	—
(Note)	—	—	—	—	—	—	—	—
Subtotal of the Concert Group	2,682,362,480	43.2	5,364,724,960	43.2	5,364,724,960	43.2	8,888,382,636	71.6
Other public Shareholders	3,523,657,676	56.8	7,047,315,352	56.8	7,047,315,352	56.8	3,523,657,676	28.4
Total	6,206,020,156	100.0	12,412,040,312	100.0	12,412,040,312	100.0	12,412,040,312	100.0

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Table E: Assuming full exercise of the exercisable Share Options on or before the Record Date

	As at the Latest Practicable Date		Assuming 100% of the Rights Shares taken up by all Qualifying Shareholders and Share Option holders		Assuming 100% of the Rights Shares fully placed to independent third parties under the Compensatory Arrangements other than the Controlling Shareholder		Assuming the Share Option holders had not taken up the Rights Shares and Rights Shares had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement	
	Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%	Number of Issued Shares	%
Forever Top (Asia) Limited	2,682,362,480	43.2	5,364,724,960	42.3	5,364,724,960	42.3	9,027,982,636	71.2
Parties acting in concert with								
Forever Top (Asia) Limited								
— Tan Sri Dato' David Chiu	—	—	62,000,000	0.5	31,000,000	0.2	31,000,000	0.2
— Dr. Cheng Kar-Shun, Henry	—	—	62,000,000	0.5	31,000,000	0.2	31,000,000	0.2
— Mr. Hoong Cheong Thard	—	—	26,250,000	0.2	13,125,000	0.1	13,125,000	0.1
— Mr. Andrew Wah Wai Chiu	—	—	35,500,000	0.3	17,750,000	0.2	17,750,000	0.2
— Dr. Cheng Chi-Kong, Adrian	—	—	20,000,000	0.1	10,000,000	0.1	10,000,000	0.1
— Mr. Tsang On Yip, Patrick	—	—	26,250,000	0.2	13,125,000	0.1	13,125,000	0.1
(Note)	—	—	26,250,000	0.2	13,125,000	0.1	13,125,000	0.1
Subtotal of the Concert Group	2,682,362,480	43.2	5,596,724,960	44.1	5,480,724,960	43.2	9,143,982,636	72.1
Other Share Option holders	—	—	47,200,000	0.4	23,600,000	0.2	23,600,000	0.2
Other public Shareholders	<u>3,523,657,676</u>	<u>56.8</u>	<u>7,047,315,352</u>	<u>55.5</u>	<u>7,186,915,352</u>	<u>56.6</u>	<u>3,523,657,676</u>	<u>27.7</u>
Total	<u>6,206,020,156</u>	<u>100.0</u>	<u>12,691,240,312</u>	<u>100.0</u>	<u>12,691,240,312</u>	<u>100.0</u>	<u>12,691,240,312</u>	<u>100.0</u>

Note: Mr. Tsang On Yip, Patrick is a non-executive Director and is presumed to be acting in concert with the Controlling Shareholder under class (6) presumption under the definition of “acting in concert” under the Takeovers Code. This class (6) presumption will cease to apply after the completion of the Rights Issue. Assuming full exercise of the exercisable Share Options on or before the Record Date, the Share Option holders had not taken up the Rights Shares which had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement, the Controlling Shareholder and the Concert Group will be interested in an aggregate of 9,130,857,636 Shares, representing approximately 72.0% of the then total number of the issued Shares after completion of the Rights Issue (i.e. not taking into account 13,125,000 Shares through full exercise of the exercisable Share Options on or before the Record Date by Mr. Tsang On Yip, Patrick).

The Qualifying Shareholders who take up their pro-rata entitlements in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements), while the shareholding interests of those who decide not to take up any of their entitlements in full under the Rights Issue will be diluted.

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As set out in Table B under the sub-section headed “5.2 Our assessment of the Subscription Price” in this letter, the dilution of the Comparables ranged from approximately 33.3% to approximately 66.7% with an average dilution of approximately 44.0% based on the offer ratio. The dilution of the Rights Issue falls within the range and is higher than the average dilution of the Comparables but lower than the Open Offer.

We are aware of the above-mentioned potential dilution effects. However, we consider that the dilutive effect should be considered in conjunction with the following factors:

- (i) Independent Shareholders are given the chances to express their views on the terms of the Rights Issue through their votes at the GM;
- (ii) Qualifying Shareholders have the choice of whether to accept the Rights Issue or not;
- (iii) Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- (iv) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares;
- (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue;
- (vi) those No Action Shareholders and the Non-Qualifying Shareholders can enjoy the Net Gain (if any) realised from the Compensatory Arrangements; and
- (vii) the maximum dilution effect under the Rights Issue is less than that of the Open Offer completed in September 2017.

Our view on potential dilutive impact of the Rights Issue

Shareholders’ attention is drawn to the consequence that Qualifying Shareholders who do not elect to subscribe for their respective entitlements to the Rights Shares under the Rights Issue in full will have their shareholding interests in the Company being diluted. After taking into account (i) the impracticability of debt financing as discussed earlier and its associated negative impacts on the Group’s financial position; (ii) the proceeds of the Open Offer are expected to be exhausted by the end of 2018 and the Rights Issue would, subject to the fulfilment of the conditions of the Rights Issue, provide the necessary funding for the Group to continue to pursue its business operations and restructuring plans; (iii) the Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company; and (iv) the inherent dilutive nature of Rights Issue in general if the existing Shareholder did not take up his/her/its entitlements under

the Rights Issue, we concur with the view of the Board that raising funds by way of the Rights Issue is the only viable long-term funding option presently available and is fundamentally necessary to enable the Group to meet its operating and investment funding requirements.

Accordingly, we are of the view that the successful implementation of the Rights Issue is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact on existing Shareholders who do not participate in the Rights Issue, having regard to the potential mitigating measures such as the trading of nil-paid rights and the Compensatory Arrangements available to these Shareholders.

8. Expected financial effects of the Rights Issue

8.1 Effect on net tangible assets

Details of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group are set out in Appendix II to this circular. As at 30 June 2018, the consolidated net tangible assets per Share was approximately HK\$0.119 per Share, which is calculated based on the total unaudited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$739.3 million divided by the total number of 6,206.0 million issued Shares.

Upon the completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “**Adjusted NTAV**”) would become approximately HK\$1,401.0 million, representing an increase of approximately 89.5%. The adjusted consolidated net tangible assets per Share, following the completion of the Rights Issue, would be approximately HK\$0.113 per Share (based on the above-mentioned Adjusted NTAV of approximately HK\$1,401.0 million divided by the total number of 12,412.0 million Shares as enlarged by the issue of 6,206.0 million Rights Shares), representing a decrease of approximately 5.0% from the consolidated net tangible assets per Share of approximately HK\$0.119 per Share prior to the Rights Issue.

8.2 Effect on working capital

As advised by the Management, immediately upon completion of the Rights Issue, the bank balances and cash of the Group is expected to increase by an amount equivalent to the estimated net proceeds of the Rights Issue. As such, the working capital position of the Group would be improved upon completion of the Rights Issue.

8.3 Effect on gearing ratio

The current ratio (being current assets divided by current liabilities) and the gearing ratio of the Group was approximately 57.6% and 53.7% respectively as at 30 June 2018. The estimated net proceeds from the Rights Issue are expected to increase both the cash and bank balance and equity attributable to owners of the Company by approximately not more than approximately HK\$676.9 million and not less than approximately HK\$661.7 million.

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For illustration purpose only, and assuming other factors remain the same, based on the financial information as at 30 June 2018 and adjusted for additional estimated net proceeds of not more than approximately HK\$676.9 million and not less than approximately HK\$661.7 million on cash and bank balances and equity attributable to owners of the Company, the current ratio of the Group is expected to increase to not more than approximately 144.3% and not less than approximately 142.3%, the gearing ratio of the Group is expected to decrease to not more than approximately 31.0% and not less than approximately 31.3% and the Group is expected to turn its net debt position into net cash position.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Completion.

In assessing the overall financial effects as explained above, we have considered the benefits of the Rights Issue including the expected enhancement to the net tangible assets position, the improvement in working capital position and the gearing position, and the assurance of the necessary funding that is crucial for the continuing development of the Group's business, and concluded that these benefits to be compatible with the overall interest of the Company and the Shareholders as a whole, despite the above-mentioned expected dilution of approximately 5.0% in the consolidated net tangible assets per Share.

9. The Whitewash Waiver

As at the Latest Practicable Date, the Controlling Shareholder and the Concert Group is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the existing issued Shares.

Pursuant to the Underwriting Agreement, the Controlling Shareholder has unconditionally agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders except for the Controlling Shareholder pursuant to the Undertaking Letter under the Rights Issue, no exercise of the Share Options on or before the Record Date and no Unsubscribed Rights Shares are placed to placees under the Compensatory Arrangements, the Controlling Shareholder will be required to take up the Underwritten Shares and the maximum aggregate shareholding held by the Controlling Shareholder and the Concert Group upon completion of the Rights Issue would amount to approximately 71.6% of the then total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming no acceptance by the Qualifying Shareholders except for the Controlling Shareholder pursuant to the Undertaking Letter under the Rights Issue, full exercise of the exercisable Share Options on or before the Record Date and no Unsubscribed Rights Shares are placed to placees under the Compensatory Arrangements, the entitlement of the Non-Qualifying Shareholders were unsold and the fractions of the Rights Shares unsold, the Controlling Shareholder will be required to take up the Underwritten Shares and the maximum aggregate shareholding held by the Controlling Shareholder and the Concert Group upon completion of the Rights Issue would amount to approximately 72.1% of the then total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

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Assuming full exercise of the exercisable Share Options on or before the Record Date, the Share Option holders had not taken up the Rights Shares which had only been taken up fully by the Controlling Shareholder pursuant to the Undertaking Letter and the Underwriting Agreement, the Controlling Shareholder and the Concert Group will be interested in an aggregate of 9,130,857,636 Shares, representing approximately 72.0% of the then total number of the issued Shares after completion of the Rights Issue (i.e. not taking into account 13,125,000 Shares through full exercise of the exercisable Share Options on or before the Record Date by Mr. Tsang On Yip, Patrick. Mr. Tsang On Yip, Patrick is a non-executive Director and is presumed to be acting in concert with the Controlling Shareholder under class (6) presumption under the definition of “acting in concert” under the Takeovers Code. This class (6) presumption will cease to apply after the completion of the Rights Issue).

In the event that the Controlling Shareholder is required to take up such number of the Underwritten Shares that will result in an increase in its shareholding by more than 2% in the past twelve months, the Controlling Shareholder would be required to make a mandatory general offer for all the securities of the Company (other than those already owned or agreed to be acquired by the Controlling Shareholder and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

In this regard, we note that the Controlling Shareholder has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and the Whitewash Waiver is subject to the condition that relevant resolution relating to the Rights Issue and Whitewash Waiver being approved by the Independent Shareholders at the GM. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Rights Issue and the Whitewash Waiver by the Independent Shareholders at the GM by way of poll. The resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are either in person or by proxy by the Independent Shareholders at the GM. If the Whitewash Waiver is not granted by the Executives or not approved by the Independent Shareholders, the Rights Issue will not proceed.

The Executive has indicated that it is minded to grant the Whitewash Waiver which will be conditional upon, among other things, the approval of the Independent Shareholders of the Rights Issue, the Underwriting Agreement and Whitewash Waiver by way of poll at the GM in which Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (including the Controlling Shareholder and the Concert Group) will abstain from voting.

The Controlling Shareholder, the Concert Group, the associates of the Controlling Shareholder and Shareholders who are involved in or interested in the transactions regarding the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (as the case may be) will not be entitled to vote at the GM. The Controlling Shareholder, who is interested in an aggregate of 2,682,362,480 Shares, representing approximately 43.2% of the total number of the existing issued Shares, and parties acting in concert with it shall abstain from voting in respect of the resolution(s) relating to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

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Having considered (i) the reasons for and benefits of the Rights Issue and that it is the preferred method of fund raising for the Group as explained in the section headed “4. Reasons for the Rights Issue and proposed use of proceeds” above; (ii) the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders having regard to the historical market price of the Share during the Review Period and the subscription prices of the Comparables as discussed in the sub-section headed “5.2 Our assessment of the Subscription Price” above; (iii) the aforementioned assessment that the maximum possible dilution effect to the Qualifying Shareholders is acceptable as discussed in the section headed “7. Possible dilution of the shareholding interests of the existing public Shareholders” above; (iv) the overall positive expected financial effects as a result of the Rights Issue, in particular, the expected improvement in the working capital position and the gearing position of the Group; (v) the Undertaking Letter and the terms of the Underwriting Agreement entered by the Controlling Shareholder; and (vi) the arrangements under the Compensatory Arrangements, we are of the opinion that the approval for the Whitewash Waiver, which is a condition for completion of the Rights Issue, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATION ON THE RIGHTS ISSUE AND THE UNDERWRITING AGREEMENT

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Rights Issue Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the GM to approve the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration the reasons for and benefits of the Rights Issue and that the Rights Issue is conditional upon, among other things, the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Whitewash Waiver Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the GM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Able Capital Partners Limited
Ambrose Lam
Director

Mr. Ambrose Lam is a licensed person registered with the SFC and a responsible officer of Able Capital Partners Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong). He has over 30 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

Financial information of the Group for the six months ended 30 June 2018 and for each of the three years ended 31 December 2015, 2016 and 2017 is set out in the following documents which are also available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.i-cablecomm.com>):

- (i) pages 18 to 44 of the interim report for the six months ended 30 June 2018 of the Company published on 13 September 2018
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0913/LTN20180913469.pdf>)
- (ii) pages 57 to 123 of the annual report for the year ended 31 December 2017 of the Company published on 19 April 2018
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0419/LTN201804191333.pdf>)
- (iii) pages 40 to 91 of the annual report for the year ended 31 December 2016 of the Company published on 22 March 2017
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0322/LTN201703222225.pdf>)
- (iv) pages 35 to 83 of the annual report for the year ended 31 December 2015 of the Company published on 22 March 2016
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0322/LTN20160322178.pdf>)

The consolidated financial statements of the Company for the two years ended 31 December 2015 and 2016 were audited by KPMG, the former independent auditor of the Company. There was no qualification in the auditors' report in respect of the consolidated financial statements for each of the two years ended 31 December 2015 and 2016. The auditor's report dated 15 March 2017 issued by KPMG in respect of the consolidated financial statements of the Company for the year ended 31 December 2016 ("**FY2016 Financial Statements**") included a section headed "Material Uncertainty Related to Going Concern" to draw attention to certain events disclosed in note 1(b) to the FY2016 Financial Statements which indicated a material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern. KPMG's audit opinion in respect of the FY2016 Financial Statements was neither qualified nor modified in respect of this matter.

2. BUSINESS TREND AND TRADING AND FINANCIAL PROSPECT

Throughout the year ended 31 December 2017 to the first half of 2018, the Company has been continued to be presented with a considerably uncertain operating environment. On the subscription business front, the customer base contracted in earlier months of the first half of 2018 as compared to the corresponding period in 2017. Number of subscribers has demonstrated improvement following the introduction of new contents and channels during the period under review. The Group had also experienced a decline of Pay TV advertising revenue which was mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media. The decline of Pay TV advertising revenue was offset by the increase in free television advertising revenue as the business started ramping up. TV segment EBITDA

increased from a loss of approximately HK\$123 million for the corresponding period in 2017 to a loss of approximately HK\$191 million for the first half of 2018 due to a decrease in revenue and the start-up costs associated with introduction of free TV channel, while the internet and multimedia segment EBITDA recorded an increase from approximately HK\$54 million for the corresponding period in 2017 to approximately HK\$56 million for the first half of 2018.

Given, the Group had been in a state of loss-making in the recent years, since Forever Top (Asia) Limited became the Controlling Shareholder in 2017 as a result of being the underwriter of the Open Offer of the Company, the Company has been focusing on formulating an organisational restructuring which included, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability, as well as the financial performance of the Group. As part of a strategic review, (i) the Group formed partnership with CMHK and on 5 December 2018, iNOL, an indirect wholly-owned subsidiary of the Company, entered into the Network Development Agreement with CMHK. Pursuant to the Network Development Agreement, iNOL and CMHK agreed to, among other things, the following non-exclusive commercial arrangements: (1) (a) the use of certain parts of the spare network resources on the Group's network on rental basis and related services by CMHK and the grant of programming licence to CMHK, and (b) the provision of initial network and system setup services by iNOL to CMHK within the scope of work agreed between CMHK and iNOL; (2) the entrustment by CMHK to iNOL to construct certain infrastructure for the telecommunication network of CMHK (the "**CMHK Newly Built Network**"), in connection with which CMHK shall also pay to iNOL a project management fee based on a percentage of the construction costs of the CMHK Newly Built Network; and (3) the provision of operation and maintenance services by iNOL to CMHK at a fee based on a percentage of the accumulated construction costs of the CMHK Newly Built Network. The Network Development Agreement has a period of twenty years with an option to renew for five years by CMHK. CMHK may also terminate the Network Development Agreement at any time after the tenth year by giving not less than 12 months' written notice to iNOL; and (ii) the Group has also been exploring prospective business opportunities as well as disposing its loss making operations to reduce the cash drain on the business.

Saved as disclosed above, it is the intention of the Controlling Shareholder that the Company will maintain its existing businesses after completion of the Rights Issue. The Controlling Shareholder has no intention to introduce any major changes to the existing operation of the Company, dispose of nor downsize any of the Company's existing business. As at the Latest Practicable Date, the Controlling Shareholder and the Concert Group have no intention to re-deploy the fixed assets (unless otherwise disclosed above), or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

The Group operates TV business including operations under Pay TV and Free TV licences, advertising under TV platforms and other media platforms. In the second half of 2018, the Group launched their free English TV Channel and rebranded its' free Cantonese TV Channel by officially renaming the Group's Free Television Channel 77 as Hong Kong Open TV. In such respect, the Group also recorded certain start-up cost in association with the launching of free TV Channel.

In terms of challenges, the Group continued to face competition in the market from existing TV operators, other platforms and digital media and for the Group's Internet and multimedia business, the Group has continued to face constant demand for better quality and higher-speed internet services which enable subscribers to enjoy more stable and faster internet access.

As a result of (i) the contraction of customer base experienced in the earlier months of the first half of 2018; and (ii) the decline of pay television advertising revenue was mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media; the funding required to finance the Group's daily operation was more than expected and hence the Group continued to record a decrease in cash and cash equivalent balances in the second half of 2018.

With the Group focusing on formulating organisational restructuring, the Group is aiming to improve its business performance.

3. NO MATERIAL CHANGE

The Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (a) as disclosed in the Company's interim results announcement for the six months ended 30 June 2018 dated 24 August 2018 and the Company's interim report for the six months ended 30 June 2018 published on 13 September 2018, the Group recorded a consolidated loss for the period of approximately HK\$253.6 million representing a further deterioration of net loss by approximately 79.7% as compared to the corresponding period in 2017 and with total equity decrease by approximately 18.5%. Such decreases were mainly attributable to the decrease in revenue, in particular, from the television business segment and decrease in non-operating income mainly attributable to a reduction in the gain on disposal of property holding companies and/or real properties;
- (b) as disclosed in the section headed "Business trend and trading and financial prospect" in this circular, the business development of the Group including, among other things, (i) the decline of Pay TV advertising revenue while offset by the increase in free television advertising revenue; (ii) the record of start-up cost in association with the introduction of free TV; (iii) the entering into a non-legally binding memorandum of understanding with CMHK and the subsequent entering into of the Network Development Agreement with CMHK; (iv) the strategic review on the possible restructuring of the Group's business portfolio; furthermore as a result of the contraction of customer base experienced in the earlier months of the first half of 2018; and (v) the decline of pay television advertising revenue was mainly due to the intensifying competition from OTT (over-the-top) platforms and other digital medias; the funding required to finance the Group's daily operation was more than expected and hence, the Group continued to record a decrease in cash and cash equivalent balances in the second half of 2018;

- (c) as disclosed in the Company's announcement dated 17 April 2018, the Group entered into facility letters issued by a bank for a revolving loan facility amounted to HK\$400 million and a performance bond facility amounted to HK\$30 million with specific performance obligation of the Controlling Shareholder to (i) hold greater than 35% of the total number of the issued shares of the Company and (ii) be the single largest shareholder of the Company; and
- (d) the Rights Issue as disclosed in the Company's announcement dated 9 November 2018 by the Company to finance the Group's on-going operating and capital expenditure requirements.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the section headed "3. No Material Change" above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. WORKING CAPITAL STATEMENT

Taking into account the net proceeds from the Rights Issue, its presently available financial resources, including internally generated funds from operations and available financial facilities of the Group, the Directors after due and careful enquiry are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

6. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of HK\$495 million, which carries interest at variable rates, of which HK\$395 million was unsecured bank borrowing and repayable on demand and unsecured borrowing of HK\$100 million would become due on 31 December 2019. The borrowings were guaranteed by the Company. The committed borrowing facilities available to the Group but not drawn as at the latest practicable date amounted to HK\$5 million.

Performance Bonds

As at the close of business on 31 October 2018, the Group has made arrangements with a bank to provide two separate performance bonds to the counterparties (which include the Government of Hong Kong and a public company in Hong Kong) amounting to approximately HK\$37.8 million, of which approximately HK\$7.8 million was secured by bank deposits. The performance bonds are to guarantee in favour of the counterparties (which include the Government of Hong Kong and a public company in Hong Kong) the

Group's performance in fulfilling the obligations under a contract and the capital and programming expenditure requirement for providing the domestic free television program service under the Free TV Licence.

Contingent Liabilities

As at the close of business on 31 October 2018, the Group did not have any contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2018, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances or acceptances credits or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

The Directors confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2018 up to and including the Latest Practicable Date.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2018 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 30 June 2018.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018, as extracted from the published interim report of the Company for the period ended 30 June 2018 (the “**Interim Report**”), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 June 2018 or at any future date.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after completion of the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>
Based on 6,206,020,156 Rights Shares at Subscription Price of HK\$0.109 per Rights Share	<u>739,326</u>	<u>661,700</u>	<u>1,401,026</u>	<u>0.113</u>

Notes:

1. The consolidated net assets of the Group attributable to owners of the Company as at 30 June 2018 of approximately HK\$921.2 million is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 as set out in the Interim Report.

The programming library of the Group as at 30 June 2018 of approximately HK\$143.6 million represents intangible assets which consists of presentation rights for commissioned and acquired programmes for broadcasting on the Group's television channels, commissioned programmes, films for licensing purposes, live programmes, in-house developed programmes, film rights and perpetual film rights and films in progress. Other intangible assets of the Group as at 30 June 2018 of approximately HK\$37.0 million represents contract acquisition costs and HK\$1.2 million represents club debentures. These numbers are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 as set out in the Interim Report and are excluded from the calculation of the consolidated net tangible assets for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2018 of the Group as set out in this appendix.

2. The amount of estimated net proceeds from the Rights Issue is based on a total of 6,206,020,156 Rights Shares (assuming no new Shares are issued and no repurchase of shares on or before the Record Date) to be issued at the Subscription Price of HK\$0.109 per Rights Share and after deducting estimated related expenses of approximately HK\$14.8 million.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2018 is calculated by having the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 divided by the number of Shares of 12,412,040,312 as if the Rights Issue of 6,206,020,156 Shares was completed on 30 June 2018.
4. In addition to the adjustments reflected in Note 1 and Note 2, assuming full exercise of the subscription rights attaching to the outstanding exercisable Share Options as of 30 June 2018, the unaudited pro forma adjusted consolidated net tangible assets including proceeds from (i) full exercise of subscription rights attaching to these Share Options of HK\$29.3 million (being 139,600,000 Share Options at subscription price of HK\$0.21 per Share) and (ii) additional proceeds from the Rights Issue for the Rights Shares issued for these exercised Share Options of HK\$15.2 million (being 139,600,000 Shares at subscription price of HK\$0.109 per Share) will be approximately HK\$1,445.5 million. The unaudited pro forma adjusted consolidated net assets per Share will be HK\$0.114 and is arrived on the basis that 12,691,240,312 Shares were in issue assuming the Rights Issue had been completed on 30 June 2018.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible net assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of i-CABLE Communications Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of i-CABLE Communications Limited (the “**Company**”), its consolidated structured entities and its subsidiaries (collectively the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2018, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s circular dated 20 December 2018 (the “**Circular**”), in connection with the proposed rights issue of the Company. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the Group’s financial position as at 30 June 2018 as if the proposed rights issue had taken place at 30 June 2018. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s interim financial information for the period ended 30 June 2018, on which a review report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed rights issue at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 December 2018

(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 Group. 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. This Circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than in relation to the Controlling Shareholder and Celestial Pioneer Limited) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than in relation to the Controlling Shareholder and Celestial Pioneer Limited) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Controlling Shareholder jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Company and Celestial Pioneer Limited) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the directors of the Controlling Shareholder in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of Celestial Pioneer Limited jointly and severally accept full responsibility for the accuracy of information contained in this circular (other than those relating to the Company and the Controlling Shareholder) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the directors of Celestial Pioneer Limited in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

(2) SHARE CAPITAL

The Company does not have any authorised share capital nor any nominal value in its Shares.

The number of issued Shares (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Rights Issue (assuming no exercise of the Share Options on or before the Record Date) and (iii) immediately after the completion of the Rights Issue (assuming full exercise of all outstanding exercisable Share Options on or before the Record Date) is set out as follows:

(i) As at the Latest Practicable Date

Type	Number	Status
Ordinary	6,206,020,156	Issued and fully paid-up

(ii) Immediately after the completion of the Rights Issue (assuming no exercise of the Share Options on or before the Record Date)

Type	Number	Status
Existing Ordinary Shares	6,206,020,156	Issued and fully paid-up
Rights Shares	6,206,020,156	Issued and fully paid-up
Total	12,412,040,312	Issued and fully paid-up

(iii) Immediately after the completion of the Rights Issue (assuming full exercise of all outstanding exercisable Share Options on or before the Record Date)

Type	Number	Status
Existing Ordinary Shares	6,345,620,156	Issued and fully paid-up
Rights Shares	6,345,620,156	Issued and fully paid-up
Total	12,691,240,312	Issued and fully paid-up

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects, including the rights to dividends, voting and return of capitals with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

No Shares have been issued since 31 December 2017, being the date on which the latest audited financial statements of the Group were made up.

Save for the Share Options, the Company has no other outstanding options, warrants, derivatives or other convertible securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

(3) DISCLOSURE OF INTERESTS**(a) Interests of Directors**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

Long positions in underlying Shares — share options

Name of Director	Date of grant	Exercisable period	Number of Shares issuable under the share options granted	
			Balance as at the Latest Practicable Date	Exercise price per Share HK\$
Tan Sri Dato’ David Chiu	15 June 2018	(Note 1)	62,000,000	0.210
Dr. Cheng Kar-Shun, Henry	15 June 2018	(Note 1)	62,000,000	0.210
Dr. Cheng Chi-Kong, Adrian	15 June 2018	(Note 1)	20,000,000	0.210
Mr. Tsang On Yip, Patrick	15 June 2018	(Note 1)	26,250,000	0.210
Mr. Hoong Cheong Thard	15 June 2018	(Note 1)	26,250,000	0.210
Mr. Andrew Wah Wai Chiu	15 June 2018	(Note 1)	35,500,000	0.210
			<u>232,000,000</u>	

Note: 50% of the share options are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive); and 50% of the share options are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive).

(b) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long position in the Shares

Name of shareholder	Beneficial owner	Underwriter	Number of Shares			Total	Approximate percentage of the number of issued Shares
			Spouse interest	Interest of a controlled corporation	Other interest		
Forever Top (Asia) Limited	5,364,724,960 (Note 1)	3,663,257,676 (Note 2)	—	—	—	9,027,982,636	145.47%
HSBC Trustee (C.I.) Limited	—	—	—	—	618,953,533 (Note 3)	618,953,533	9.97%
Ng Hung Sang	106,504,000	—	54,870,000 (Note 4)	212,942,000 (Note 5)	—	374,316,000	6.03%
Ng Lai King Pamela	54,870,000	—	319,446,000 (Note 6)	—	—	374,316,000	6.03%

Notes:

- These 5,364,724,960 Shares represent 2,682,362,480 Shares owned by Forever Top (Asia) Limited as at the Latest Practicable Date and 2,682,362,480 Committed Shares that it has irrevocably and unconditionally undertaken to the Company that, among other things, it shall subject to the granting of the Whitewash Waiver by the Executive, accept in full pursuant to the Undertaking Letter.
- These 3,663,257,676 Shares represent the number of Underwritten Shares committed by Forever Top (Asia) Limited pursuant to the Underwriting Agreement (assuming full exercise of all outstanding exercisable Share Options on or before the Record Date and the Underwritten Shares are not being taken up by the Qualifying Shareholders and not being placed by the Bookrunner under the Compensatory Arrangements, the NQS Unsold Rights Shares not being placed by the Bookrunner and unsold fractions of the Rights Shares).
- HSBC Trustee (C.I.) Limited was deemed to be interested in 618,953,333 Shares by virtue of being the trustee of a discretionary trust.
- Ng Hung Sang, the spouse of Ng Lai King Pamela, was deemed to be interested in 54,870,000 Shares which Ng Lai King Pamela is interested in under the SFO.
- Ng Hung Sang was deemed to be interested in 212,942,000 Shares which his controlled corporations are interested in under the SFO. South China Finance and Management Limited directly held 212,942,000 Shares. South China Financial Holdings Limited held 100% control in South China Finance and Management Limited. Ng Hung Sang, through his 100% controlled corporations, held 25.66% control in South China Financial Holdings Limited.
- Ng Lai King Pamela, the spouse of Ng Hung Sang, was deemed to be interested in 319,446,000 Shares which Ng Hung Sang is interested in under the SFO.

(4) OTHER DIRECTORS' INTERESTS**(a) Interests in competing business**

As at the Latest Practicable Date, none of the Directors nor their respective associates had any material interest in any business which complete or is likely to complete, either directly or indirectly, with the businesses of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any material direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Group was made up).

(c) Interests in contract or arrangement

As at the Latest Practicable Date, save for the Underwriting Agreement, none of the Directors is materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

(5) ADDITIONAL DISCLOSURE OF INTEREST AND DEALING IN SHARES

As at the Latest Practicable Date,

- (a) save for the Underwriting Agreement and the Undertaking Letter, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Controlling Shareholder and the Concert Group and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the Controlling Shareholder pursuant to the Undertaking Letter or may be issued and allotted to the Controlling Shareholder pursuant to the fulfilment of its obligations under the Underwriting Agreement;
- (b) save as disclosed in the section headed “Effect of Rights Issue on Shareholdings in the Company” in the letter from the Board of this circular, the Concert Group did not hold, own or control any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company;
- (c) save as disclosed in paragraph headed “(3) DISCLOSURE OF INTERESTS” in this appendix, none of the directors of the Controlling Shareholder was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of the Controlling Shareholder had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

- (d) save for the Controlling Shareholder which has given the undertaking in the Undertaking Letter, no person had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the GM to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;
- (e) the Concert Group did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers code;
- (f) none of the Company and the Directors had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares to any person;
- (g) save for the Share Options granted on 15 June 2018 to Tan Sri Dato' David Chiu, Dr. Cheng Kar-Shun, Henry, Mr. Andrew Wah Wai Chiu, Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard under the Share Option Scheme, and save as disclosed in the paragraph headed “(3) DISCLOSURE OF INTERESTS” in this appendix, none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (h) save for Tan Sri Dato' David Chiu and Dr. Cheng Kar-Shun, Henry who are two of the ultimate beneficial owners of the Controlling Shareholder, none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of the Controlling Shareholder or similar rights which are convertible or exchangeable into shares of the companies in the Concert Group. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Controlling Shareholder during the Relevant Period;
- (i) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company during the Relevant Period;
- (j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company as at the Latest Practicable Date;

- (k) no Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and none of them had dealt for value in any securities of the Company during the Relevant Period;
- (l) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;
- (m) save for the Underwriting Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between the Controlling Shareholder, the Concert Group and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Change in Board Lot Size and the Whitewash Waiver; and (ii) between any Directors and any other persons which is conditional on or dependence upon the outcome of the Rights Issue, the Change in Board Lot Size and the Whitewash Waiver or otherwise connected therewith; and
- (n) save for the Underwriting Agreement, there was no material contract entered into by the Controlling Shareholder in which any Directors has a material personal interest.

(6) MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) the last trading day on which trading in Shares took place in each of the six calendar months immediately preceding the date of the Announcement and ending on the Latest Practicable Date prior to the posting of this circular; (ii) 9 November 2018, being the Last Trading Day; and (iii) 17 December 2018, being the Latest Practicable Date:

	Closing price per Share HK\$
30 April 2018	0.168
31 May 2018	0.166
29 June 2018	0.123
31 July 2018	0.129
31 August 2018	0.089
28 September 2018	0.177
31 October 2018	0.135
Last Trading Day	0.177
30 November 2018	0.117
Latest Practicable Date	0.119

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.089 on 30 and 31 August 2018 and HK\$0.255 on 4 September 2018 respectively.

(7) DIRECTORS**Non-executive Directors**

Tan Sri Dato' David Chiu, aged 64, was appointed as the chairman of the Board and a non-executive director of the Company in September 2017. He is also the chairman and a member of the nomination committee of the Company and a member of the compensation committee of the Company.

Tan Sri Dato' David Chiu holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He is a prominent businessman with over 30 years' experience in the property development and extensive experience in the hotel development. Since 1978, Tan Sri Dato' David Chiu had been the managing director of Far East Consortium Limited, the predecessor of Far East Consortium International Limited ("FECIL"), which is mainly engaged in property development and investment, hotel operation and management, car park operation as well as property management services, adopting geographical diversification and "Chinese Wallet" strategy, with business covering Hong Kong, Mainland China, Australia, Malaysia, Singapore, the United Kingdom and New Zealand. He was appointed as the deputy chairman and chief executive officer of FECIL on 8 December 1994 and 8 October 1997 respectively. On 8 September 2011, Tan Sri Dato' David Chiu has been appointed as the chairman of FECIL. He was formerly a non-executive director (up to the withdrawal of listing) and is currently a director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited, a subsidiary of FECIL, which withdrew from listing on the Main Board of the Stock Exchange in October 2015). He was the chairman of the board of directors of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until 31 March 2015. He is also a director of Forever Top (Asia) Limited, a controlling shareholder of the Company.

He was appointed as the member of the 12th and 13th Chinese People's Political Consultative Conference and the chairman of Mid-Autumn Festival Celebration-People and Forces' Committee in 2008. Currently, he is the vice chairman of All-China Federation of Industry and Commerce, a trustee member of The Better Hong Kong Foundation, an honorary chairman of Mid-Autumn Festival Celebration-People and Forces' Committee, a director and a member of Concerted Efforts Resource Centre, a counsellor of China-United States Exchange Foundation, an honorary chairman of Guangdong Chamber of Foreign Investors, a member of Hong Kong General Chamber of Commerce, a member of the Constitutional Reform Synergy, a member of The Real Estate Developers Association of Hong Kong, a member of Friends of Hong Kong Association Limited, a member of Pacific Basin Economic Council and a director of three Ju Ching Chu Schools in Hong Kong. In Malaysia, Tan Sri Dato' David Chiu was awarded an honorary award which carried the title "Dato" and a more senior honorary title of "Tan Sri" by His Majesty, King of Malaysia in 1997 and 2005 respectively. He was also awarded the WCEF Lifetime Achievement Awards by Asian Strategy & Leadership Institute in 2013.

Tan Sri Dato' David Chiu is the father of Mr. Andrew Wah Wai Chiu, an executive director of the Company, and the brother of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

Dr. Cheng Kar-Shun, Henry *GBM, GBS*, aged 72, was appointed as the vice-chairman of the Board and a non-executive director of the Company in September 2017. Dr. Cheng is the chairman and executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited and FSE Services Group Limited, and a non-executive director of SJM Holdings Limited, all of them are listed public companies in Hong Kong. He is the chairman and managing director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August, 2016. He was a non-executive director of Lifestyle International Holdings Limited, a listed public company in Hong Kong, up to his retirement on 4 May 2015, the chairman and executive director of International Entertainment Corporation, a listed public company in Hong Kong, up to his resignation on 10 June 2017, an independent non-executive director of HKR International Limited, a listed public company in Hong Kong, up to his resignation on 31 March 2018, the chairman and non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, up to his resignation on 9 April 2018, and an independent non-executive director of Hang Seng Bank Limited, a listed public company in Hong Kong, up to his retirement on 10 May 2018. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. Dr. Cheng is also a director of Forever Top (Asia) Limited, a controlling shareholder of the Company.

Dr. Cheng is the chairman of the Advisory Council of The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region.

Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian, a non-executive director of the Company, and the uncle of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

Dr. Cheng Chi-Kong, Adrian *JP*, aged 39, was appointed as a non-executive director of the Company in September 2017. Dr. Adrian Cheng is the executive vice-chairman and general manager of New World Development Company Limited, an executive director of New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was an executive director of International Entertainment Corporation up to his resignation on 10 June 2017 and a non-executive director and vice chairman of Modern Media Holdings Limited up to his resignation on 26 August 2017, both being listed public companies in Hong Kong. He

is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. He is also the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of New World Development Company Limited. Dr. Adrian Cheng worked in a major international bank prior to joining the New World Development Group in September 2006 and has substantial experience in corporate finance.

Dr. Adrian Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He is the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the Honorary chairman of K11 Art Foundation Limited and a member of Board of the West Kowloon Cultural District Authority.

He is the son of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company, and the cousin of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

Mr. Tsang On Yip, Patrick, aged 47, was appointed as a non-executive director of the Company in September 2017. He is also a member of the compensation committee of the Company.

Mr. Tsang is the chief executive officer and director of Chow Tai Fook Enterprises Limited. He is also an executive director of Melbourne Enterprises Limited and UMP Healthcare Holdings Limited, and a non-executive director of Greenheart Group Limited and Integrated Waste Solutions Group Holdings Limited, all of which are listed public companies in Hong Kong. Mr. Tsang is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook (Holding) Limited, a governor of Chow Tai Fook Charity Foundation Limited, a member of Hong Kong Chief Executive Election Committee, and a General Committee member of Employers' Federation of Hong Kong. He has been a member of the 12th Henan Provincial Committee of the Chinese People's Political Consultative Conference since 2018. Mr. Tsang obtained a Bachelor of Arts degree in Economics from Columbia College of Columbia University in New York, USA.

Mr. Tsang's spouse is a niece of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company, and a cousin of Dr. Cheng Chi-Kong, Adrian, a non-executive director of the Company.

Mr. Hoong Cheong Thard, aged 50, was appointed as a non-executive director of the Company in September 2017. He is also a member of the audit committee of the Company. He is an executive director of FECIL, a listed public company in Hong Kong, since August 2012. He joined FECIL in September 2008 as the managing director. He is responsible for the formulation and implementation of FECIL's overall strategies for development.

Prior to joining FECIL, Mr. Hoong was the chief executive officer of China LotSynergy Holdings Limited, a listed public company in Hong Kong, where he retired as a non-executive director of the company with effect from 1 June 2017.

Mr. Hoong was an investment banker for over 12 years and had held senior positions at Deutsche Bank and UBS where he was responsible for corporate finance business in Asia. He was formerly a non-executive director (up to the withdrawal of listing) and is currently a director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited and withdrew from listing on the Main Board of the Stock Exchange, a subsidiary of FECIL in October 2015), was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 2017 and is a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. Mr. Hoong is also a director of Forever Top (Asia) Limited, which is a controlling shareholder of the Company.

Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London.

Executive Director

Mr. Andrew Wah Wai Chiu, aged 30, was appointed as an executive director of the Company in September 2017. He is also the authorised representative of the Company and a director of certain subsidiaries of the Company. He is the founder and the executive chairman of Land Pacific Limited, Deacon House International Limited and Ariana Social Community Limited. Land Pacific Limited was formed in 2013 is a property development company focusing on residential and commercial developments in South East Asia. Deacon House International Limited formed in 2015 is a hotel company based on Chinese contemporary designs and influences, exemplifying Chinese cultures and traditions with a modern twist. Ariana Social Community Limited formed in 2016 is a community based student housing company with its flagship property in Farringdon, London and projects pipelined in England, Australia and North America.

Mr. Chiu started his career with DTZ Hong Kong in 2008, he joined FECIL in 2009 and was appointed as the business development manager of FECIL in 2012. He is responsible for property investment and development for FECIL. From 2015, Mr. Chiu serves as the assistant to the chairman of FECIL. He is also a director of Malaysia Land Properties Sdn Bhd, and a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. He is a member of Hong Kong General Chamber of Commerce and a member of The Real Estate Developers Association of Hong Kong.

Mr. Chiu is the son of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the nephew of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

Independent non-executive Directors

Mr. Lam Kin-Fung, Jeffrey GBS, JP, aged 67, was appointed as an independent non-executive director of the Company in September 2017. He is also the chairman and a member of the compensation committee of the Company and a member of the nomination committee of the Company. Mr. Lam holds a bachelor degree in mechanical engineering from Tufts University in the United States. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, Wynn Macau, Limited, CWT International Limited (formerly known as HNA Holding Group Company Limited) and Wing Tai Properties Limited, all of which are listed public companies in Hong Kong. He was also an independent non-executive director of Hsin Chong Group Holdings Limited until his resignation on 10 May 2014 and Bracell Limited until his resignation on 1 November 2016 after its delisting on the Main Board of the Stock Exchange on 24 October 2016.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong, a member of the board of Airport Authority Hong Kong, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, a director of the Hong Kong Mortgage Corporation Limited and a member of the board of directors of Heifer International-Hong Kong.

Dr. Hu Shao Ming Herman SBS, JP, aged 64, has been an independent non-executive director of the Company since 2012. He is also a member of the compensation committee of the Company. He is the chairman of Ryoden Development Limited. Dr. Hu has been re-elected as a Deputy to the 13th National People's Congress of the People's Republic of China. He is the vice-chairman of the Chinese General Chamber of Commerce, Hong Kong. He is also a general committee member, executive committee member and chairman of Mainland China Committee of the Employers' Federation of Hong Kong, the Vice-President of the Sports Federation & Olympic Committee of Hong Kong, China, an Honorary Court Member of Hong Kong University of Science & Technology, a member of the Election Committee of the Government of the HKSAR and the Vice Patron of The Community Chest of Hong Kong. He was awarded the Honour of Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region of the People's Republic of China on 30 June 2017.

Mr. Luk Koon Hoo, Roger, BBS, JP, aged 67, has been an independent non-executive director of the Company since 2010. He also serves as the chairman of the Company's Audit Committee and a member of each of the Company's Compensation Committee and Nomination Committee. He has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975,

became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Mr. Luk is an independent non-executive director of four companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited, Hung Hing Printing Group Limited and Harbour Centre Development Limited, and also an independent non-executive director of Octopus Cards Limited. Mr. Luk was formerly an independent non-executive director of Wheelock Properties Limited, formerly a listed public company until it became a wholly-owned subsidiary of Wheelock and Company Limited in July 2010, from February 2008 to July 2010. He also serves as a council member of The Chinese University of Hong Kong and a non-executive director (non-official) of Urban Renewal Authority. Mr. Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission, the Barristers Disciplinary Tribunal Panel, the Operations Review Committee of ICAC and the Town Planning Board. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council.

Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr. Tang Sing Ming Sherman, aged 61, has been appointed an independent non-executive director of the Company since 2014. He is also a member of the audit committee of the Company. He holds a Master degree in Electrical Engineering and a degree of Doctor in Medicine from the University of Southern California, the United States of America. Mr. Tang is a seasoned entrepreneur in the hospitality industry and has over 20 years of experience in investment and operation of restaurants, cafes and bars. He is the founder and owner of the Epicurean Group and also served as the chairman and chief executive officer of Epicurean and Company, Limited (now known as New Wisdom Holding Company Limited), a listed public company in Hong Kong, until his resignation in November 2016.

Mr. Tang is the brother of the sister-in-law of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the brother of the aunt of Mr. Andrew Wah Wai Chiu, an executive director of the Company.

(8) SENIOR MANAGEMENT

Ms. Leung Shuk Yee Irene, *Chief Operating Officer*, aged 49, joined the Group in February 2018 and is the Chief Operating Officer of the Company. She is also a director of certain subsidiaries of the Company. She was an experienced senior management in the telecommunications industry, having developed her expertise in fixed and mobile telecom services. She was the executive vice president of a market leading mobile service operator in Hong Kong for commercial customer segments as well as mass consumer market, and was responsible for the leadership and strategic development of the leading mobile service operator's multi-brand business and services which included the world's first commercial launch of 4G mobile service and applications. In 2012, Ms. Leung devoted herself into the social service sector and promoted the application of information technology by joining the Senior Citizen Home Safety Association ("SCHSA"), a well-known social enterprise and charitable organisation in Hong Kong, as the chief executive officer. During her service and leadership in SCHSA, SCHSA had gone through a major transformation and is being recognised as a role model of social innovations in the social service sector in Hong Kong.

Mr. Kwok Chi Kin, *Chief Financial Officer and Company Secretary*, aged 42, joined the Group in September 2017 and he is the Chief Financial Officer and the company secretary of the Company. He is also the authorised representative of the Company and a director of certain subsidiaries of the Company. He is responsible for the accounting and financial management, company secretarial matters and corporate governance functions of the Group. Mr. Kwok obtained his Bachelor of Business Administration in Finance with First Class Honours from Hong Kong University of Science and Technology. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 15 years of experience in auditing, accounting and financial management, company secretarial practice, and corporate governance. Prior to joining the Group, he worked for an international accounting firm and was the chief financial officer and the company secretary of International Entertainment Corporation, a company listed on the Main Board of the Stock Exchange, from May 2004 to June 2017.

Mr. Chiu Ying Chun Ronald, *Executive Director, i-CABLE News Limited and i-CABLE Sports Limited*, aged 65, was appointed Assistant News Controller in June 1993 and was instrumental in the launch of the first 24-hour Cantonese language News Channel in the world. Mr. Chiu was promoted to News Controller in 1994 and appointed as Vice President, News & Sports in 2002. He became an executive director of i-CABLE News Limited and i-CABLE Sports Limited in September 2005 responsible for operating channels of the Sports and News platform. Prior to joining the Company, Mr. Chiu held various senior news positions in the television industry. His experience spans from reporting, editing, news anchoring; to planning and execution of news coverage as well as management of news operation. He was made Honorary University Fellow of the Hong Kong Baptist University in 2012 in recognition of his contributions to broadcasting news.

Mr. Chan Wai Man, *Senior Vice President, Network and Engineering Operations*, aged 53, joined the Group in September 1993 and is Senior Vice President, Network and Engineering Operations. He is also a director of certain subsidiaries of the Company. At the

time that he joined the Group in 1993, he was responsible for the operations and technical support of TV broadcasting system. Throughout his career with the Group, he gained extensive experience in TV broadcasting, telecommunication and data communication engineering. He was appointed Vice President, Network Operations in July 2014, responsible for the development and operation of the Company's TV and broadband distribution networks, as well as the New Media and Management Information Systems. In March 2018, Mr. Chan was appointed as Senior Vice President, Network and Engineering Operations. Mr. Chan holds a Bachelor of Engineering degree (First Class Honours) and a Master of Science degree in Electronic Engineering.

Ms. Ng Ching Man Carman, *Senior Vice President, Media Business*, aged 47, joined the Group in January 2018 as Senior Vice President, Media Business. She is also a director of certain subsidiaries of the Company. She is responsible for the overall business performance of television and other media advertising business where she leads and formulates strategy to drive for business growth. Ms. Ng has over 20 years of experience in HK's media industry spanning from free-TV to pay-TV, OTT (over-the-top), OOH (out-of-home), digital, social and integrated marketing solutions. Prior to joining the Company, she has held various senior management positions in PCCW Media Group, Le Corporation Limited, RoadShow Media Limited and Sina.com. Ms. Ng holds an EMBA degree of the Chinese University of Hong Kong.

(9) DIRECTORS' SERVICE CONTRACTS

Each of the following Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the appointment date with more than 12 months to run irrespective of the notice period. The details of the Directors' appointment letters are set out below:

Name of Directors	Term of the appointment	Remuneration per annum
Tan Sri Dato' David Chiu	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time
Dr. Cheng Kar Shun, Henry	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time

Name of Directors	Term of the appointment	Remuneration per annum
Dr. Cheng Chi-Kong, Adrian	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time
Mr. Andrew Wah Wai Chiu	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time
Mr. Tsang On Yip, Patrick	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time
Mr. Hoong Cheong Thard	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time
Mr. Lam Kin-Fung, Jeffrey	For an initial term of three years commencing from 15 September 2017 and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment	A director's fee of HK\$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) had been entered into or amended within six months before the date of the Announcement; (ii) which were continuous contracts with a notice period of 12 months or more; (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) which were not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(10) MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the placing agreement dated 20 December 2018 entered between the Company and the Bookrunner in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner, details of which are set out in the section headed “Procedures in respect of Rights Shares not subscribed and the Compensatory Arrangements and the NQS Unsold Rights Shares — Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares” in the Letter from the Board of this circular;
- (b) the Underwriting Agreement, details of which are set out in the section headed “Underwriting Agreement” in the Letter from the Board of this circular;
- (c) the Loan Capitalisation Agreement;
- (d) the Facility Term Extension Agreement; and
- (e) the underwriting agreement dated 14 April 2017 entered into among the Company, the Controlling Shareholder (as underwriter), Tan Sri Dato’ David Chiu, Dr. Cheng Kar-Shun, Henry, Chow Tai Took Enterprises Limited, Expand Ocean L.P. and Mr. Li Sze Lim in relation to the underwriting of a total of 3,352,520,666 offer shares under the Open Offer by the Controlling Shareholder with 2% of the total proceeds raised in the Open Offer payable to the Controlling Shareholder (as underwriter) as commission.

(11) LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

(12) EXPERT’S QUALIFICATION AND CONSENT

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Able Capital Partners Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of Able Capital Partners Limited and PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, 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 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

Each of Able Capital Partners Limited and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it respectively appears.

(13) GENERAL

- (a) The company secretary of the Company is Mr. Kwok Chi Kin, a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is 8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong. The share registrar of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

(14) EXPENSES

The expenses in connection with the Rights Issue, including underwriting fee, financial advisory fees, printing, registration, translation, legal, accounting and documentation charges are estimated to be approximately HK\$14.8 million, which are payable by the Company.

(15) CORPORATE INFORMATION, PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office	8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong
Company Secretary	Mr. Kwok Chi Kin <i>A fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators</i>
Authorised representatives	Mr. Andrew Wah Wai Chiu Mr. Kwok Chi Kin

Financial adviser to the Company	Halcyon Capital Limited 11/F, 8 Wyndham Street, Central, Hong Kong
Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Share registrar and transfer office	Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong
Legal advisers to the Company	Simmons & Simmons 13/F, One Pacific Place, 22 Queensway, Hong Kong
Underwriter	Forever Top (Asia) Limited 16th Floor, Far East Consortium Building, 121 Voeux Road Central, Hong Kong
Principal members of the Concert Group^(note)	Dr. Cheng Kar-Shun, Henry 12 Repulse Bay Road, Hong Kong Tan Sri Dato' David Chiu 1 Silver Terrace Road, Silverstrand, Sai Kung, Kowloon, Hong Kong

Note: Save as to acquiring control of the Company via the Controlling Shareholders, there is no other understanding or agreement among the shareholders of the Controlling Shareholder in relation to the business or affairs of the Controlling Shareholder or the exercise of voting rights of the shares of the Controlling Shareholder. In the view of the Controlling Shareholder, the principal members of the Concert Group are Dr. Cheng Kar-Shun, Henry and Tan Sri Dato' David Chiu based solely on (i) Tan Sri Dato' David Chiu, and Celestial Pioneer Limited (which is wholly-owned by Dr. Cheng Kar-Shun, Henry), collectively own 56% shareholding interest in the Controlling Shareholder; and (ii) Tan Sri Dato' David Chiu and Dr. Cheng Kar-Shun, Henry are two out of three directors of the Controlling Shareholder.

Independent Financial Adviser	Able Capital Partners Limited Unit 2201, 22/F, Cosco Tower, 183 Queen's Road Central, Hong Kong
Bookrunner	China Galaxy International Securities (Hong Kong) Co., Limited 20/F Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong

(16) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) 8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong; (ii) on the website of the SFC at www.sfc.hk; and (iii) on the website of the Company at <http://www.i-cablecomm.com>, during normal business hours from the date of this circular up to and including the date of the GM:

- (a) the articles of association of the Company;
- (b) the articles of association of the Underwriter;
- (c) the letter from the Board to the Shareholders, the text of which is set out on pages 16 to 56 of this circular;
- (d) the letters from the Independent Board Committees to the Independent Shareholders, the text of which is set out on pages 57 to 60 of this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders, the text of which is set out on pages 61 to 106 of this circular;
- (f) the written consents referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (g) the annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017;
- (h) the interim report of the Company for the six months ended 30 June 2018;
- (i) the letter from PricewaterhouseCoopers dated 20 December 2018 in respect of the unaudited pro forma financial information on the Group, the text of which is set out in Appendix II to this circular;
- (j) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

- (k) the Undertaking Letter;
- (l) the Directors' appointment letters as referred to in the paragraph headed "(9) Director Service Contracts" in this appendix; and
- (m) this circular.

NOTICE OF GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, 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 notice.



i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of i-CABLE Communications Limited (the “**Company**”) will be held at 3:00 p.m. on Wednesday, 9 January 2019 at Concord Room, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 20 December 2018 (the “**Circular**”)):

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the issue by way of rights of no more than 6,345,620,156 and no less than 6,206,020,156 new shares of the Company (“**Rights Shares**”) by way of Rights Issue (the “**Rights Issue**”) at HK\$0.109 per Rights Share on the basis of every one (1) existing Share for every one (1) Rights Share held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on 21 January 2019 (or such other date as may be determined by the directors of the Company (“**Directors**”)) (the “**Record Date**”) other than those shareholders (the “**Non-Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the circular of the Company dated 20 December 2018 (a copy of which marked “A” is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and such other terms

NOTICE OF GENERAL MEETING

and conditions as may be determined by the Directors, be and is hereby approved and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document, and the placing agreement dated 20 December 2018 entered into between the Company and the Bookrunner (“**Placing Agreement**”) in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares at the placing price of at least equal to the total of the Subscription Price and the estimated expenses per Unsubscribed Rights Share or NQS Unsold Rights Share on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

- (b) the board of Directors (the “**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (c) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the entering into of the underwriting agreement dated 9 November 2018 between the Company and Forever Top (Asia) Limited in relation to the Rights Issue (the “**Underwriting Agreement**”) and the transaction contemplated thereunder (a copy of the Underwriting Agreement marked “C” is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by Forever Top (Asia) Limited) be and are hereby approved, confirmed and ratified; and
- (b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate,

NOTICE OF GENERAL MEETING

desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Underwriting Agreement and the transactions contemplated thereunder.”

SPECIAL RESOLUTION

3. “**THAT:**

- (a) Subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the granting of a waiver to Controlling Shareholder of any obligation to make a general offer under the Code on Takeovers and Mergers for all the issued shares of the Company (other than those owned or agreed to be acquired by Controlling Shareholder and parties acting in concert with any of them) as a result of the taking up any the Underwritten Shares pursuant to the Underwriting Agreement (the “**Whitewash Waiver**”) be and is hereby approved; and
- (b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

By Order of the Board
i-CABLE COMMUNICATIONS LIMITED
Kwok Chi Kin
Company Secretary

Hong Kong, 20 December 2018

Registered office:

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

NOTICE OF GENERAL MEETING

- (3) In order to be valid, the form of proxy 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 deposited with the share registrars of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
- (4) The register of members of the Company will be closed from Thursday, 3 January 2019 to Wednesday, 9 January 2019 (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 2 January 2019 for registration.
- (5) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting 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 revoke.
- (6) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the Board comprises ten Directors, namely Tan Sri Dato' David Chiu (Chairman), Dr. Cheng Kar-Shun, Henry (Vice-chairman), Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr, Hoong Cheong Thard as non-executive Directors, Mr. Andrew Wah Wai Chiu as an executive Director, and Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman as an independent non-executive Directors.