
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Proposal, the Scheme or the Option Offer, this Scheme Document, the accompanying forms of proxy and/or (if applicable) Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in the Company, you should at once hand this Scheme Document, the accompanying forms of proxy and/or (if applicable) Form of Acceptance to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, the accompanying forms of proxy and Form of Acceptance, make no representation as to their 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 Scheme Document, the accompanying forms of proxy and Form of Acceptance.

LuxOrigo Investment Limited

(a company incorporated in the British Virgin Islands
with limited liability)



A8 New Media Group Limited

A8新媒體集團有限公司

(a company incorporated in the Cayman
Islands with limited liability)

(Stock code: 800)

**(1) PROPOSAL FOR THE PRIVATISATION OF
A8 NEW MEDIA GROUP LIMITED
BY LUXORIGO INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
A8 NEW MEDIA GROUP LIMITED**

Financial Adviser to the Offeror



Gram Capital Limited
嘉林資本有限公司

Independent Financial Adviser to the Independent Board Committee



綽耀資本
REDSOLAR

Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal, the Scheme and the Option Offer is set out in Part V of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer is set out in Part VI of this Scheme Document. The Explanatory Memorandum is set out in Part VII of this Scheme Document. The actions to be taken by the Shareholders and the Option Holders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 23 August 2024 at 10:00 a.m. and 10:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or been adjourned) respectively are set out in Appendix V and Appendix VI of this Scheme Document respectively. Whether or not you are able to attend any of the Meetings or any adjournment(s) thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting and the enclosed **WHITE** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to deposit them at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated under Part II — Actions to be Taken of this Scheme Document. If the **PINK** form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. If the **WHITE** form of proxy is not so lodged at least 48 hours before the time appointed for the EGM, it will not be valid. Completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant Meeting. In such event, the returned form of proxy will be revoked by operation of law.

This Scheme Document is jointly issued by the Company and the Offeror.

The English language text of this Scheme Document shall prevail over the Chinese language text.

29 July 2024

CONTENTS

		<i>Page</i>
PART I	— DEFINITIONS	1
PART II	— ACTIONS TO BE TAKEN	8
PART III	— EXPECTED TIMETABLE	13
PART IV	— LETTER FROM THE BOARD	17
PART V	— LETTER FROM THE INDEPENDENT BOARD COMMITTEE	26
PART VI	— LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	29
PART VII	— EXPLANATORY MEMORANDUM	75
APPENDIX I	— FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II	— PROPERTY VALUATION REPORT	II-1
APPENDIX III	— GENERAL INFORMATION	III-1
APPENDIX IV	— THE SCHEME	IV-1
APPENDIX V	— NOTICE OF COURT MEETING	V-1
APPENDIX VI	— NOTICE OF EXTRAORDINARY GENERAL MEETING	VI-1
APPENDIX VII	— FORM OF OPTION OFFER LETTER	VII-1

In this Scheme Document, the following words and expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Announcement”	the announcement dated 12 June 2024 jointly issued by the Company and the Offeror in relation to, among other things, the Proposal, the Scheme and the Option Offer
“Applicable Laws”	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgements, decrees, orders or notices of any Authority that is applicable to such person
“Approvals”	licenses, approvals, permits, consents, permissions, clearances and registrations
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authority”	any relevant government, administrative or regulatory body, or court, tribunal, arbitrator or governmental agency or authority or department (including any relevant securities exchange) and whether supranational, national, regional or local
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$0.36 per Scheme Share
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities and Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as consolidated and revised from time to time
“Company”	A8 New Media Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

“Condition(s)”	the condition(s) for the implementation of the Proposal as set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document
“Court Hearing”	the hearing of the petition by the Grand Court for the sanction of the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court to be held at 10:00 a.m. on Friday, 23 August 2024 at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, approving the Scheme and any adjournment thereof
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with the Companies Act and the Conditions
“EGM”	an extraordinary general meeting of the Company to be convened and held in accordance with the Company’s memorandum and articles of association at 10:30 a.m. on Friday, 23 August 2024 (or, if later, immediately after the Court Meeting has been concluded or adjourned) at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of passing all necessary resolution(s) for, among other things, the implementation of the Proposal or any adjournment thereof
“Ever Novel”	Ever Novel Holdings Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“Explanatory Memorandum”	the explanatory memorandum set out in Part VII of the Scheme Document
“Form(s) of Acceptance”	the form(s) of acceptance despatched to Option Holders in connection with the Option Offer

“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in respect of the Proposal
“Grand Court”	the Grand Court of the Cayman Islands
“Grand Idea”	Grand Idea Holdings Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin
“Independent Financial Adviser” or “Red Solar”	Red Solar Capital Limited, a corporation licensed to carry out 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 Company upon the approval by the Independent Board Committee to advise the Independent Board Committee on the Proposal, the Scheme and the Option Offer
“Independent Shareholders”	all Shareholders, other than the Offeror and the Offeror Concert Parties
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Last Trading Day”	27 May 2024, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Announcement

“Latest Option Exercise Date”	Monday, 26 August 2024, being the expected latest date upon which holders must lodge notices of exercise (accompanied by full payment of the exercise price) of their Share Options to exercise the Share Options in accordance with the terms of the Share Option Schemes (as applicable) in order to qualify for entitlements under the Scheme
“Latest Practicable Date”	26 July 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	31 May 2025 (or any other date as may be agreed by the Offeror and the Company and as consented by the Executive)
“Meeting(s)”	the Court Meeting and the EGM or either of them, as the case may be
“Meeting Record Date”	Friday, 23 August 2024, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM
“Mr. Liu”	Mr. Liu Xiaosong, the executive Director and the chairman of the Board
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 12 June 2024, being the date of the Announcement
“Offeror”	LuxOrigo Investment Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Offeror Concert Party(ies)”	persons acting, or presumed to be acting, in concert with Mr. Liu or the Offeror (including but not limited to the Offeror Concert Parties Not Subject to the Scheme and Offeror Concert Parties Subject to the Scheme)
“Offeror Concert Parties Not Subject to the Scheme”	Mr. Liu, Ever Novel, Prime Century and Grand Idea

“Offeror Concert Parties Subject to the Scheme”	Mr. Liu Xiaofeng and Ms. Huang Qianqian
“Option Holder(s)”	holder(s) of the Share Option(s)
“Option Offer”	the offer made by the Offeror to the Option Holders (other than Mr. Liu) for the cancellation of the Share Options, conditional upon the Scheme becoming effective
“Option Offer Letter”	the letter to the Option Holders setting out the terms and conditions of the Option Offer sent separately to the Option Holders and substantially in the form set out in Appendix VII to this Scheme Document
“Option Offer Price”	in relation to any outstanding Share Option, the price at which the Option Offer will be made
“Other CCASS Participant”	a person admitted to participate in CCASS other than an Investor Participant
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Prime Century”	Prime Century Technology Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the Conditions as described in this Scheme Document
“Record Date”	Friday, 20 September 2024 or such other time and date as shall have been announced to the Shareholders and Option Holders, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme and the Option Holders under the Option Offer
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Registered Owner”	any owner of Shares (including, without limitation, a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company

“Registrar of Companies”	the Registrar of Companies (including any deputy registrar or associate registrar or similar) appointed under the Companies Act in the Cayman Islands
“Relevant Period”	the period commencing on 12 December 2023, being that date that falls six months prior to the date of the Announcement, and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the scheme of arrangement to be proposed under section 86 of the Companies Act between the Company and the Scheme Shareholders for the implementation of the Proposal, involving, among other things, the cancellation of all the Scheme Shares in exchange for the Cancellation Price
“Scheme Document”	this composite scheme document of the Company and the Offeror issued to all Shareholders containing, inter alia, further details of the Proposal, a letter from the Board, a letter of advice from the Independent Financial Adviser, the recommendations of the Independent Board Committee, notices to convene the Court Meeting and the EGM together with forms of proxy in relation thereto, a form of the letter to the Option Holders and a form of acceptance for the Option Offer
“Scheme Share(s)”	Share(s) other than those held by Offeror Concert Parties Not Subject to the Scheme
“Scheme Shareholder(s)”	the registered holders of the Scheme Shares as at the Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Share Option(s)”	share option(s) granted under the Share Option Schemes from time to time. As at the Latest Practicable Date, there are outstanding Share Options exercisable into 12,570,408 Shares

“Share Option Schemes”	the “Pre-IPO Share Option Scheme” and the “2008 Share Option Scheme” adopted by the Company in 2008 and the share option scheme of the Company adopted on 29 May 2018
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended and supplemented from time to time
“trading day”	a day on which the Stock Exchange is open for dealing or trading in securities
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 19 August 2024. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the EGM are enclosed with this Scheme Document. Subsequent purchasers of Shares to be voted at the Court Meeting or the EGM will need to obtain a form of proxy from the transferor.

Whether or not you are able to attend any of the Meetings or any adjournment(s) thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **WHITE** form of proxy in respect of the EGM in accordance with the instructions printed thereon, and to deposit them at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **PINK** form of proxy for use at the Court Meeting must be lodged no later than 10:00 a.m. on Wednesday, 21 August 2024 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it); and
- the **WHITE** form of proxy for use at the EGM must be lodged no later than 10:30 a.m. on Wednesday, 21 August 2024, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant Meeting. In such event, the returned form of proxy will be revoked by operation of law.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM, if, among other things, the resolutions are passed by the requisite majorities of the Independent Shareholders or the Scheme Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM on Friday, 23 August 2024 by no later than 7:00 p.m. If all of the resolutions are passed at those Meetings, further announcement(s) will be made in relation to, among other things, the outcome of the Court Hearing and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange, in accordance with the requirements of the Takeovers Code and the Listing Rules.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST

The Company will not recognise any person as holding any Shares through any trust.

If you are a Beneficial Owner whose Share(s) are held upon trust by, and registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and give instructions to and/or to make arrangements with the Registered Owner as to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete his/her forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the memorandum and articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Share(s) are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such Other CCASS Participants if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the EGM; or
- (b) become a Registered Owner as at the Meeting Record Date and thereby have the right to attend and vote at the Court Meeting and/or the EGM (as appropriate) by withdrawing any or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s). For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the Court Meeting and/or the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name.

The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

ACTIONS TO BE TAKEN BY OPTION HOLDERS

The Option Offer Letter is being sent to each Option Holder, together with this Scheme Document and a Form of Acceptance. If you are an Option Holder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance together with the relevant certificate(s), document(s) of title or entitlement in respect of the Share Options and/or any other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of the Share Option to the Company at 25/F, A8 Music Building, No. 1002, Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen, Guangdong Province, the PRC by no later than 4:30 p.m. on Friday, 20 September 2024 (or such later date and time as may be notified to you by the Offeror and the Company or by way of joint

announcement by the Offeror and the Company on the website of the Stock Exchange). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Share Options or any other document will be given. Under the Option Offer, the Offeror is offering the Option Holders (other than Mr. Liu) the Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) for each outstanding Share Option (other than those held by Mr. Liu). Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Option Offer Price will be a nominal amount of HK\$0.01 per outstanding Share Option.

Apart from accepting the Option Offer, in summary, the choices available to you, as an Option Holder, in respect of your Share Option(s) are:

- (a) you may in accordance with the terms of the Share Option Schemes, exercise, all of your outstanding vested Share Option(s) (to the extent not already exercised) to its full extent or to the extent specified in your notice of exercise of Share Options at any time up to the Latest Option Exercise Date. Option Holders who exercise their Share Option at or before 4:30 p.m. on Tuesday, 13 August 2024 will be entitled to attend and vote at the Court Meeting and the EGM. Any Share issued as a result of the exercise of such Share Option(s) as mentioned above, conditional on the passing of the resolutions to be proposed at the Court Meeting and the EGM to approve the Scheme, will be subject to and eligible to participate in the Scheme;
- (b) you may reject the Option Offer in accordance with its terms, as set out in the Option Offer Letter and in the Scheme Document, and tick the “Reject” box on the Form of Acceptance and return it in accordance with the instructions therein. If you reject the Option Offer, you will not be entitled to receive the Option Offer Price in respect of any of your Share Options if the Scheme becomes effective. If you reject the Option Offer and do not exercise all of your outstanding vested Share Option(s) (to the extent not already exercised) on or before the Latest Option Exercise Date, and the Scheme becomes effective, your Share Options will lapse automatically on the Effective Date and you will receive neither the Option Offer Price nor the Cancellation Price; or
- (c) do nothing, in which case, conditional on the passing of the resolutions to be proposed at the Court Meeting and the EGM to approve the Scheme, and the Scheme becoming effective, your Share Options will lapse automatically on the Effective Date, and you will receive neither the Option Offer Price nor the Cancellation Price.

All Share Options will lapse automatically and not be exercisable (to the extent not already exercised) on the Effective Date.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VII to this Scheme Document.

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the EGM.

If you are a Registered Owner holding Share(s) on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you keep any Share(s) in a share lending programme, you are encouraged to recall any outstanding Shares on loan prior to the Meeting Record Date to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Share(s) are deposited in CCASS, you are strongly encouraged to provide your broker, custodian, nominee or other relevant person without delay with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Share(s) should be voted at the Court Meeting and/or at the EGM, and/or withdraw some or all of your Share(s) from CCASS and become a Registered Owner of such Shares and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the EGM.

IF APPROVED AND IMPLEMENTED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

PETITION HEARING IN THE GRAND COURT

SCHEME SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SCHEME SHARES WHO GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE WHICH SUBSEQUENTLY VOTED AT THE COURT MEETING) ARE ENTITLED BUT NOT OBLIGED TO ATTEND AND BE HEARD AT THE HEARING OF THE PETITION IN THE GRAND COURT TO SANCTION THE SCHEME WHICH IS EXPECTED TO BE ON TUESDAY, 17 SEPTEMBER 2024.

The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable. Unless otherwise specified, all times and dates refer to Hong Kong local dates and times.

**Hong Kong time
(unless otherwise specified)**

Despatch of this Scheme Document and the Option Offer Letter	Monday, 29 July 2024
Latest time for Option Holders to lodge notices of exercise (accompanied by full payment of the exercise price) of their Share Options in order to become entitled to attend and vote at the Court Meeting and the EGM (<i>Note 1</i>)	4:30 p.m. on Tuesday, 13 August 2024
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and the EGM	4:30 p.m. on Monday, 19 August 2024
Register of members of the Company closed for determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and entitlements of the Shareholders to attend and vote at the EGM (<i>Note 2</i>)	Tuesday, 20 August 2024 to Friday, 23 August 2024 (both days inclusive)
Latest time for lodging PINK forms of proxy in respect of Court Meeting (<i>Note 3</i>)	10:00 a.m. on Wednesday, 21 August 2024 (or be handed directly to the chairman of the Court Meeting at the Court Meeting)
Latest time for lodging WHITE forms of proxy in respect of EGM (<i>Note 3</i>)	10:30 a.m. on Wednesday, 21 August 2024
Meeting Record Date	Friday, 23 August 2024
Court Meeting (<i>Note 4</i>)	10:00 a.m. on Friday, 23 August 2024

**Hong Kong time
(unless otherwise specified)**

EGM (<i>Note 4</i>).....	10:30 a.m. on Friday, 23 August 2024 (or, if later, immediately after the conclusion or adjournment of the Court Meeting) (Hong Kong time)
Announcement of the results of the Meetings	no later than 7:00 p.m. on Friday, 23 August 2024
Latest Option Exercise Date (<i>Note 1 and 5</i>).....	Monday, 26 August 2024
Expected last time for trading in the Shares on the Stock Exchange	4:10 p.m. on Monday, 26 August 2024
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme.....	4:30 p.m. on Thursday, 12 September 2024
Register of members of the Company closed for determining entitlements of the Scheme Shareholders under the Scheme (<i>Note 6</i>).....	From Friday, 13 September 2024 onwards
Court Hearing.....	Tuesday, 17 September 2024 (Cayman Islands time)
Announcement of the results of the Court Hearing, the expected Effective Date, and the expected date of withdrawal of the listing of the Shares on the Stock Exchange	no later than 8:30 a.m. on Thursday, 19 September 2024
Latest time and date for lodging the Form of Acceptance in relation to the Option Offer (<i>Notes 7 and 13</i>)	4:30 p.m. on Friday, 20 September 2024
Record Date (<i>Note 13</i>).....	Friday, 20 September 2024
Effective Date and effective date of the Option Offer (<i>Notes 8 and 13</i>)	Friday, 20 September 2024 (Cayman Islands time)

**Hong Kong time
(unless otherwise specified)**

Lapse of all Share Options (<i>Note 9</i>)	Friday, 20 September 2024
Announcement of the Effective Date, the results of the Option Offer and the withdrawal of the listing of the Shares on the Stock Exchange (<i>Note 13</i>)	no later than 8:30 a.m. on Monday, 23 September 2024
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective (<i>Note 10</i>)	4:00 p.m. on Tuesday, 24 September 2024
Latest time for posting of remittances for the amounts due under the Scheme, and for acceptance under the Option Offer in respect of the Share Options that have not lapsed as at the Record Date but in respect of which the underlying Shares have not been registered in the name of the relevant holder (or its nominee) as at the Record Date (<i>Notes 11 and 13</i>)	on or before Wednesday, 2 October 2024

Notes:

1. These denote the latest dates, which are based on the time estimated by the Company to complete the required processes to issue the underlying Shares before the Meeting Record Date or the Record Date (as the case may be). Option Holders who exercise their Share Option after 4:30 p.m. on Tuesday, 13 August 2024 will not be entitled to attend and vote at the Court Meeting and the EGM. Option Holders who do not exercise their Share Options on or before the Latest Option Exercise Date will not be able to exercise their Share Options in time to qualify as Scheme Shareholders for entitlements under the Scheme, and such Option Holders will only be entitled to the Option Offer.
2. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM. This book closure period is not for determining the entitlements under the Scheme.
3. Forms of proxy should be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated above. In the case of the **PINK** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). If the **WHITE** form of proxy is not lodged at least 48 hours before the time appointed for the EGM, it will not be valid. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Shareholder from attending and voting at the relevant Meeting or any adjournment thereof in person. In such event, the relevant form of proxy will be revoked by operation of law.
4. The Court Meeting and the EGM will be held at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong at the times and dates specified above. Please refer to the notice of Court Meeting set out in Appendix V of this Scheme Document and the notice of EGM set out in Appendix VI of this Scheme Document for details.

5. If the Option Holders wish to qualify for entitlements under the Scheme, they must exercise their Share Options and lodge their notices of exercise before the time specified above on the Latest Option Exercise Date and, subject to the customary process for allotment and issue of Shares by the Company, become registered holders of the Shares by the time of the Record Date.
6. The register of members of the Company will be closed as from such time and on such date for the purpose of determining the entitlements under the Scheme.
7. Forms of Acceptance, duly completed in accordance with the instructions on them, must be lodged with the Company at 25/F, A8 Music Building, No. 1002, Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen, Guangdong Province, the PRC by no later than 4:30 p.m. on Friday, 20 September 2024 (or such later date and time as may be notified to you by the Offeror and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).
8. The Scheme will become effective upon the fulfilment or waiver (as applicable) of all of the Conditions to the Proposal as set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.
9. Pursuant to the terms of the Share Option Schemes, all Share Options shall automatically lapse upon the Scheme becoming effective.
10. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Tuesday, 24 September 2024.
11. Cheques for cash entitlements to the Scheme Shareholders under the Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company no later than seven business days (as defined in the Takeovers Code) after the Effective Date. Payments in respect of the Option Offer Price will be made to the Company as the agent of the Option Holders, by cheque(s), or at the election of the Offeror, by wire transfer no later than seven business days (as defined in the Takeovers Code) after the Effective Date. The Company will make payments in respect of the Option Offer Price to the respective Option Holders by wire transfer.
12. If a tropical cyclone warning signal No. 8 or above or “extreme conditions” is hoisted or a black rainstorm warning signal is in force at any time after 8:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be adjourned or postponed in accordance with the articles of association of the Company. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the date, time and venue of the rescheduled meetings.
13. If a tropical cyclone warning signal No. 8 or above or “extreme conditions” is hoisted or a black rainstorm warning signal is in force at any time from 12:00 noon on the day, the specified deadline (the “**Key Deadline**”), including the postponed Key Deadline, shall be postponed to the next business day (as defined in the Takeovers Code). In addition, timing requirements defined with reference to the relevant Key Deadline under the Takeovers Code would be adjusted accordingly. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to update the revised timetable as soon as practicable if the aforesaid timetable is to be postponed as a result of severe weather.



A8 New Media Group Limited

A8新媒體集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 800)

Executive Directors:

Mr. Liu Xiaosong (*Chairman*)
Mr. Ji Bo

Independent non-executive Directors:

Mr. Chan Yiu Kwong
Ms. Wu Shihong
Mr. Gao Shenglin

Registered address:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of
business in Hong Kong:*

Suites 2703, 27/F
Shui on Centre
6-8 Harbour Road
Wanchai
Hong Kong

29 July 2024

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION
OF A8 NEW MEDIA GROUP LIMITED
BY LUXORIGO INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
A8 NEW MEDIA GROUP LIMITED**

INTRODUCTION

On 27 May 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme, which, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares, under section 86 of the Companies Act.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and in particular the Scheme, and to give you notices of the Court Meeting and the EGM, together with the forms of proxy in relation thereto. Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV of this Scheme Document.

TERMS OF THE PROPOSAL

The Scheme

Under the Proposal, upon fulfilment or waiver (as applicable) of the Conditions and subject to the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.36 payable by the Offeror to the Scheme Shareholders for every Scheme Share.

Your attention is drawn to the section headed “2. Terms of the Proposal — The Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Comparison of value

Your attention is drawn to the section headed “2. Terms of the Proposal — Comparison of value” in Part VII — Explanatory Memorandum of this Scheme Document.

Highest and lowest prices

Your attention is drawn to the section headed “2. Terms of the Proposal — Highest and lowest prices” in Part VII — Explanatory Memorandum of this Scheme Document.

Basis for determining the Cancellation Price

Your attention is drawn to the section headed “2. Terms of the Proposal — Basis for determining the Cancellation Price” in Part VII — Explanatory Memorandum of this Scheme Document.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Option Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Dividend payment by the Company

Your attention is drawn to the section headed “2. Terms of the Proposal — Dividend payment by the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

The Option Offer

The Offeror is making an offer to the Option Holders (other than Mr. Liu) at the Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash to cancel all outstanding Share Options (other than those held by Mr. Liu) which has not been lapsed on the Record Date in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective.

Your attention is drawn to the section headed “2. Terms of the Proposal — The Option Offer” in Part VII — Explanatory Memorandum of this Scheme Document.

Settlement of the Option Offer Price to which any Option Holder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Option Holder.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

The Offeror has appointed Gram Capital as its financial adviser in connection with the Proposal.

Your attention is drawn to the section headed “2. Terms of the Proposal — Total consideration and financial resources” in Part VII — Explanatory Memorandum of this Scheme Document.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal is conditional upon the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

When all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders regardless of how (or whether) they voted at the Court Meeting or EGM.

CONDITIONS OF THE OPTION OFFER

The Option Offer is conditional upon fulfilment or waiver (as applicable) of the Conditions set out in the section headed “4. Conditions of the Option Offer” in Part VII — Explanatory Memorandum of this Scheme Document.

Warning: Shareholders, Option Holders and/or potential investors should be aware that the implementation of the Proposal, the Scheme or the Option Offer is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal, the Scheme and the Option Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, Option Holders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

Your attention is drawn to the section headed “5. Shareholding Structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

SHARE OPTIONS

Your attention is drawn to the section headed “6. Share Options” in Part VII — Explanatory Memorandum of this Scheme Document.

INFORMATION ON THE GROUP

Your attention is drawn to the section headed “7. Information on the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “8. Information on the Offeror” in Part VII — Explanatory Memorandum of this Scheme Document.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “9. Reasons for and Benefits of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document.

FINANCIAL ADVISER, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed Gram Capital to act as its financial adviser in connection with the Proposal.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee is required to comprise all non-executive Directors who have no direct or indirect interest in the Proposal, the Scheme and the Option Offer other than as Shareholders and/or Option Holders.

Accordingly, an Independent Board Committee, which comprises all independent non-executive Directors, namely, Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin, has been established by the Board to make recommendation (i) to the Independent Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable and as to voting; and (ii) to the Option Holders as to whether the Option Offer is fair and reasonable and its views on acceptance of the Option Offer. As at the Latest Practicable Date, 1,100,000 outstanding Share Options are held by Mr. Chan Yiu Kwong and 900,000 outstanding Share Options are held by Ms. Wu Shihong. The exercise of the outstanding Share Options in full by Mr. Chan Yiu Kwong and Ms. Wu Shihong on or before the Record Date will result in the issue of 2,000,000 new Shares in total (representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.07% of the issued share capital of the Company as enlarged by issue of such new Shares) to them. As at the Latest Practicable Date, each of Mr. Chan Yiu Kwong and Ms. Wu Shihong has indicated that he/she will not exercise any outstanding Share Options.

The Board, with the approval of the Independent Board Committee, has appointed Red Solar Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme and the Option Holders to accept the Option Offer.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme and the Option Holders to accept the Option Offer.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Option Offer is set out in Part V of this Scheme Document.

INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to the section headed “10. Intention of the Offeror with Regard to the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

The Board is pleased to note that:

- (a) following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current businesses (i.e. property investment and cultural businesses);
- (b) the Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group;
- (c) the Offeror will continue to monitor the Group’s performance and implement appropriate strategies for the Group and its business; and
- (d) The Offeror does not intend to continue the listing of the Shares on the Stock Exchange.

ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “Actions to be Taken” set out in Part II of this Scheme Document.

THE MEETINGS

In accordance with the directions of the Grand Court, the Court Meeting will be held at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 23 August 2024 at 10:00 a.m. The EGM will be held at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 23 August 2024 at 10:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or been adjourned).

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “14. Court Meeting and EGM” in Part VII — Explanatory Memorandum of this Scheme Document, Part II — Actions to be Taken of this Scheme Document, the notice of Court Meeting in Appendix V of this Scheme Document and the notice of EGM in Appendix VI of this Scheme Document.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being simultaneously issued and credited as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

If the Scheme is not approved or does not become effective, or the Proposal otherwise lapses or is withdrawn, the listing of the Shares on the Stock Exchange will not be withdrawn. The shareholding structure of the Offeror will remain unchanged as compared to the Latest Practicable Date and the public float of the Company is expected to be sufficient. As the Option Offer is conditional upon the Scheme becoming effective, the Option Offer will lapse if the Scheme is not approved or does not become effective.

If the Scheme is not approved or otherwise lapses or is withdrawn, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or otherwise lapses or is withdrawn announce an offer or possible offer for the Company, except with the consent of the Executive.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “17. Registration and Payment” in Part VII — Explanatory Memorandum of this Scheme Document.

OVERSEAS SHAREHOLDERS

Your attention is drawn to the section headed “19. Overseas Shareholders” in Part VII — Explanatory Memorandum of this Scheme Document.

TAXATION ADVICE

Your attention is drawn to the section headed “20. Taxation Advice” in Part VII — Explanatory Memorandum of this Scheme Document.

COSTS OF THE SCHEME

Your attention is drawn to the section headed “21. Costs of the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

GENERAL

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “5. Shareholding Structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document, none of Mr. Liu, the Offeror or the Offeror Concert Parties owned or had control or direction over any voting rights and rights over Shares;
- (b) save as the 10,529,000 Share Options held by Mr. Liu, there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by Mr. Liu, the Offeror and the Offeror Concert Parties;
- (c) Mr. Liu, the Offeror and the Offeror Concert Parties had not received any irrevocable commitment to vote for or against the Scheme and/or to accept the Option Offer;
- (d) Mr. Liu, the Offeror and the Offeror Concert Parties had not entered into any derivative in respect of the securities in the Company;
- (e) there is no agreement or arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of the Offeror or any Offeror Concert Parties which might be material to the Proposal;
- (f) there is no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which Mr. Liu, the Offeror may or may not invoke or seek to invoke a Condition to the Proposal;
- (g) there is no understanding, arrangement or agreement which constitutes a “special deal” (as defined in Rule 25 of the Takeovers Code) between any Shareholder, on the one hand, and (i) Mr. Liu, the Offeror, any Offeror Concert Party; or (ii) the Company or any of the subsidiaries or associated companies of the Company, on the other hand; and
- (h) save for the Cancellation Price payable under the Scheme, Mr. Liu, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the cancellation and extinguishment of the Scheme Shares.

RECOMMENDATIONS

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer as set out in the letter from the Independent Board Committee in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Option Offer as set out in the letter from the Independent Financial Adviser in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal, the Scheme and the Option Offer.

FURTHER INFORMATION

You are urged to read carefully:

- (a) the letter from the Independent Board Committee set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document;
- (c) the Explanatory Memorandum set out in Part VII of this Scheme Document;
- (d) the appendices of this Scheme Document, including the Scheme set out in Appendix IV and the property valuation report set out in Appendix II of this Scheme Document;
- (e) the notice of Court Meeting set out in Appendix V of this Scheme Document;
- (f) the notice of EGM set out in Appendix VI of this Scheme Document;
- (g) the Option Offer Letter set out in Appendix VII of this Scheme Document;
- (h) the **PINK** form of proxy in respect of the Court Meeting as enclosed with this Scheme Document;
- (i) the **WHITE** form of proxy in respect of the EGM as enclosed with this Scheme Document; and
- (j) the Form of Acceptance as enclosed with this Scheme Document.

Yours faithfully,
For and on behalf of
A8 New Media Group Limited
Liu Xiaosong
Chairman & Executive Director

**A8 New Media Group Limited****A8新媒體集團有限公司***(a company incorporated in the Cayman
Islands with limited liability)***(Stock code: 800)**

29 July 2024

To the Independent Shareholders and the Option Holders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION
OF A8 NEW MEDIA GROUP LIMITED
BY LUXORIGO INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT OF
THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
A8 NEW MEDIA GROUP LIMITED**

We refer to the scheme document (the “**Scheme Document**”) dated 29 July 2024 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation (i) to the Independent Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM and (ii) to the Option Holders as to whether the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer.

Red Solar Capital Limited, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Proposal, the Scheme and the Option Offer.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Memorandum as set out in Part VII of the Scheme Document.

Having considered the followings, including:

(A) terms of the Proposal, the Scheme and the Option Offer, in particular the Cancellation Price and Option Offer Price being fair and reasonable after considering:

- the Cancellation Price was above the daily closing prices of the Shares during the entire period from 2 May 2023 to the Latest Practicable Date (the “**IBC Review Period**”) and represented significant premiums over the highest, lowest and average closing price of the Shares during the period from 2 May 2023 to 12 June 2024;
- the trading liquidity of the Shares has been very low on the Stock Exchange during the IBC Review Period, and the Proposal provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Cancellation Price;
- the price-to-earnings ratio and price-to-book ratio of the Company implied by the Cancellation Price are significantly above those of the Comparable Company (as defined in the letter from the Independent Financial Adviser);
- the premiums represented by the Cancellation Price over all types of comparisons (i.e. last trading day, 5-day, 10-day, 30-day and 90-day) are all above the ranges of, and are more favourable than, those of the Privatisation Precedents (as defined in the letter from the Independent Financial Adviser);
- although the Cancellation Price represented a discount to the NAV per Share as at 31 December 2023, it is noted that (i) the daily closing prices of the Shares were lower than the latest available NAV per Share as at such trading day during the IBC Review Period; (ii) the Comparable Company’s shares were traded at discounts to their net assets as at the Last Trading Day; and (iii) all other factors and analysis discussed above; and
- the Option Offer Price is based on the “see-through” principle and premised on the Cancellation Price, and

(B) the advice and recommendation of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser,

we consider that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned.

Accordingly, we recommend:

- (a) at the Court Meeting, the Independent Shareholders to vote in favour of the resolution to approve the Scheme; and
- (b) at the EGM, the Shareholders to vote in favour of the following resolutions:
 - (i) the special resolution to approve any reduction of the issued share capital of the Company as a result of the cancellation of the Scheme Shares;
 - (ii) the ordinary resolution to approve, subject to and simultaneously with the cancellation of the Scheme Shares, the maintenance of the issued share capital of the Company by the issuance at par value to the Offeror, credited as fully paid, of such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme and the application of the credit arising in the books of account of the Company resulting from the cancellation of the Scheme Shares in paying up in full at par the new Shares allotted and issued to the Offeror; and
 - (iii) the authorisation of the Directors to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Proposal and Scheme.
- (c) the Option Holders to accept the Option Offer.

Yours faithfully,

For and on behalf of

THE INDEPENDENT BOARD COMMITTEE

Mr. Chan Yiu Kwong

Independent non-executive Director

Ms. Wu Shihong

Independent non-executive Director

Mr. Gao Shenglin

Independent non-executive Director

The following is the full text of the letter from Red Solar Capital Limited, the Independent Financial Adviser, to the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer, for the purpose of inclusion in this Scheme Document.



Unit 402B, 4/F
China Insurance Group Building
No.141 Des Voeux Road Central
Central, Hong Kong

29 July 2024

*To: The Independent Board Committee of
A8 New Media Group Limited*

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF
A8 NEW MEDIA GROUP LIMITED
BY LUXORIGO INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
(2) PROPOSED WITHDRAWAL OF LISTING OF
A8 NEW MEDIA GROUP LIMITED**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer. Details of the Proposal, the Scheme and the Option Offer are set out in the Explanatory Memorandum of the Scheme Document dated 29 July 2024 jointly issued by the Offeror and the Company, of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

Reference is made to the joint announcement by the Offeror and the Company dated 12 June 2024 (the “**Joint Announcement**”) in which the Offeror and the Company jointly announced that, among other things, on 27 May 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme, which, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares, under section 86 of the Companies Act.

If the Proposal is approved and implemented, under the Scheme,

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in consideration for the Cancellation Price, which will be paid in cash, payable by the Offeror to the Scheme Shareholders for each Scheme Share;
- (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, such that the Offeror and the Offeror Concert Parties Not Subject to the Scheme will in aggregate own 100% of the total number of Shares in issue. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par value the new Shares so issued to the Offeror; and
- (c) upon the Scheme becoming effective, the Company will make an application to the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules for the withdrawal of the listing of the Shares on the Stock Exchange with effect from the Effective Date.

The Offeror will also make an offer to the Option Holders (other than Mr. Liu) at the Option Offer Price (which is the "see-through" price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash to cancel all outstanding Share Options (other than those held by Mr. Liu) which has not been lapsed on the Record Date in accordance with Rule 13 of the Takeovers Code. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the "see-through" price is zero or negative), the Option Offer Price will be a nominal amount of HK\$0.01 per outstanding Share Option.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Option Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

On the basis of the Cancellation Price of HK\$0.36 per Scheme Share and 2,793,498,628 Scheme Shares in issue as at the Latest Practicable Date, the Scheme Shares are in aggregate valued at approximately HK\$313,979,483.

Assuming that none of the outstanding Share Options is exercised and none of the outstanding Share Options lapses before the Record Date, the amount of cash required for the Scheme is approximately HK\$313,979,483, and the amount of cash required for the Option Offer is approximately HK\$25,839, of which (i) 41,408 Share Options with an exercise price of HK\$0.219 shall be cancelled in exchange for the Option Offer Price of HK\$0.141 per Share Option; and (ii) 2,000,000 Share Options with an exercise price of HK\$0.439 shall be cancelled in exchange for the Option Offer Price of HK\$0.01 per Share Option.

The total maximum cash consideration payable under the Proposal and the Option Offer on the basis described above is approximately HK\$314,005,322.

Assuming that all Option Holders (other than Mr. Liu) exercise their outstanding Share Options to become Scheme Shareholders before the Record Date, there will be 874,206,638 Scheme Shares and the maximum amount of cash required for the Scheme is approximately HK\$314,714,390.

Further details of the terms and conditions of the Proposal, the Scheme and the Option Offer, including the procedures for acceptance of the Proposal, the Scheme and the Option Offer, are set out in the Scheme Document.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee is required to comprise all non-executive Directors who have no direct or indirect interest in the Proposal, the Scheme and the Option Offer other than as Shareholders and/or Option Holders.

Accordingly, an Independent Board Committee, which comprises all independent non-executive Directors: Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin, has been established by the Board to make recommendation to (i) the Independent Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable and as to voting; and (ii) to the Option Holders as to whether the Option Offer is fair and reasonable and its views on acceptance of the Option Offer. As at the Latest Practicable Date, 1,100,000 outstanding Share Options are held by Mr. Chan Yiu Kwong and 900,000 outstanding Share Options are held by Ms. Wu Shihong. The exercise of the outstanding Share Options in full by Mr. Chan Yiu Kwong and Ms. Wu Shihong on or before the Record Date will result in the issue of 2,000,000 new Shares in total (representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.07% of the issued share capital of the Company as enlarged by issue of such new Shares) to them. As at the Latest Practicable Date, each of Mr. Chan Yiu Kwong and Ms. Wu Shihong has indicated that he/she will not exercise any outstanding Share Options.

We, Red Solar Capital Limited, have been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee on the Proposal, the Scheme and the Option Offer.

OUR INDEPENDENCE

During the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between us and (i) the Offeror; (ii) the Company; (iii) their respective controlling shareholder(s); (iv) any party acting, or presumed to be acting, in concert with any of the above; nor (v) any company controlled by any of it/them (collectively, the “**Relevant Parties**”). As at the Latest Practicable Date, (i) we did not have any relationship with, or interest in, the Relevant Parties that could reasonably be regarded as relevant to our independence; (ii) we were not in the same group with the financial or other professional

advisers to the Relevant Parties; and (iii) we did not have significant connection, financial or otherwise, with the Relevant Parties within the two years immediately prior to the date of the Joint Announcement and up to the Latest Practicable Date 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 our advice under the Takeovers Code. Apart from the normal advisory fee payable to us by the Company in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Relevant Parties. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Proposal, the Scheme and the Option Offer pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee, we have relied on the accuracy of the information and representations contained in the Scheme Document and have assumed that all information and representations made or referred to in the Scheme Document were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group, including the information and representations contained in the Scheme Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Scheme Document were reasonably made after due enquiry. We considered that we have reviewed sufficient information and documents, including but not limited to (i) the Joint Announcement; (ii) the Scheme Document; (iii) the annual reports of the Company for the year ended 31 December 2022 and 2023, respectively (the “**2022 Annual Report**” and “**2023 Annual Report**”, respectively); (iv) the unaudited consolidated management accounts of the Company from 1 January 2024 to 31 May 2024 (both date inclusive), being the latest practicable date up to which the unaudited consolidated management accounts of the Company have been prepared, (v) other relevant documents in relation to the Proposal, the Scheme and the Option Offer provided by the Company, including but not limited to historical documents, records and calculations; and (vi) relevant market data and information available from public sources to formulate our opinion and recommendation.

We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true, accurate and complete in all material respects and not misleading or deceptive up to the time of the Latest Practicable Date, and there are no other matters the omission of which would make any statement herein or the Scheme Document misleading.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Liu Xiaosong, who accepts full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Scheme Document

(other than those expressed by the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. As at the Latest Practicable Date, the Board comprises Mr. Liu Xiaosong and Mr. Ji Bo as executive directors, and Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin as independent non-executive directors. The Directors jointly and severally accept full responsibility for accuracy of the information contained in the Scheme Document relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the sole director of the Offeror in his capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group, the Independent Shareholders nor the Option Holders as a result of the Proposal, the Scheme and the Option Offer. The Shareholders will be notified of any material changes to facts and circumstances after the Latest Practicable Date as soon as possible. This letter is issued to the Independent Board Committee solely for their consideration of the Proposal, the Scheme and the Option Offer, and, except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Proposal, the Scheme and the Option Offer, we have considered the following principal factors and reasons:

I. Background information of the Group

The Company is an exempted company with limited liability incorporated in the Cayman Islands and the Shares are listed on the Stock Exchange (stock code: 800).

The Company is an investment holding company and the Group is principally engaged in (i) cultural business which mainly includes online literature and film and television production in the PRC; and (ii) property investment which mainly includes the industrial park business with rental income derived from the national music industry base — A8 Music Building in the PRC.

As set out in the 2022 Annual Report and 2023 Annual Report, on 23 December 2022, the Group entered into an equity transfer agreement with the other shareholders of Blueowlgames Limited (“**Blueowlgames**”) and Shanghai Mu77 Network Technology Co., Ltd. (“**Shanghai Mu77**”), pursuant to which the Group agreed to sell its 51% equity interests in Blueowlgames and Shanghai Mu77 at considerations of RMB286,000 and RMB346,000, respectively, to the other shareholders. Blueowlgames and Shanghai Mu77 are principally engaged in game development and game publishing services (collectively referred to as “**Disposed Game Development and Publishing Services**”) and represented a major line of the Group’s business in the cultural business segment for operating segment information and the Disposed Game Development and Publishing Services was regarded as a discontinued operation of the Group. Such disposal is part of the Group’s strategic plan to reallocate its resources to fit its business plan. As set out in the announcement of the Company dated 3 March 2023, the disposal of Blueowlgames and Shanghai Mu77 was completed on even date.

(i) Historical financial performances and positions of the Group

The following tables set out key financial performances and positions of the Group for/as at the end of each of the three years ended 31 December 2023 (the “FY2021”, “FY2022” and “FY2023”, respectively) as extracted from the 2022 Annual Report and the 2023 Annual Report:

	For the FY2023 <i>RMB'000</i> (audited)	For the FY2022 <i>RMB'000</i> (audited)	For the FY2021 <i>RMB'000</i> (audited) (restated)
CONTINUING OPERATIONS			
Revenue	68,578	79,151	80,356
<i>Breakdown by operating segment:</i>			
— <i>Cultural business</i>	402	1,676	2,246
— <i>Property investment</i>	68,176	77,475	78,110
Cost of services provided	(17,623)	(18,255)	(20,204)
Gross profit	50,955	60,896	60,152
Other income and gains, net	39,786	16,901	46,230
Selling and marketing expenses	(9)	(1,870)	(3,075)
Administrative expenses	(22,692)	(23,622)	(20,129)
Other expenses, net	(61,516)	(48,017)	(48,283)
Finance costs	—	—	(670)
Share of profits and losses of associates, net	9,937	5,797	30,307
Profit before tax from continuing operations	16,461	10,085	64,532
Income tax credit/(expense)	5,383	11,922	(3,874)
Profit for the year from continuing operations	21,844	22,007	60,658

	For the FY2023 <i>RMB'000</i> (audited)	For the FY2022 <i>RMB'000</i> (audited)	For the FY2021 <i>RMB'000</i> (audited) (restated)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	2,546	(8,050)	(5,208)
PROFIT FOR THE YEAR	24,390	13,957	55,450
	As at 31 December 2023 <i>RMB'000</i> (audited)	As at 31 December 2022 <i>RMB'000</i> (audited)	As at 31 December 2021 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	108,111	114,301	119,548
Investment properties	378,000	414,000	412,000
Right-of-use assets	11,253	11,576	12,538
Goodwill	—	—	9,278
Intangible assets	774	796	1,172
Investments in associates	294,890	289,487	299,690
Financial assets at fair value through profit or loss	55,908	72,878	101,858
Financial assets at fair value through other comprehensive income	117,443	103,589	150,571
Deferred tax assets	13,389	16,316	235
Total non-current assets	979,768	1,022,943	1,106,890
CURRENT ASSETS			
Inventories	500	503	603
Trade receivables	6,125	7,410	1,061
Prepayments and other receivables	9,499	3,887	5,086
Financial assets at fair value through profit or loss	195,960	20,000	300
Restricted bank balances	65	65	65
Cash and cash equivalents	501,695	608,766	555,390
Assets of a disposal group classified as held for sale	—	552	—
Total current assets	713,844	641,183	562,505

	As at 31 December 2023 RMB'000 (audited)	As at 31 December 2022 RMB'000 (audited)	As at 31 December 2021 RMB'000 (audited)
CURRENT LIABILITIES			
Trade payables	7,022	7,082	7,754
Other payables and accruals	32,622	36,383	51,008
Tax payable	10,164	15,963	18,351
Lease liabilities	—	—	402
Liabilities directly associated with the assets classified as held for sale	—	4,670	—
Total current liabilities	49,808	64,098	77,515
NON-CURRENT LIABILITIES			
Deferred tax liabilities	82,545	88,082	105,895
Lease liabilities	—	—	243
Total non-current liabilities	82,545	88,082	106,138
NET ASSETS	1,561,259	1,511,946	1,485,742

(ii) *Discussions on material fluctuations in the financial performance of the Group*

Comparison between FY2023 and FY2022

Revenue

The Group's revenue decreased by approximately RMB10.57 million, or approximately 13.36%, from approximately RMB79.15 million for the FY2022 to approximately RMB68.58 million for the FY2023. As set out in the 2023 Annual Report, both the Group's revenue from its property investment business and continuing operations of cultural business decreased when comparing FY2023 to FY2022.

In particular, the Group's revenue from its property investment business decreased by approximately RMB9.30 million, or approximately 12.00%, from approximately RMB77.48 million for the FY2022 to approximately RMB68.18 million for the FY2023. It was mainly derived from the rental income and property management service income of the Group's investment property, the A8 Music Building, which is located in the core area of the Greater Bay Area of Shenzhen with a total floor area of 52,500 square meters, integrating office and commercial service functions. The decrease in the Group's revenue from its property investment business for the FY2023 was mainly attributed to the

leasing industry as a whole being severely impacted by the external economic environment, particularly in the PRC. According to the management of the Group, most companies, as tenants or potential tenants, remained relatively cautious about leasing costs and tightened their corporate leasing budgets during the FY2023, while the supply of commercial offices in the market increased during the year on the other hand, pushing up the vacancy rate of commercial buildings and imposing challenges to commercial building landlords. Although the Group took a series of measures to attract and retain tenants, such as offering rent payment by installments, adjusting investment promotion measures, and promoting fully furnished units, etc., the occupancy rate of the A8 Music Building continued to decline steadily during the FY2023.

We have further enquired with the Company and obtained data regarding the occupancy rate and average rent of the A8 Music Building for the FY2021, FY2022, FY2023 and up to 31 May 2024. We noted that the occupancy rate of the A8 Music Building was approximately 92% as at 31 December 2021, equivalent to a vacancy rate of approximately 8%, and the average rent per square meter of then existing tenancy agreements was approximately RMB162.18 on even date. As at 31 December 2022, the occupancy rate of the A8 Music Building fell to approximately 88%, equivalent to a vacancy rate of approximately 12%, and the average rent per square meter of then existing tenancy agreements was approximately RMB161.00. As at 31 December 2023, the occupancy rate of the A8 Music Building further dropped to approximately 73%, equivalent to a vacancy rate of approximately 27% which is more than double of that as at 31 December 2022, and the average rent per square meter of then existing tenancy agreements was approximately RMB146.00, a decrease of approximately 9.32% when compared to that as at 31 December 2022. As at 31 May 2024, the occupancy rate of the A8 Music Building further decreased to approximately 67%, equivalent to a vacancy rate of approximately 33%, and the average rent per square meter of then existing tenancy agreements remained at approximately RMB146.00. Based on the declining occupancy rate and average rent of the A8 Music Building during FY2021, FY2022, FY2023 and up to 31 May 2024, we concurred with the management of the Company that the Group's performance in respect of the A8 Music Building had been deteriorating during the said years/period.

Meanwhile, the Group's revenue from its continuing operations of cultural business decreased by approximately RMB1.27 million, or approximately 76.01%, from approximately RMB1.68 million for the FY2022 to approximately RMB0.40 million for the FY2023. It was mainly derived from the researches and developments of online literature content, audiobook and audio content, animation content and video content. The decrease in the Group's revenue from its continuing operations of cultural business for the FY2023 was mainly attributed to the fierce competition in the industry and the Group's failed attempt to catch the tastes of audiences. We understood from the Company that the last drama developed and published by the Group in 2019 "Matchmakers of Great Zhou Dynasty" received audience's reaction worse than the Group's

expectation, and the Group has not developed nor published any new drama since then. Therefore, the Group has minimal revenue from film and television during FY2022 and FY2023. On the other hand, although the Group endeavoured to develop various cultural recreational content such as online literatures, audiobooks, animations and mini-series, the Group faced fierce competition and did not receive impressive audience reaction and feedback. According to the experience of the Company, the PRC cultural recreational content market was quite extreme in the sense that while those high-quality and widely popular cultural content pieces could be very profitable, producers of average-tier and lower-tier contents could find it hard to arouse audience's attention and generate income therefrom because of the enormous amount of contents in the market. As a result of the above, the Group's performance in its cultural business continued to decrease in FY2023.

Cost of services provided and gross profit

It is noted from the 2023 Annual Report that the decrease in the Group's cost of services provided between FY2022 and FY2023 was mainly attributable to the decrease in the cost of its cultural business which was mainly a result of the Group's reduction in expenditure due to the needs of its business stage and development strategy. It is further noted that while the Group's revenue decreased by approximately 13.36% between FY2022 and FY2023, the Group's cost of services provided only decreased by approximately 3.46% between the same years.

As a result of the decreases in the Group's revenue and cost of services provided between FY2022 and FY2023, the Group's gross profit decreased by approximately RMB9.94 million, or approximately 16.32%, from approximately RMB60.90 million to approximately RMB50.96 million between the same years.

Other income and gains, net

The Group's other income and gains, net increased by approximately RMB22.89 million, or approximately 135.41%, from approximately RMB16.90 million for the FY2022 to approximately RMB39.79 million for the FY2023. It was mainly driven by the increase in the Group's bank interest income from approximately RMB8.53 million to approximately RMB23.84 million, and the increase in the Group's dividend and distribution income from financial assets at fair value through profit or loss from approximately RMB1.26 million to approximately RMB9.66 million, for the FY2022 and FY2023, respectively.

Other expenses, net

The Group's other expenses, net increased by approximately RMB13.50 million, or approximately 28.11%, from approximately RMB48.02 million for the FY2022 to approximately RMB61.52 million for the FY2023. It mainly comprised the fair value loss on investment properties of approximately RMB36.0 million, the fair value loss on financial assets at fair value through profit or loss of approximately RMB19.3 million and impairment loss on investments in an associate of approximately RMB4.5 million of the Group for the FY2023.

Profit for the year from continuing operations

The Group's profit for the year from continuing operations decreased by approximately RMB0.16 million, or approximately 0.74%, from approximately RMB22.01 million for the FY2022 to approximately RMB21.84 million for the FY2023. It was primarily attributable to the decreases in the Group's gross profit and income tax credit and increase in the Group's other expenses, net, being partially offset by the increase in the Group's other income and gains, net between the same years, among other things.

Profit for the year

As a result of the Group's profit for the year from continuing operations for the FY2022 and FY2023, respectively, and the Group's loss for the year from a discontinued operation of approximately RMB8.05 million for the FY2022 and the Group's profit for the year from a discontinued operation of approximately RMB2.55 million for the FY2023, the Group's overall profit for the year increased from approximately RMB13.96 million for the FY2022 to approximately RMB24.39 million for the FY2023, representing an increase of approximately RMB10.43 million or approximately 74.75%.

Comparison between FY2022 and FY2021

Revenue

The Group's revenue decreased by approximately RMB1.21 million, or approximately 1.50%, from approximately RMB80.36 million for the FY2021 to approximately RMB79.15 million for the FY2022. As set out in the 2022 Annual Report, both the Group's revenue from its property investment business and continuing operations of cultural business decreased when comparing FY2022 to FY2021.

The Group's revenue from its property investment business decreased by approximately RMB0.64 million, or approximately 0.81%, from approximately RMB78.11 million for the FY2021 to approximately RMB77.48 million for the FY2022. It was mainly derived from the rental income and property management service income of the Group's A8 Music Building. It is set out in

the 2022 Annual Report that the severe situation of the COVID-19 pandemic impacted the Group's rental business during the year. The Group endeavoured to maintain the occupancy rate of the A8 Music Building during the year by various measures against the COVID-19 pandemic, including waiving the late payment fee for customers affected by the pandemic, adjusting promotion measures, actively approaching new customers, and providing customized services for new customers, such as design, decoration, cleaning services, etc, and improving property management and service levels. Nonetheless, the Group's revenue from its property investment business still slightly decreased between FY2021 and FY2022.

As discussed previously, we noted that the occupancy rate of the A8 Music Building fell from approximately 92% to approximately 88%, equivalent to a vacancy rate of approximately 8% and approximately 12%, as at 31 December 2021 and 2022, respectively. The average rent per square meter of then existing tenancy agreements also decreased from approximately RMB162.18 to approximately RMB161.00 as at 31 December 2021 and 2022, respectively. The above could be a reason of the decrease in the Group's revenue from property investment business between FY2021 and FY2022.

The Group's revenue from its continuing operations of cultural business decreased by approximately RMB0.57 million, or approximately 25.38%, from approximately RMB2.25 million for the FY2021 to approximately RMB1.68 million for the FY2022. It was mainly derived from the Group's businesses of online literature, music, film and television during the year. Facing challenges in the development and changes of the market environment and government regulatory policies and the impact of the pandemic, the Group adjusted the operating strategies of its business segment, divested the loss-making online game business, and continued to develop the aforesaid remaining cultural businesses. Nonetheless, the Group's revenue from its continuing operations of cultural business remained relatively small to its overall revenue and decreasing between FY2021 and FY2022.

Cost of services provided and gross profit

The Group's cost of services provided decreased by approximately RMB1.95 million, or approximately 9.65%, from approximately RMB20.20 million for the FY2021 to approximately RMB18.26 million for the FY2022. The Group's gross profit increased by approximately RMB0.74 million, or approximately 1.24%, from approximately RMB60.15 million to approximately RMB60.90 million between FY2021 and FY2022 because the decrease in the Group's cost of services provided slightly outweighed that in the Group's revenue for the same years.

Other income and gains, net

The Group's other income and gains, net decreased by approximately RMB29.33 million, or approximately 63.44%, from approximately RMB46.23 million for the FY2021 to approximately RMB16.90 million for the FY2022. It was primarily attributed to the decrease in the Group's dividend income from financial assets at fair value through profit or loss from approximately RMB29.76 million to approximately RMB1.26 million, and the decrease in the Group's bank interest income from approximately RMB10.87 million to approximately RMB8.53 million, for the FY2021 and FY2022, respectively.

Administrative expenses

The Group's administrative expenses increased by approximately RMB3.49 million, or approximately 17.35%, from approximately RMB20.13 million for the FY2021 to approximately RMB23.62 million for the FY2022. It mainly represented expenses in relation to the Group's operation and administration, such as salaries and office expenses.

Share of profits and losses of associates, net

The Group's share of profits and losses of associates, net decreased by approximately RMB24.51 million, or approximately 80.87%, from approximately RMB30.31 million for the FY2021 to approximately RMB5.80 million for the FY2022. The decrease was mainly due to the decrease of share of profit of Beijing Zhangwen Information Technology Co., Ltd (“**Beijing Zhangwen**”), an associate of the Company focusing on the incubation, production and global distribution of cultural recreation content IP, amounting to approximately RMB24.0 million, which in turn was mainly attributable to the decline in performance of Beijing Zhangwen between the same years. To the best knowledge of the Company, such decline in performance of Beijing Zhangwen was mainly attributed to the fierce competition in the cultural recreational content market in the PRC in terms of vast number of content creators and amount of contents.

Profit for the year from continuing operations

The Group's profit for the year from continuing operations decreased by approximately RMB38.65 million, or approximately 63.72%, from approximately RMB60.66 million for the FY2021 to approximately RMB22.01 million for the FY2022. Although the Group recorded slight increase in its gross profit and an income tax credit for the FY2022 of approximately RMB11.92 million as compared to an income tax expense of approximately RMB3.87 million for the FY2021, respectively, the decreases in the Group's other income and gains and share of profits and losses of associates, net and increase in the Group's administrative expenses overwhelmed the former, resulting in the decrease in the Group's profit for the year from continuing operations between the aforesaid years.

Profit for the year

As a result of the Group's profit for the year from continuing operations for the FY2021 and FY2022, respectively, and the Group's loss for the year from a discontinued operation of approximately RMB5.21 million and approximately RMB8.05 million, the Group's overall profit for the year decreased from approximately RMB55.45 million for the FY2021 to approximately RMB13.96 million for the FY2022, representing a decrease of approximately RMB41.49 million or approximately 74.83%.

(iii) Discussions on selected key items in the financial positions of the Group

Property, plant and equipment

The Group's property, plant and equipment amounted to approximately RMB119.55 million, RMB114.30 million and RMB108.11 million as at 31 December 2021, 2022 and 2023, respectively, which mainly consisted of building, computer equipment, furniture, fixtures and office equipment, motor vehicles and building improvements.

Investment properties

The Group's investment properties amounted to approximately RMB412.00 million, RMB414.00 million and RMB378.00 million as at 31 December 2021, 2022 and 2023, respectively, which represented the Group's investment in the A8 Music Building, a commercial building in the PRC. The Group's investment properties of approximately RMB414.00 million as at 31 December 2022 comprised its carrying amount at the beginning of the year and a fair value gain recognised of approximately RMB2.00 million, while that as at 31 December 2023 of approximately RMB378.00 million comprised its carrying amount at the beginning of the year and a fair value loss recognised of approximately RMB36.00 million.

Investments in associates

The Group's investments in associates amounted to approximately RMB299.69 million, RMB289.49 million and RMB294.89 million as at 31 December 2021, 2022 and 2023, respectively. It mainly represented the Group's interests in its associate, Beijing Zhangwen, which was principally engaged in the incubation, production and global distribution of cultural recreation content IP.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss amounted to approximately RMB102.16 million, RMB92.88 million and RMB251.87 million as at 31 December 2021, 2022 and 2023, respectively.

As at 31 December 2021, 2022 and 2023, respectively, the non-current assets portion of the Group's financial assets at fair value through profit or loss represented the Group's fund investments, being investments in Shenzhen Qianhai Qingsong Venture Investment Fund Management Enterprise (Limited Partnership) ("**Qingsong Fund II**"), Shenzhen Qingsong Phase III Equity Investment Fund Partnership Enterprise (Limited Partnership) ("**Qingsong Fund III**"), Shenzhen Qianhai Tianhe Cultural Industry Investment Center (Limited Partnership) (深圳前海天和文化產業投資中心(有限合夥)*), and Shenzhen Qingsong Small and Medium Enterprises Development Investment Partnership Enterprise (Limited Partnership) ("**Qingsong Fund IV**"). Details of the Group's investments in the Qingsong Fund II, Qingsong Fund III and Qingsong Fund IV have been set out in the announcements of the Company dated 24 January 2014, 12 May 2017, and 21 January 2020, respectively.

As at 31 December 2023, the non-current assets portion of the Group's financial assets at fair value through profit or loss amounted to approximately RMB55.91 million, representing a decrease of approximately RMB16.97 million or approximately 23.29% when compared to that of approximately RMB72.88 million as at 31 December 2022 which was a result of decrease in fair values of the relevant investments in the unlisted funds. The non-current assets portion of the Group's financial assets at fair value through profit or loss as at 31 December 2022 also represented a decrease of approximately RMB28.98 million or approximately 28.45% when compared to that of approximately RMB101.86 million as at 31 December 2021 which was also a result of decrease in fair values of the relevant investments in the unlisted funds.

As at 31 December 2023, the current assets portion of the Group's financial assets at fair value through profit or loss represented the Group's investments in (i) treasury bond ETF using its then idle funds, the shares of which are listed for trading on The Nasdaq Stock Market LLC, details of which has been set out in the announcements of the Company dated 19 May 2023, 21 May 2023, 25 May 2023, 14 June 2023, and 10 July 2023, respectively; and (ii) unlisted wealth management products. As at 31 December 2021 and 2022, respectively, the current assets portion of the Group's financial assets at fair value through profit or loss represented the Group's investments in unlisted wealth management products only.

As at 31 December 2023, the current assets portion of the Group's financial assets at fair value through profit or loss amounted to approximately RMB195.96 million, representing an increase of approximately RMB175.96 million when compared to that of approximately RMB20.00 million as at 31 December 2022. It was because (i) the treasury bond ETF held by the Group amounting to approximately RMB123.96 million as at 31 December 2023 was only purchased by the Group in FY2023, and the Group did not hold any treasury bond ETF as at 31 December 2022; and (ii) the fair value amount of wealth management products held by the Group increased to approximately RMB72.00 million as at 31 December 2023 when compared to approximately

RMB20.00 million as at 31 December 2022. The current assets portion of the Group's financial assets at fair value through profit or loss as at 31 December 2022 amounting to approximately RMB20.00 million represented the wealth management products held by the Group only, and it also represented an increase of approximately RMB19.70 million when compared with that of approximately RMB0.30 million as at 31 December 2021.

Financial assets at fair value through other comprehensive income

The Group's financial assets at fair value through other comprehensive income amounted to approximately RMB150.57 million, RMB103.59 million and RMB117.44 million as at 31 December 2021, 2022 and 2023, respectively, which mainly comprised listed equity investment, at fair value and unlisted equity investments, at fair value.

As at 31 December 2021, 2022 and 2023, respectively, the Group's financial assets at fair value through other comprehensive income represented (i) the Group's investments in two game development companies, namely Xiamen Mengjia Network technology Co., Ltd. ("**Xiamen Mengjia**") and Shanghai Hanqu Network technology Co., Ltd. ("**Shanghai Hanqu**") (上海瀚趣網絡科技有限公司*). Among them, Xiamen Mengjia was listed on the National Equities Exchange and Quotations (the "**NEEQ**") (stock code: 839039), and delisted from NEEQ on 2 January 2019. Shanghai Hanqu was unlisted; and (ii) the Group's investment in a information technology services company, namely Shenzhen Lemon Network Technology Co., Ltd ("**Lemon Network**"), a company listed on NEEQ (stock code: 835924). The changes in the fair value of the Group's investments in Xiamen Mengjia, Shanghai Hanqu and Lemon Network, which were mainly affected by their performances among other factors, were the main reason of the changes in the Group's financial assets at fair value through other comprehensive income as at 31 December 2021, 2022 and 2023, respectively.

Cash and cash equivalents

The Group's cash and cash equivalents amounted to approximately RMB555.39 million, RMB608.77 million and RMB501.70 million as at 31 December 2021, 2022 and 2023, respectively.

Net current assets and net assets

The Group recorded net current assets, being its total current assets subtracted by its total current liabilities, of approximately RMB484.99 million, RMB577.09 million and RMB664.04 million as at 31 December 2021, 2022 and 2023, respectively, and a net assets of approximately RMB1,485.74 million, RMB1,511.95 million and RMB1,561.26 million as at the same dates, respectively.

(iv) Prospect of the Group

The Group is principally engaged in (i) cultural business which mainly includes online literature and film and television production in the PRC; and (ii) property investment which mainly includes the industrial park business with rental income derived from the A8 Music Building in the PRC.

The cultural business of the Group

According to the 2022 Annual Report and 2023 Annual Report, the Group has adjusted the operating strategies of its business segment, divested the loss-making online game business, and continued to develop the online literature business throughout the FY2022 and FY2023. Nonetheless, despite the Group's adjustment and development in this business segment, we noted that the Group's revenue from its cultural business remained declining in amount and minimal to its overall revenue, representing approximately 2.80%, 2.12% and 0.59% only to its overall revenue for the FY2021, FY2022 and FY2023, respectively. On the other hand, Beijing Zhangwen, the Group's associate, has been developing online literature content and derivative products, audiobook and audio content, animation business and mini-series. However, the Group's share of profits and losses of associates, net dropped substantially from approximately RMB30.31 million for the FY2021 to approximately RMB5.80 million for the FY2022, which was in turn mainly attributable to the decline in Beijing Zhangwen's performance between the same years due to fierce market competition. Although it rebounded to approximately RMB9.94 million for the FY2023 as Beijing Zhangwen's performance recovered for the same year which, to the best knowledge of the Company, was mainly because Beijing Zhangwen managed to grow its revenue and control its costs, the Group's share of profits and losses of associates, net still represented approximately 32.79% only of the same in FY2021. There is no guarantee that the Group will be successful in developing its cultural business, increasing its revenue therefrom, and enjoying increasing share of profits of associate in the future.

The property investment business of the Group

We noted from the 2023 Annual Report and section headed "9. Reasons for and benefits of the Proposal" in the Explanatory Memorandum of the Scheme Document that the leasing industry in the PRC as a whole was severely impacted by the external economic environment. Enterprises as tenants generally remained cautious about leasing costs and tightened their corporate leasing budgets during the year, while the increase in the supply of commercial offices in the market further pushed up the vacancy rate. The Company's management is also of the view that the Group's performance has been impacted by the aforementioned macroeconomic environment in recent years.

As mentioned previously, we have also enquired with the Company and obtained data regarding the occupancy rate and average rent of the A8 Music Building for the FY2021, FY2022, FY2023 and up to 31 May 2024. Based on the increasing vacancy rate and decreasing average rent of then existing tenancy agreements of the A8 Music Building over the FY2021, FY2022, FY2023 and up to 31 May 2024, we concurred with the management of the Company that the Group's performance in this regard has been deteriorating in recent years.

We have also conducted our own desktop research on the commercial and office properties leasing industry in the PRC, and have made references to the Greater China Property Summary for the First Quarter of Year 2024* (二零二四年第一季度大中華區物業摘要), Greater China Property Summary for the Fourth Quarter of Year 2023* (二零二三年第四季度大中華區物業摘要), Greater China Property Summary for the Third Quarter of Year 2023* (二零二三年第三季度大中華區物業摘要) and Greater China Property Summary for the Second Quarter of Year 2023* (二零二三年第二季度大中華區物業摘要) (collectively, the “**Greater China Property Summaries**”), covering data in relation to PRC properties for the latest four quarters, published by the Greater China Research Division of Jones Lang LaSalle IP, Inc. (“**JLL**”) for relevant industry data. We noted that JLL is a Fortune 500 company listed on the New York Stock Exchange engaging in real estate services with an operating history of over 20 years and a total revenue of over USD19 billion (equivalent to over HK\$148 billion) for the FY2021. We also noted that the Greater China Research Division of JLL from time to time conducted researches and published reports on various aspects of the property markets in the PRC, and we had no reason to cast doubt on its experience in the PRC property market and the reliability of its relevant data. Based on the long operating history, substantial scale of operations and experience in the PRC property market of JLL, we considered it acceptable to make reference to the Greater China Property Summaries published by its Greater China Research Division.

As the A8 Music Building locates in Shenzhen and offers both office and commercial service functions, we have studied the data in relation to office properties and retail properties in Shenzhen contained in the Greater China Property Summaries.

We noted the followings in respect of office properties in Shenzhen from the Greater China Property Summaries: (i) for the second quarter of year 2023, the average rent of office properties in Shenzhen represented a decrease of approximately 2.5% when compared to that of the quarter immediately preceding it, or a decrease of approximately 8.7% when compared to that of the corresponding quarter in the preceding year, and the overall vacancy rate of office properties in Shenzhen was approximately 22.6%; (ii) for the third quarter of year 2023, the average rent of office properties in Shenzhen represented a decrease of approximately 2.7% when compared to that of the quarter immediately preceding it, or a decrease of approximately 9.8% when compared to that of the corresponding quarter in the preceding year, and the

overall vacancy rate of office properties in Shenzhen increased to approximately 23.4%; (iii) for the fourth quarter of year 2023, the average rent of office properties in Shenzhen represented a decrease of approximately 2.5% when compared to that of the quarter immediately preceding it, or a decrease of approximately 7.8% when compared to that of the corresponding quarter in the preceding year, and the overall vacancy rate of office properties in Shenzhen increased to approximately 25.5%; and (iv) for the first quarter of year 2024, the average rent of office properties in Shenzhen represented a decrease of approximately 8.8% when compared to that of the corresponding quarter in the preceding year, and the overall vacancy rate of office properties in Shenzhen slightly increased to approximately 25.6%. In summary, the average rent of office properties in Shenzhen remained at a decreasing trend, and the overall vacancy rate of office properties in Shenzhen kept increasing, between the second quarter of year 2023 and the first quarter of year 2024.

We also noted the followings in respect of retail properties in Shenzhen from the Greater China Property Summaries: (i) for the second quarter of year 2023, the average rent of retail properties in Shenzhen represented a decrease of approximately 3.2% when compared to that of the corresponding quarter in the preceding year, and the overall vacancy rate of retail properties in Shenzhen was approximately 3.4%. Although the average rent of the first floor of retail properties in Shenzhen represented a slight increase of approximately 0.4% when compared to that of the quarter immediately preceding it, it is set out that it remained uncertain if landlords of retail properties in Shenzhen could, on average, raise the rent of other floors because the market demand for them remained sluggish; (ii) for the third quarter of year 2023, although the average rent of retail properties in Shenzhen represented a slight increase of approximately 0.1% when compared to that of the quarter immediately preceding it, it represented a decrease of approximately 1.3% when compared to that of the corresponding quarter in the preceding year, and the overall vacancy rate of retail properties in Shenzhen increased to approximately 3.6%; (iii) for the fourth quarter of year 2024, although the average rent of the retail properties in Shenzhen represented a slight increase of approximately 0.6% when compared to that of the corresponding quarter in the preceding year and the overall vacancy rate of retail properties in Shenzhen decreased to approximately 3.1%, the average rent of the retail properties in Shenzhen represented decreases of approximately 0.6% and 1.3% in urban and rural areas, respectively, when compared to those of the quarter immediately preceding it; and (iv) for the first quarter of year 2024, the average rent of retail properties in Shenzhen represented a decrease of approximately 0.7% when compared to that of the corresponding quarter in the preceding year, or a decrease of approximately 0.4% when compared to the quarter immediately preceding it, despite that the overall vacancy rate of retail properties in Shenzhen decreased to approximately 2.9%. In summary, the average rent and overall vacancy rate of retail properties in Shenzhen fell into up-and-down fluctuations between the

second quarter of year 2023 and the first quarter of year 2024, and we were not aware of observable factor which may suggest that the retail properties market in Shenzhen will have breakthrough or significant growth in the near future.

(v) Our discussions on the Proposal, the Scheme and the Option Offer with respect to the historical performance and prospects of the Group

We noted that the Group's revenue decreased at an increasing rate from FY2021 to FY2022 then to FY2023. We further noted from the 2023 Annual Report that the Group's revenue was also decreasing during the five years ended 31 December 2023. The Group's gross profit, although rebounded slightly in FY2022, also dropped in FY2023. We considered that a major reason for the decrease in the Group's revenue over FY2021, FY2022 and FY2023 was the increasing vacancy rate and decreasing average rent of the A8 Music Building as at 31 December 2021, 2022 and 2023, and 31 May 2024, respectively, because rental income generated from the A8 Music Building contributed a substantial portion of the Group's revenue during the said years. Considering (i) the Group's deteriorating performance in respect of attracting and retaining tenants of the A8 Music Building and maintaining a stable average rent level therein; and (ii) the sluggish performance of the office and retail properties market in Shenzhen during the latest four quarters and the absence of observable factor which may suggest that they will have breakthrough or significant growth in the near future, we were of the view that it is uncertain if the Group's revenue will be able to rebound in the near future.

Although the Group recorded a profit before tax from continuing operations of approximately RMB64.53 million for the FY2021 and which rebounded to approximately RMB16.46 million in FY2023 after dropping to approximately RMB10.09 million in FY2022, it should be noted that the Group's other income and gains, net and share of profits and losses of associates, net contributed a substantial portion of the Group's profit before tax from continuing operations, and that there is no guarantee for the Group to continue to record similar levels of other income and gains, net and share of profits and losses of associates, net in the future.

For the FY2021, FY2022 and FY2023, the Group's other income and gains, net comprised bank interest income of approximately RMB10.87 million, RMB8.53 million and RMB23.84 million, respectively, and dividend (and distribution) income from financial assets at fair value through profit or loss of approximately RMB29.76 million, RMB1.26 million and RMB9.66 million, respectively, among other things. Such financial assets at fair value through profit or loss of the Group comprised (i) the Group's investments in unlisted funds and wealth management products as at 31 December 2021 and 2022, respectively; and (ii) the Group's investments in unlisted funds, listed treasury bond ETF and wealth management products as at 31 December 2023. Please refer to the paragraphs headed "I. Background information of the Group — (iii) Discussions on selected key items in the financial positions of the Group — Financial assets at fair value through profit or loss" above for details. While the Group purchased the listed treasury bond ETF in open market and may be able to dispose of it in the open market too if desired, the Group's investments in

unlisted funds and wealth management products were more illiquid in nature and may not be converted to cash easily. Such other income and gains, net are also not part of the Group's usual and ordinary course of daily operations, being cultural business and property investment business, and there is no guarantee that the Group will continue to record similar levels of other income and gains, net in the future. For instance, if the Group withdraws a large part of its cash and bank balance from banks for other purposes, it could result in significantly less bank interest income being received by the Group. Meanwhile, there is also no guarantee that the Group will continue to be able to receive dividend (and distribution) income from its financial assets in the future of which the performance may be dependent on the general conditions of the capital market which could be volatile and cannot be guaranteed.

On the other hand, while the Group's share of profits and losses of associates, net rebounded in FY2023, it still represented only approximately 32.79% of the same in FY2021. We also understood from the 2023 Annual Report and management of the Company that the cultural business industry in which Beijing Zhangwen, the Group's associate, operates is subject to fierce competition. There is also no guarantee that the Group will continue to receive share of profits from its associates in the future.

Based on (i) the general declining trend of the Group's revenue and gross profit between FY2021 and FY2023; and (ii) the lack of guarantee that the Group could continue to record similar levels of other income and gains, net nor to receive similar levels of share of profits from its associates in the future, we considered that it is uncertain if the Group could continue to grow its profit before tax from continuing operations in the future. Besides, after taking into account the decrease in income tax credit in the FY2023 when compared to that of FY2022, the Group actually recorded a decrease in its profit for the year from continuing operations for the FY2023 when compared to that of FY2022.

We also noted that the Group's overall profit for the year increased from approximately RMB13.96 million for the FY2022 to approximately RMB24.39 million for the FY2023. However, it was mainly because the Group recorded a profit for the year from a discontinued operation of approximately RMB2.55 million for the FY2023 when compared to a loss from the same of approximately RMB8.05 million for the FY2022. It should be noted that it is unlikely for such discontinued operation of the Group to continue contributing to the Group as it has ceased to be a part of the Group's operation. There is no guarantee that the Group could continue to record profit from the discontinued operation, and that it would continue to contribute to the Group's overall profit for the year.

Having considered (i) the Group's deteriorating performance in both its cultural and property investment businesses for the FY2021, FY2022 and FY2023; (ii) the absence of guarantee that the Group could continue to record similar levels of other income and gains, net, receive similar levels of share of profits from its associates, nor record profit from discontinued operation in the future; (iii) the sluggish

performance of the office and retail properties market in Shenzhen during the latest four quarters and the lack of observable factor which may suggest that they will have breakthrough or significant growth in the near future; and (iv) other analysis in respect of the terms and conditions of the Proposal, the Scheme and the Option Offer as further discussed in this letter below, we considered that the Proposal, the Scheme and the Option Offer represented an opportunity for the Scheme Shareholders and Option Holders to exit and realise their investments in the Group.

II. Valuation of the A8 Music Building and the reassessed net asset value of the Group

(i) *Valuation of the A8 Music Building*

Pursuant to Rule 11.1(f) of the Takeovers Code, the valuation of the A8 Music Building as at 31 May 2024 was conducted by Asset Appraisal Limited (the “**Valuer**”), an independent valuer.

We have conducted an interview with the Valuer to enquire its qualifications and experiences in valuing similar property interests in the PRC and obtained relevant track record of the Valuer and the signor of the valuation report of the A8 Music Building (Appendix II to the Scheme Document) (the “**Valuation Report**”). We casted no doubt that the Valuer and the signor of the Valuation Report have sufficient qualifications and experiences in valuing the A8 Music Building. The Valuer has also confirmed its independence with the Group. We have also reviewed the terms of engagement including scope of work of the Valuer in relation to its valuation of the A8 Music Building. We considered that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely affect the degree of assurance given by the Valuer in the Valuation Report.

As set out in the Valuation Report, in valuing the A8 Music Building, the Valuer has complied with all the requirements contained in Rule 11 of the Takeovers Code, the Chapter 5 and Practice Note 12 to the Listing Rules, and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors which incorporates the International Valuation Standards. The Valuer confirmed that it has performed inspection to the A8 Music Building. We have also discussed and understood the standard, bases and assumptions and methodology adopted, and major procedures performed by the Valuer, in arriving at the Valuer’s opinion in the Valuation Report. In particular, we noted and agreed, after reviewing the relevant documents, that subject to the covenants set out in the land use right granting contract of the land parcel of the A8 Music Building, any transfer of the A8 Music Building is prohibited without prior authorization from the PRC Government, and therefore the market approach has been discarded in valuation of the A8 Music Building because the Valuer considered it not meaningful to compare the A8 Music Building which is not freely transferable on the market in this sense to other comparable properties which are freely transferable on the market. Instead, as the A8 Music Building has been held by the Group solely for rental income generation, the

Valuer has determined the investment value or worth of the A8 Music Building using the rental capitalisation method, under which the net rental incomes to be generated from the A8 Music Building over its remaining land use right terms are capitalised by a capitalisation rate.

In this relation, we have reviewed the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors and noted therefrom that valuation approach is usually classified into one of the three main categories as follows:

1. the market approach is based on comparing the subject asset with identical or similar assets for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset within an appropriate time horizon;
2. the income approach is based on capitalisation or conversion of present and predicted income (cash flows), which may take a number of different forms, to produce a single current capital value. Among the forms taken, capitalisation of a conventional market-based income or discounting of a specific income projection can both be considered appropriate depending on the type of asset and whether such an approach would be adopted by market participants; and
3. the cost approach is based on the economic principle that a purchaser will pay no more for an asset than the cost to obtain one of equal utility whether by purchase or construction.

We noted from the above that the market approach requires a comparison with market transactions in the same, or closely similar, type of asset within an appropriate time horizon, and the cost approach is based on the economic principle that a purchaser will purchase an asset for no more than its cost. However, as the A8 Music Building is subject to the covenants set out in the land use right granting contract of the land parcel of it, and any transfer of the A8 Music Building is prohibited without prior authorization from the PRC Government, we concurred with the Valuer that the market approach and cost approach, which requires/involves similar market transactions/principle of purchases, were not appropriate for valuing the A8 Music Building.

Alternatively, we noted that income approach is based on capitalisation or conversion of present and predicted income (cash flows) to produce a single current capital value. In the case of A8 Music Building, as it has been held by the Group solely for rental income generation, we considered that it is appropriate for the Valuer to adopt the net rental incomes to be generated from the A8 Music Building over its remaining land use right terms as the present and predicted income (cash flows) for valuing the A8 Music Building under the income approach. In addition, we have reviewed the main parameters adopted by the Valuer in capitalising such cash flow, including monthly rents of the A8 Music Building, rental growth rate, vacancy rate and capitalisation rate, and noted that they have generally been

determined based on actual rental transactions/historical statistics of the A8 Music Building or market prices and market rents of similar buildings or market trends and statistics, and we considered such references to be appropriate as they are actual data in respect of either the A8 Music Building itself or the relevant market. Overall, considering (i) the inappropriateness of the market approach and cost approach in valuing the A8 Music Building; (ii) the availability and appropriateness to adopt the net rental incomes to be generated from the A8 Music Building over its remaining land use right terms as the present and predicted income (cash flows) for valuing it using the income approach; (iii) the appropriateness of the main parameters adopted by the Valuer in capitalising the cash flow of the A8 Music Building and valuing it using the income approach, we were of the view that the rental capitalisation method adopted by the Valuer in valuing the A8 Music Building is appropriate.

Taking into account all the above, including the nature of the A8 Music Building and that the valuation of it is conducted in accordance with the aforesaid requirements, we considered that the standard, bases and assumptions and methodology adopted by the Valuer for determining the value of the A8 Music Building are appropriate.

As set out in the Valuation Report, the total market value of the A8 Music Building in existing state attributable to the Group as at 31 May 2024 was approximately RMB700.20 million, as set out below:

Property	Market Value in Existing State as at 31 May 2024 RMB
A8 Music Building	700,200,000

Please refer to the Valuation Report (Appendix II to the Scheme Document) for details.

(ii) Reassessed NAV of the Group

The audited consolidated financial statements of the Group as at 31 December 2023 are incorporated in Appendix I to the Scheme Document and extracted in the section headed “I. Background information of the Group — (i) Historical financial performances and positions of the Group” above. The audited NAV of the Group as at 31 December 2023 was approximately RMB1,561.26 million which is wholly attributable to owners of the Company.

Some of the Group’s interest in the A8 Music Building was stated at cost basis in accordance with International Financial Reporting Standards. For illustrative purpose only, we considered that it is appropriate to take into account the appraised value of the A8 Music Building held by the Group in assessing the net asset backing of the Group and in relation to our assessment of the terms of the Proposal,

including the Cancellation Price. It should be noted that, however, such approach of considering the appraised value of the A8 Music Building instead of the value of it as stated in the Group's audited financial statements in accordance with International Financial Reporting Standards is for the purpose of our assessment in respect of the terms of the Proposal, including the Cancellation Price, only. It does not necessarily represent that the appraised value of the A8 Music Building will have any effect on its value as stated in the Group's audited financial statements in accordance with International Financial Reporting Standards. For this illustrative purpose only, we have reviewed the reassessed NAV of the Group, based on the audited NAV of the Group as at 31 December 2023 which is wholly attributable to owners of the Company, and the adjustments by the net revaluation surplus arising from the valuation of the A8 Music Building as stated in the Valuation Report:

	<i>RMB'000</i>
The audited NAV of the Group as at 31 December 2023	1,561,259
Adjustments:	
— net revaluation surplus arising from the valuation of the A8 Music Building as stated in the Valuation Report ¹	203,159
The reassessed NAV as at 31 December 2023 (the “Reassessed NAV”)	1,764,418
Reassessed NAV per Share² (RMB)	0.632
Reassessed NAV per Share^{2,3} (HKD)	0.694
(Discount) of the Cancellation Price of HK\$0.36 to the Reassessed NAV per Share	(48.13%)

Notes:

1. Represents the net revaluation surplus (the “**Revaluation Surplus**”) arising from the net excess of the market value of the A8 Music Building held by the Group in existing state as at 31 May 2024, as appraised by the Valuer, over the corresponding book values of it (comprising the relevant parts in the property, plant and equipment, right-of-use assets and investment properties of the Group) as at 31 December 2023.
2. Based on 2,793,498,628 issued Shares as at the Latest Practicable Date.
3. Based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People's Bank of China as at the Last Trading Day for illustrative purposes.

As shown above, the Cancellation Price represents a discount of approximately 48.13% to the Reassessed NAV per Share of approximately HK\$0.694. We have reviewed the computation of the Reassessed NAV per Share prepared by the management of the Company and discussed the computation in respect of the Revaluation Surplus and the Deferred Tax with the management of the Company. Based on the bases disclosed above, we considered the calculation of the Reassessed NAV to be appropriate for illustrative purpose. Further analysis in this regard is set out in the section headed “VI. Our analysis on the Cancellation Price” below.

III. Information of the Offeror

As disclosed in the section headed “8. Information on the Offeror” in the Explanatory Memorandum of the Scheme Document, the Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company which, other than minority shareholding in a company in the new energy sector incorporated in Delaware, the United States, does not hold any assets or business. As at the Latest Practicable Date, the Offeror is wholly owned by LuxOrigo Limited, which is wholly owned by Mr. Liu.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Liu.

Mr. Liu, aged 58, an executive Director, the chairman and the chief executive officer of the Company. Mr. Liu graduated from Hunan university in the PRC in 1984, with a Bachelor’s degree in Electrical Engineering. In 1987, Mr. Liu graduated from China Electric Power Research Institute in the PRC with a Master’s degree in Engineering. In 1991, he studied at Tsinghua university as a PhD research student. He has years of diversified experience in the technology, Internet and investment. He is one of the co-founders of Tencent Holdings Limited (Stock code: 0700.HK), a company listed on the Main Board of the Stock Exchange. He is also the non-executive director of Inkeverse Group Limited (Stock code: 03700.HK), a company listed on the Main Board of the Stock Exchange and the independent non-executive director of China Dongxiang (Group) Co., Ltd. (Stock code: 03818.HK), a company listed on the Main Board of the Stock Exchange. He is a founder of the Group and he has been working for the Company since it was founded in 2000, was appointed as a Director on 2 October 2007. Mr. Liu is currently responsible for the overall strategic planning and the whole business operation and management of the Group.

IV. Intention of the Offeror with regard to the Group

As disclosed in the section headed “10. Intention of the Offeror with regard to the Group” in the Explanatory Memorandum of the Scheme Document, following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business. The Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group. The Offeror will continue to monitor the Group’s performance and implement appropriate strategies for the Group and its business. The Offeror does not intend to continue the listing of the Shares on the Stock Exchange.

V. Principal terms of the Proposal, the Scheme and the Option Offer**(i) The Scheme**

If the Proposal is approved and implemented, under the Scheme,

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in consideration for the Cancellation Price, which will be paid in cash, payable by the Offeror to the Scheme Shareholders for each Scheme Share;
- (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, such that the Offeror and the Offeror Concert Parties Not Subject to the Scheme will in aggregate own 100% of the total number of Shares in issue. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par value the new Shares so issued to the Offeror; and
- (c) upon the Scheme becoming effective, the Company will make an application to the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules for the withdrawal of the listing of the Shares on the Stock Exchange with effect from the Effective Date.

In compliance with Rule 20.1(a) of the Takeovers Code, after the Scheme has become effective, the Cancellation Price for the cancellation of the Scheme Shares will be paid to the relevant Scheme Shareholders whose names appear in the Register on the Record Date as soon as possible, but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date.

The Offeror will also make an offer to the Option Holders (other than Mr. Liu) at the Option Offer Price (which is the "see-through" price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash to cancel all outstanding Share Options (other than those held by Mr. Liu) which has not been lapsed on the Record Date in accordance with Rule 13 of the Takeovers Code. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the "see-through" price is zero or negative), the Option Offer Price will be a nominal amount of HK\$0.01 per outstanding Share Option.

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.36 per Scheme Share.

(ii) The Cancellation Price

The Cancellation Price of HK\$0.36 represents:

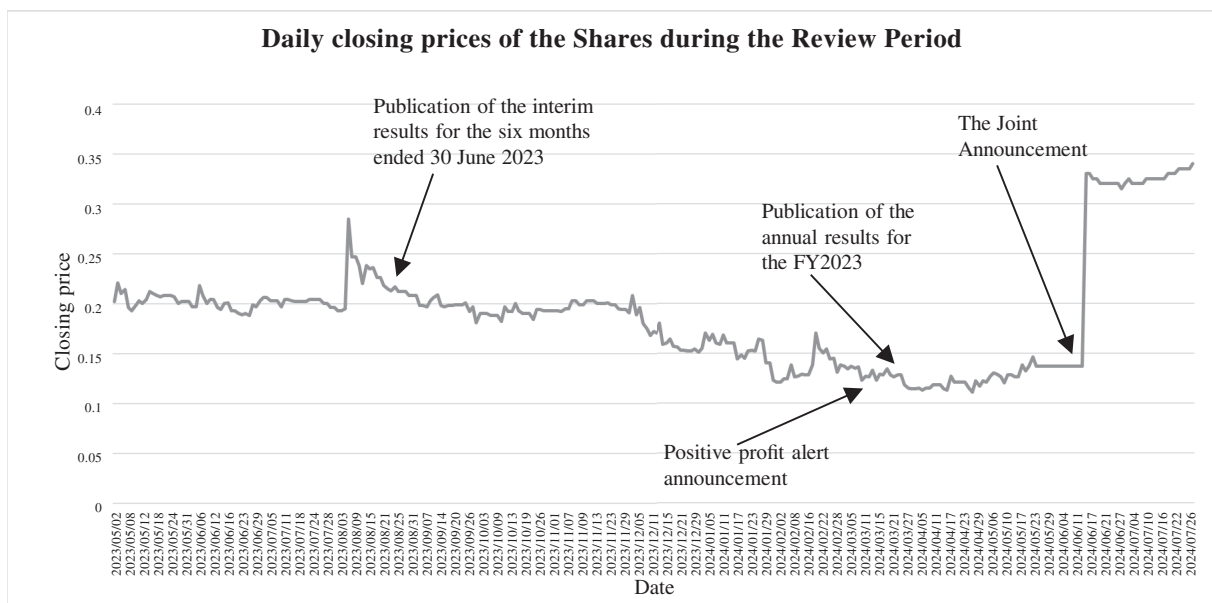
- (a) a premium of approximately 162.77% over the closing price of HK\$0.137 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 158.99% over the average closing price of approximately HK\$0.139 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (c) a premium of approximately 168.66% over the average closing price of approximately HK\$0.134 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 185.71% over the average closing price of approximately HK\$0.126 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 174.81% over the average closing price of approximately HK\$0.131 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 5.88% over the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (g) a discount of approximately 41.37% to the audited consolidated net asset value attributable to equity shareholders of the Company per Share as at 31 December 2023 of approximately RMB0.559 per Share (equivalent to approximately HK\$0.614 based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People's Bank of China as at the Last Trading Day and 2,793,498,628 issued Shares as at the Latest Practicable Date for illustrative purposes); and
- (h) for illustrative purpose, a discount of approximately 48.13% to the Reassessed NAV per Share as at 31 December 2023 of approximately RMB0.632 per Share (equivalent to approximately HK\$0.694 based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People's Bank of China as at the Last Trading Day and 2,793,498,628 issued Shares as at the Latest Practicable Date for illustrative purposes).

VI. Our analysis on the Cancellation Price

(i) Historical price performance of the Shares

To assess the fairness and reasonableness of the Cancellation Price, we have reviewed the daily closing prices of the Shares during the period from 2 May 2023 (as 1 May 2023 is not a trading day) (being about 12 full calendar months before the date on which the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme) up to and including the Latest Practicable Date (the “**Review Period**”) and compared the historical price performance of the Shares with the Cancellation Price. We considered the Review Period of approximately one year to be a reasonable, adequate and representative period to illustrate the recent price movements of the Shares and the prevailing market sentiment reflected by such movements for a meaningful comparison with the Cancellation Price.

The following graph illustrates the daily closing prices of the Shares during the Review Period:



From 2 May 2023 to 12 June 2024 (the “**Pre-announcement Period**”), the date of the Joint Announcement, the daily closing prices of the Shares ranged from HK\$0.111 per Share to HK\$0.285 per Share, averaging at approximately HK\$0.173 per Share. Except a sharp jump to HK\$0.285 per Share on 7 August 2023 which was immediately followed by a gradual decline back to around HK\$0.198 per Share on 5 September 2023, the daily closing prices of the Shares generally exhibited a decreasing trend during the Pre-announcement Period. We also noted that the publication of the interim results of the Company for the six months ended 30 June 2023 on 22 August 2023, the positive profit alert announcement of the Company on 7 March 2024, and the publication of the annual results of the Company for the FY2023 on 22 March 2024 did not have material influence on the daily closing

prices of the Shares at the material time. We further noted that the Cancellation Price of HK\$0.36 represents a premium of (i) approximately 26.32% over the highest daily closing price of the Shares; (ii) approximately 224.32% over the lowest daily closing price of the Shares; and (iii) approximately 108.15% over the average daily closing price of the Shares during the Pre-announcement Period.

Immediately after the Pre-announcement Period, the daily closing prices of the Shares jumped to HK\$0.330 per Share on 13 June 2024, which we considered to be a result of the Proposal, the Scheme and the Option Offer, as well as the Cancellation Price, being publicly known. From 13 June 2024 to the Latest Practicable Date (the “**Post-announcement Period**”), the daily closing prices of the Shares ranged from HK\$0.315 per Share to HK\$0.340 per Share, averaging at approximately HK\$0.325 per Share. We noted that the Cancellation Price of HK\$0.36 represents a premium of (i) approximately 5.88% over the highest daily closing price of the Shares; (ii) approximately 14.29% over the lowest daily closing price of the Shares; and (iii) approximately 10.60% over the average daily closing price of the Shares during the Post-announcement Period.

Taking into account that the Cancellation Price (i) was above the daily closing prices of the Shares during the entire Review Period; and (ii) represented significant premiums over the highest, lowest and average closing price of the Shares during the Pre-announcement Period, we considered the Cancellation Price fair and reasonable.

(ii) Historical trading liquidity of the Shares

We have also reviewed the trading liquidity of the Shares during the Review Period, which is set out in the following table:

Month/period	Number of trading days	Average number of Shares traded daily (Approximately)	% of average number of Shares traded daily to the total number of Shares in issue as at the end of the month/period (Note 1, 2)	% of average number of Shares traded daily to the total number of Shares in issue as at the Latest Practicable Date held by Independent Shareholders (Note 1, 3)
Pre-announcement Period				
2023				
May	21	1,326,857	0.048%	0.156%
June	21	278,095	0.010%	0.033%
July	20	29,100	0.001%	0.003%
August	23	109,391	0.004%	0.013%
September	19	136,421	0.005%	0.016%
October	20	155,400	0.006%	0.018%
November	22	379,222	0.014%	0.045%
December	19	1,700,526	0.061%	0.200%
2024				
January	22	1,203,092	0.043%	0.141%
February	19	3,557,263	0.128%	0.418%
March	20	1,482,900	0.053%	0.174%
April	20	1,044,800	0.038%	0.123%
May	21	231,714	0.008%	0.027%
June (up to 12th)	7	—	0.000%	0.000%

Month/period	Number of trading days	Average number of Shares traded daily <i>(Approximately)</i>	% of average number of Shares traded daily to the total number of Shares in issue as at the end of the month/period <i>(Note 1, 2)</i>	% of average number of Shares traded daily to the total number of Shares in issue as at the Latest Practicable Date held by Independent Shareholders <i>(Note 1, 3)</i>
Post-announcement Period				
2024				
June (from 13 th)	12	19,039,519	0.684%	2.236%
July (up to the Latest Practicable Date)	19	2,097,368	0.075%	0.246%
Average		2,048,229	0.074%	0.241%
Maximum		19,039,519	0.684%	2.236%
Minimum		—	0.000%	0.000%

Notes:

1. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal.
2. Based on 2,772,834,628 Shares in issue up to 12 June 2024, 2,783,140,628 Shares in issue as at 30 June 2024, and 2,793,498,628 Shares in issue as at the Latest Practicable Date, respectively.
3. Based on 851,389,230 Shares held by Independent Shareholders as at the Latest Practicable Date.

As set out in the table above, during the Pre-announcement Period, the percentage of average daily trading volume of the Shares by month/period were (i) in the range of approximately 0.000% to approximately 0.128%, with an average of approximately 0.030%, to the total number of issued Shares; and (ii) in the range of approximately 0.000% to approximately 0.418%, with an average of approximately 0.098%, to the total number of issued Shares held by the Independent Shareholders as at the Latest Practicable. We considered that the trading volume of the Shares was low during the Pre-announcement Period.

During the Post-announcement Period, we noted that the average daily trading volume of the Shares increased up to approximately 0.684% and 2.236% to the total number of issued Shares and total number of issued Shares held by the Independent Shareholders, respectively. We considered that such increment in the trading volume of the Shares may be caused by the market's reaction to the Proposal. Based on the thin liquidity of the Shares during the Pre-announcement Period, if the Proposal fails and other things being equal, the liquidity of the Shares may return to the previous levels before the Joint Announcement.

In general, the trading liquidity of the Shares has been low on the Stock Exchange during the Review Period, and implied that investors may have low interest in trading the Shares, especially during the Pre-announcement Period, and one could find it difficult to trade a large number of Shares on the market under such low liquidity. Although the trading liquidity of the Shares increased during the Post-announcement Period, it is uncertain that the liquidity of the Shares will remain at such level in the near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large number of Shares in the open market. The Proposal provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Cancellation Price.

(iii) Comparable company

To further assess the fairness and reasonableness of the Cancellation Price, we have attempted to compare its implied trading multiples with those of comparable companies with similar business activities and market scale as the Group. In selecting comparable companies for this purpose, we have screened for companies that are (i) listed on the Main Board of the Stock Exchange with a market capitalisation between HK\$100 million and HK\$1.20 billion as at 27 May 2024, the Last Trading Day and the date on which the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme. In determining such range, we have considered (a) the level of the Company's market capitalisation prior to the publication of the Announcement, being approximately HK\$379.88 million derived from the closing price of HK\$0.137 per Share on the Stock Exchange and 2,772,834,628 Shares in issue on 27 May 2024, the Last Trading Day; and (b) that the level of the Company's market capitalisation increased after the publication of the Announcement, and made reference the market capitalisation of the Company of approximately HK\$1,005.66 million as implied by the Cancellation Price of HK\$0.360 per Share and 2,793,498,628 Shares in issue as at the Latest Practicable Date, and determined a slightly wider range covering such levels of the Company's market capitalisation prior to and after the publication of the Announcement with certain buffer, which we considered comparable to that of the Company; (ii) principally engaged in office, commercial and/or industrial properties investment business in the PRC, which contributed a substantial part of revenue to the Group and were of similar nature and properties with the A8 Music Building held by the Group which was primarily for office, commercial and industrial research and development uses, and have more than

70% of their revenue generated from such rental income in the PRC for their respective latest audited financial year; and (iii) profit-making for their respective latest audited financial year, which is the same as the Group's profit-making position in FY2023. Based on the aforesaid criteria, we have, to our best endeavour and knowledge, identified one comparable company (the "**Comparable Company**") which represented an exhaustive list of comparable company that we could identify according to the aforesaid criteria. We have attempted to loosen our criteria to see if we could identify more comparable companies. Nonetheless, we noted from our research that (i) the Comparable Company is the only company that could fulfill all the criteria; (ii) companies other than the Comparable Company that could fulfill criteria (i) and (iii) cannot fulfill criterion (ii) as their majority property assets were generally non-PRC/non-commercial/retail/office properties and they had the majority of their revenue generated outside the PRC; and (iii) companies that could fulfill criteria (ii) and (iii) above generally have significantly larger market capitalisation than the Company. Based on the above, we considered that even if we loosened our criteria, the companies that fall within such criteria could have different operation conditions and financial positions with the Company and may not be suitable for this comparable analysis purpose. Therefore, we considered that it is appropriate to make reference to the Comparable Company for the purpose of this comparable analysis. Despite of having only one Comparable Company, we considered the Comparable Company to be relevant for comparison purpose as the Comparable Company (i) is engaged in business similar to the Group; (ii) has similar market capitalisation as the Company as explained above; and (iii) is listed on the Stock Exchange and hence share similar market sentiment of the Company. Nonetheless, Shareholders are reminded of the small sample size of this comparable analysis, and that the trading multiples of the Comparable Company are included for illustrative purposes only.

In respect of the trading multiples to be used in this comparable analysis, we have adopted the price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**") as they are both commonly adopted method of trading multiple analysis in the market to assess a company's valuation. We have also considered price-to-sales ratio analysis, but considered that the P/E Ratio is a better alternative as the Company is profit-making in the FY2023. Therefore, we did not adopt the price-to-sales ratio comparison in our analysis and adopted P/E Ratio instead. In respect of the P/B Ratio, we also considered it appropriate for assessing the value of a company with significant property interest, and therefore adopted the P/B Ratio in this comparison.

Notwithstanding that the Comparable Company is not subject to any privatisation proposal as at the Latest Practicable Date, a comparable analysis of P/E Ratios and P/B Ratios is considered appropriate for assessing the fairness and reasonableness of the Cancellation Price since such ratios indicate the market value of business of similar nature with the Company in terms of principal activities and business outlook based on the selection criteria adopted and without regard as to whether such company is subject to privatisation proposal.

The following table sets out information about the Comparable Company and a comparison with those of the Company:

Name	Stock code	Principal business as described in its latest published annual report	Market capitalisation	Profit attributable to owners of	Equity attributable to owners of	P/E Ratio (A/B) (times)	P/B Ratio (A/C) (times)
			as at 27 May 2024 (A) (HK\$'000)	it for its latest audited financial year (B) (HK\$'000) (Note 1)	it as at the end of its latest published financial year/period (C) (HK\$'000) (Note 1)		
Everbright Grand China Asset Limited	3699	It was principally engaged in the investment and leasing of commercial buildings and provision of property management services in the PRC.	194,216	21,144	1,067,576	9.19	0.18
			Market capitalisation as implied by the Cancellation Price (HK\$'000) (Note 2)				
The Company	800	Cultural and property investment business in the PRC	1,005,660	26,842	1,714,143	37.47	0.52 (Note 3)

Notes:

1. Where necessary, translated from RMB to HKD based on exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People's Bank of China as at 27 May 2024, the Last Trading Day.
2. Calculated by multiplying the Cancellation Price by 2,793,498,628 Shares in issue immediately prior to completion of the Proposal assuming no other change in the Company's share capital.
3. Calculated by dividing the Cancellation Price per Share of HK\$0.36 by the Reassessed NAV per Share of approximately HK\$0.694.

It is noted from the table above that the P/E Ratio of the Comparable Company is approximately 9.19 times. The P/E Ratio of the Company as implied by the Cancellation Price was approximately 37.47 times, which is significantly higher than that of the Comparable Company, and represented a premium of approximately 307.73% over it.

It is also noted from the table above that the P/B Ratio of the Comparable Company is approximately 0.18 times. The P/B Ratio of the Company as implied by the Cancellation Price per Share divided by the Reassessed NAV per Share was approximately 0.52 times, which is significantly higher than that of the Comparable Company, and represented a premium of approximately 188.89% over it.

In addition, although not included in this comparable analysis and for illustrative purpose only, we noted that another five companies that could fulfill criteria (i) and (iii) above except that their majority property assets were generally non-PRC/noncommercial/retail/office properties and that they had the majority of their revenue generated outside the PRC also had P/E Ratios and P/B Ratios lower than those of the Company implied by the Cancellation Price, and therefore our comparable analysis is not altered taking this into account.

Taking into account that (i) the P/E Ratio of the Company implied by the Cancellation Price is significantly higher than the P/E Ratio of the Comparable Company, representing a premium of approximately 307.73% over it; and (ii) the P/B Ratio of the Company implied by the Cancellation Price is significantly above the P/B Ratio of the Comparable Company, representing a premium of approximately 188.89% over it, we considered the Cancellation Price fair and reasonable.

(iv) Privatisation precedents

We have also reviewed recent successful privatisation precedents and studied their respective cancellation price relative to their share price movements to further assess the fairness and reasonableness of the Cancellation Price. In selecting such privatisation precedents, we have screened for companies (i) of which the shares were listed on the Main Board of the Stock Exchange before completing privatisation; (ii) of which the privatisation proposal was conducted by way of a scheme of arrangement. We adopted this because (a) the Proposal is conducted by way of a scheme of arrangement; and (b) privatisation proposals by way of a scheme of arrangement could be different from those proposals by other ways such as a general offer in terms of process, conditions and commercial considerations of the respective offeror. Therefore, we considered it appropriate to compare the Proposal which is by way of a scheme of arrangement to privatisation precedents which were also conducted by way of a scheme of arrangement; and (iii) which were announced during the period from 1 May 2022 up to and including the Last Trading Day and were successfully privatised on or before the Latest Practicable Date, representing a period of approximately two years. We considered that such review period which covers approximately two years and the sample size identified under such basis to be appropriate and sufficient for analysis of the pricing of recent privatisations of Main

Board listed companies in Hong Kong and such period is close enough to reflect the prevailing market conditions in Hong Kong. Based on the above selection criteria, we have exhaustively identified a list of 15 privatisation precedents (the “**Privatisation Precedents**”). While the subject companies in the Privatisation Precedents may not be involved in industries which are identical to that of the Company, we considered that the Privatisation Precedents could provide a fair and representative reference of the recent market pricings of privatisation proposals in the Hong Kong capital market, and therefore is suitable for comparison purpose with the Proposal.

The table below illustrates the premiums or discounts of the cancellation prices/scheme consideration offered by the corresponding offerors in each of the Privatisation Precedents over/to the respective last trading day/last full trading day/unaffected price date/undisturbed date (where applicable) and respective last 5, 10, 30, and 90 trading days average share prices in respect of such Privatisation Precedents:

Date of the Rule 3.5 announcement	Company name	Stock code	Principal business	Premium/(discount) of cancellation price/scheme consideration over/to closing share price/average share price on/over				
				Last/Last full trading day/Unaffected Price Date/Undisturbed date (where applicable)	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 90 trading days
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited	6600	Development and commercialization of its portfolio with potential in its focused therapeutic areas including oncology and severe infection	33.90%	36.03%	36.23%	47.47%	48.69%
14 December 2023	Sinosoft Technology Group Limited	1297	Provision of application software products and solutions	29.41%	30.43%	31.21%	31.13%	14.96%
6 October 2023	Haitong International Securities Group Limited	665	Provision of brokerage and retail margin financing, corporate finance, investment management, fixed income, currency and commodities as well as structured financing products and services	114.08%	111.11%	108.22%	126.42%	124.48%
6 October 2023	Pine Care Group Limited	1989	Provision of elderly care service	(1.11%)	0.68%	0.91%	1.44%	23.01%
15 September 2023	Lansen Pharmaceutical Holdings Limited	503	Production and sales of rheumatic specialty prescription western pharmaceuticals in the PRC.	26.76%	24.14%	22.45%	20.35%	20.62%
1 September 2023	CST Group Limited	985	E-logistics and mining businesses and copper mining services	61.29%	24.38%	21.36%	36.67%	(14.89%)
27 June 2023	Dali Foods Group Company Limited	3799	Snack food and beverage	37.87%	36.56%	39.41%	30.42%	18.60%

Date of the Rule 3.5 announcement	Company name	Stock code	Principal business	Premium/(discount) of cancellation price/scheme consideration over/to closing share price/average share price on/over				
				Last/Last full trading day/ Unaffected Price Date/ Undisturbed date (where applicable)	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 90 trading days
11 June 2023	Mason Group Holdings Limited	273	Provision of financial services in Hong Kong, including financial brokerage, leveraged and acquisition financing, asset and wealth management and mortgages business, and provision of health solutions through its healthcare business, mother-infant-child business and dairy products business	20.71%	20.71%	19.43%	19.15%	12.62%
28 May 2023	Golden Eagle Retail Group Limited	3308	Operations of department stores in the PRC	63.42%	66.59%	61.50%	55.45%	54.53%
21 February 2023	Jiangnan Group Limited	1366	Manufacturing of wires and cables for power transmission, distribution systems and electrical equipment in the PRC	83.49%	100.00%	106.40%	106.86%	91.37%
17 February 2023	AAG Energy Holdings Limited	2686	Energy exploration and development	10.12%	10.38%	9.27%	10.69%	27.21%
24 October 2022	Kingston Financial Group Limited	1031	Operations of entertainment and financial services businesses	47.78%	48.37%	47.57%	39.41%	29.85%
5 August 2022	Lifestyle International Holdings Limited	1212	Operations of lifestyle department store and other retail outlets	62.34%	75.93%	81.88%	70.11%	48.08%
9 June 2022	China VAST Industrial Urban Development Company Limited	6166	Industrial town development businesses in the PRC	30.43%	29.17%	28.82%	31.39%	42.07%
6 May 2022 (Last trading day)	Yashili International Holdings Ltd.	1230	Production of dairy products	30.43%	33.93%	38.57%	31.77%	83.02%
11 March 2022 (Unaffected price date)				160.87%	153.16%	150.52%	138.49%	127.32%
			Maximum	160.87%	153.16%	150.52%	138.49%	127.32%
			Minimum	(1.11%)	0.68%	0.91%	1.44%	(14.89%)
			Average	50.74%	50.10%	50.23%	49.83%	46.97%
			Median	35.89%	34.98%	37.40%	34.22%	35.96%
12 June 2024	The Company	800	Cultural and property investment business	162.77%	158.99%	168.66%	185.71%	174.81%

As shown in the table above, the premiums represented by the Cancellation Price over all types of comparisons (i.e. last trading day, 5-day, 10-day, 30-day and 90-day) are all above the ranges of those of the Privatisation Precedents. We considered that the premiums represented by the Cancellation Price over all types of comparisons are more favourable compared to those of the Privatisation Precedents. Taking this in account, we considered that the Cancellation Price is fair and reasonable.

(v) *Analysis on the discount represented by the Cancellation Price to the Reassessed NAV per Share*

In addition to the above, we have further analyzed the discount represented by the Cancellation Price to the Reassessed NAV per Share as follows.

As discussed in the paragraph headed “II. Valuation of the A8 Music Building and the reassessed net asset value of the Group — (ii) Reassessed NAV of the Group” above, the Reassessed NAV per Share, for illustrative purpose only, is approximately RMB0.632 per Share, which is equivalent to approximately HK\$0.694 as at 31 December 2023 based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People’s Bank of China as at the Last Trading Day for illustrative purposes. The Cancellation Price of HK\$0.36 represented a discount of approximately 48.13% to the Reassessed NAV per Share of HK\$0.694 as at 31 December 2023.

As discussed in the paragraph headed “(i) Historical price performance of the Shares” in this section, we noted that the daily closing prices of the Shares ranged from HK\$0.111 per Share to HK\$0.285 per Share, averaging at approximately HK\$0.173 per Share, on the Stock Exchange during the Pre-announcement Period, which are all even lower than the Cancellation Price of HK\$0.36, and exhibited a general declining trend during the same period. Although the daily closing prices of the Shares increased to up to HK\$0.340 per Share during the Post-announcement Period, it is likely a result of the Proposal only, and is also lower than the Cancellation Price of HK\$0.36. Considering that the Group’s net assets are generally stable between 31 December 2021, 2022 and 2023, respectively, it reflected that the market, during the Review Period, has in general also been valuing the Group’s net assets at discounts which are even deeper than that represented by the Cancellation Price of HK\$0.36 to the Reassessed NAV per Share as at 31 December 2023.

Furthermore, as discussed in the paragraph headed “(iii) Comparable Company” in this section above, the P/B Ratio of the Comparable Company is approximately 0.18 times, which is significantly lower than the P/B Ratio of the Company as implied by the Cancellation Price per Share divided by the Reassessed NAV per Share of approximately 0.52 times. It reflected that in general, the Comparable Company’s shares were traded at discounts to its net assets which is even deeper than that represented by the Cancellation Price to the Reassessed NAV per Share.

Taking into account (i) during the Review Period, the market has in general also been valuing the Group’s net assets at discounts which are even deeper than that represented by the Cancellation Price to the Reassessed NAV per Share; (ii) in general, the Comparable Company’s shares were traded at discounts to its net assets which is even deeper than that represented by the Cancellation Price to the Reassessed NAV per Share; and (iii) other factors and analysis discussed in this letter in respect of the Proposal and Cancellation Price, we were of the view that the discount represented by the Cancellation Price to the Reassessed NAV per Share was fair and reasonable.

(vi) *Conclusion on the fairness and reasonableness of the Cancellation Price*

Having considered that:

- a. the Cancellation Price was above the daily closing prices of the Shares during the entire Review Period and represented significant premiums over the highest, lowest and average closing price of the Shares during the Pre-announcement Period;
- b. the trading liquidity of the Shares has been low on the Stock Exchange during the Review Period, and the Proposal provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Cancellation Price;
- c. the P/E Ratio and P/B Ratio of the Company implied by the Cancellation Price are significantly above those of the Comparable Company;
- d. the premiums represented by the Cancellation Price over all types of comparisons (i.e. last trading day, 5-day, 10-day, 30-day and 90-day) are all above the ranges of, and are more favourable than, those of the Privatisation Precedents; and
- e. although the Cancellation Price represented a discount of approximately 48.13% to the Reassessed NAV per Share of HK\$0.694 for illustrative purpose, it is noted that (i) during the Review Period, the market has in general also been valuing the Group's net assets at discounts which are even deeper than such discount; (ii) the Comparable Company's shares were in general also traded at discounts to its net assets which is even deeper than such discount; and (iii) all other factors and analysis discussed above and in this section,

we were of the view that the Cancellation Price is fair and reasonable as far as the Independent Shareholders are concerned.

VII. Overall discussion and analysis

(i) *In respect of the Proposal and the Scheme*

We noted that the Group's revenue has been deteriorating during the five years ended 31 December 2023. In particular, the Group's property investment business, being the rental and provision of property management service businesses in the A8 Music Building which contributed a substantial part to the Group's revenue during the FY2021, FY2022 and FY2023, deteriorated significantly during the aforesaid years in terms of both (i) occupancy rate which fell from approximately 92% to approximately 88% then to approximately 73% as at 31 December 2021, 2022 and 2023, respectively. As at 31 May 2024, the occupancy rate of the A8 Music Building continued to drop to approximately 67%; and (ii) average rent which fell from

approximately RMB162.18 to approximately RMB161.00 then to approximately RMB146.00 per square meter as at 31 December 2021, 2022 and 2023, respectively. As at 31 May 2024, the average rent per square meter of the A8 Music Building remained at approximately RMB146.00.

We further noted that the performance of the office and retail properties market in Shenzhen, where the A8 Music Building locates, has also been sluggish and generally declining from the second quarter of year 2023 to the first quarter of year 2024, being an one-year period. In particular, according to the Greater China Property Summaries, (i) the office properties market in Shenzhen generally observed increasing vacancy rates and decreasing average rents from the second quarter of year 2023 to the first quarter of year 2024; and (ii) the retail properties market in Shenzhen, despite observing certain up-and-down fluctuations in its vacancy rates and average rents, had a sluggish performance from the second quarter of year 2023 to the first quarter of year 2024 and was not optimistic. We were also not aware of observable factor which may suggest that the retail properties market in Shenzhen will have breakthrough or significant growth in the near future.

Meanwhile, despite the Group's endeavour in adjusting its operating strategies of its cultural business segment, divesting the loss-making online game business, and continuing to develop its online literature business throughout FY2021 to FY2023, the Group's revenue from its cultural business remained declining in amount and minimal to its overall revenue, representing approximately 2.80%, 2.12% and 0.59% only to its overall revenue for the FY2021, FY2022 and FY2023, respectively. On the other hand, the Group's share of profits and losses of associates, net from Beijing Zhangwen which has been developing online literature content and derivative products, audiobook and audio content, animation business and mini-series also dropped substantially from approximately RMB30.31 million for the FY2021 to approximately RMB5.80 million for the FY2022. Although it rebounded to approximately RMB9.94 million for the FY2023, it still represented approximately 32.79% only of the same in FY2021. There is no guarantee that the Group will be successful in developing its cultural business, increasing its revenue therefrom, and enjoying increasing share of profits of associate in the future.

Although the Group recorded a profit before tax from continuing operations of approximately RMB64.53 million for the FY2021 and which rebounded to approximately RMB16.46 million in FY2023 after dropping to approximately RMB10.09 million in FY2022, it should be noted that a significant portion of it was contributed by the Group's other income and gains, net and share of profits and losses of associates, net, which are not part of the Group's usual and ordinary course of daily operations, and that there is no guarantee for the Group to continue to record similar levels of other income and gains, net and share of profits and losses of associates, net in the future. For instance, the Group's other income and gains, net mainly comprised bank interest income and dividend (and distribution) income from financial assets at fair value through profit or loss for the FY2021, FY2022 and FY2023, and there is also no guarantee that the Group will continue to be able to receive such bank interest income or dividend (and distribution) income from its

financial assets in the future as the Group may withdraw a large part of its cash and bank balance from banks for other purposes and the Group's investment in financial assets may not be profitable in the future as their performance may be dependent on the general conditions of the capital market which could be volatile and cannot be guaranteed. Meanwhile, as discussed above, the Group's share of profits and losses of associates, net dropped substantially in FY2022 and, although rebounded in FY2023, may not grow for certain in the future.

We also noted that the increase in the Group's overall profit for the year in the FY2023 was mainly because the Group recorded a profit for the year from a discontinued operation for the FY2023 when compared to a loss from the same for the FY2022, and it should be noted that it is unlikely for such discontinued operation of the Group to continue contributing to the Group as it has ceased to be a part of the Group's operation, and there is no guarantee that the Group could continue to record profit from the discontinued operation, nor it would continue to contribute to the Group's overall profit for the year in the future.

Having taking into account all of the above and our other discussions in the section headed "I. Background information of the Group" in this letter, we concurred with the management of the Company that the Group's performance has been deteriorating and the prospects of the Group and its industry were not optimistic. We further considered that the Proposal, the Scheme and the Option Offer represented an opportunity for the Scheme Shareholders and Option Holders to exit and realise their investments in the Group, taking into account the Group's deteriorating performance and the uncertainty in its future development.

On the other hand, we noted that the Cancellation Price (i) was above the daily closing prices of the Shares during the entire Review Period; and represented significant premiums over the highest, lowest and average closing price of the Shares during the Pre-announcement Period; (ii) has implied P/E Ratio and P/B Ratio on the Company which are significantly above those of the Comparable Company; (iii) has premiums over all types of comparisons (i.e. last trading day, 5-day, 10-day, 30-day and 90-day) which are all above the ranges of, and are more favourable than, those corresponding premiums/discounts of the Privatisation Precedents; and (iv) although represented a discount of approximately 48.13% to the Reassessed NAV per Share of HK\$0.694, it is noted that (a) during the Review Period, the market has in general also been valuing the Group's net assets at discounts which are even deeper than such discount; and (b) the Comparable Company' shares were in general also traded at discounts to its net assets which is even deeper than such discount. Therefore, we considered the Cancellation Price to be fair and reasonable so far as the Independent Shareholders are concerned.

We also noted that the trading liquidity of the Shares has been low on the Stock Exchange during the Review Period, especially during the Pre-announcement Period. Independent Shareholders may find it difficult to liquidate their shareholding positions in the Company in the open market, and that the prices of the Shares may be depressed if large blocks of Shares are being disposed of in the open market. In contrast, the Proposal provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Cancellation Price which is fixed regardless of the number of Scheme Shares being cancelled according to the Scheme.

Based on all the above, we considered that the Proposal, the Scheme and the Option Offer represented an opportunity for the Scheme Shareholders and Option Holders to exit and realise their investments in the Group, and the Cancellation Price is fair and reasonable.

(ii) In respect of the Option Offer

For assessing the terms of the Option Offer, we recognised that it is a common market practice to adopt a “see-through” price as the minimum cancellation price for any convertible instrument in conjunction with a privatisation proposal for ordinary shares. We noted from the Privatisation Precedents that (i) three out of the 15 of them, namely SciClone Pharmaceuticals (Holdings) Limited (stock code: 6600) (“**SciClone Pharmaceuticals**”), Haitong International Securities Group Limited (stock code: 665) (“**Haitong International**”) and China VAST Industrial Urban Development Company Limited (stock code: 6166) (“**China VAST**”) (China VAST initially announced option offer in conjunction with its privatisation proposal in its relevant Rule 3.5 announcement with a “see-through” price principle, but all its relevant options lapsed before the publication of its scheme document, and therefore its offeror was eventually not required to make such option offer), involved option offer; (ii) the option offer of SciClone Pharmaceuticals and Haitong International were conducted based on the “see-through” principle; and (iii) the option offer of China VAST, although eventually no longer required as explained above, was also announced based on the “see-through” principle. We considered such basis of determining the Option Offer Price to be acceptable. We note from the Explanatory Memorandum that under the Option Offer, the Offeror is offering the Option Holders the corresponding “see-through” prices for the relevant Share Options depending on the relevant exercise prices per Share Option held by the Option Holders.

Given our view that the Proposal is fair and reasonable, and the Option Offer Price is based on the “see-through” principle and premised on the Cancellation Price, which is normally adopted in Hong Kong for option offers, we also considered the terms of the Option Offer to be fair and reasonable so far as the Option Holders are concerned.

RECOMMENDATION

Based on the above principal factors and reasons, we considered the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned and the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned. Accordingly, we recommend the Independent Board Committee to recommend:

- a. at the Court Meeting, the Independent Shareholders to vote in favour of the resolution to approve the Scheme; and
- b. at the EGM:
 - i. the Shareholders to vote in favour of the resolutions to: (i) approve and give effect to the Scheme and any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation and extinguishment of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror; and
- c. the Option Holders to accept the Option Offer.

OTHER REMINDERS

Although it is noted that the Shares have been traded below the Cancellation Price since the Last Trading Day and up to the Latest Practicable Date, there is still possibility that the Share price may exceed the Cancellation Price by 23 August 2024, being the date of the Court Meeting and the EGM. Accordingly, the Independent Shareholders and the Option Holders are reminded to closely monitor the trading price and liquidity of the Shares during the period up to 23 August 2024, being the date of the Court Meeting and the EGM and should, having regard to their own circumstances, for the Independent Shareholders, consider selling their Shares in the open market and, for the Option Holders, exercising their vested Share Options and selling their Shares to be issued upon such exercise in the open market instead of accepting the Option Offer, respectively, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds expected to be received under the Scheme and from accepting the Option Offer respectively. However, the Option Holders are reminded that there will be a time lag between the exercise of the Share Options and the receipt of the Shares to be issued upon such exercise due to the time required for the administrative procedures for exercising the Share Options. Accordingly, the Option Holders who wish to exercise their Share Options should be mindful of the possible price fluctuations of the Shares during the aforesaid time lag.

Further details regarding the procedures of the Proposal and the Scheme are set out in the Explanatory Memorandum. Independent Shareholders are urged to act according to the timetable set out in the Scheme Document if they wish to qualify for entitlements under the Scheme.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED

Leo Chan
Managing Director

Ernest Lam
Managing Director

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.

Mr. Ernest Lam is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 2023 (as revised).

SCHEME OF ARRANGEMENT

(UNDER SECTION 86 OF THE COMPANIES ACT)

1. INTRODUCTION

On 27 May 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme under section 86 of the Companies Act, which, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange.

2. TERMS OF THE PROPOSAL

The Scheme

If the Proposal is approved and implemented, under the Scheme,

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in consideration for the Cancellation Price, which will be paid in cash, payable by the Offeror to the Scheme Shareholders for each Scheme Share;
- (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, such that the Offeror and the Offeror Concert Parties Not Subject to the Scheme will in aggregate own 100% of the total number of Shares in issue. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par value the new Shares so issued to the Offeror; and
- (c) upon the Scheme becoming effective, the Company will make an application to the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules for the withdrawal of the listing of the Shares on the Stock Exchange with effect from the Effective Date.

In compliance with Rule 20.1(a) of the Takeovers Code, after the Scheme has become effective, the Cancellation Price for the cancellation of the Scheme Shares will be paid to the relevant Scheme Shareholders whose names appear in the Register on the Record Date as soon as possible, but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date.

The Offeror will also make an offer to the Option Holders (other than Mr. Liu) at the Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash to cancel all outstanding Share Options (other than those held by Mr. Liu) which has not been lapsed on the Record Date in accordance with Rule 13 of the Takeovers Code. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Option Offer Price will be a nominal amount of HK\$0.01 per outstanding Share Option.

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.36 per Scheme Share.

Comparison of value

The Cancellation Price of HK\$0.36 represents:

- (a) a premium of approximately 162.77% over the closing price of HK\$0.137 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 158.99% over the average closing price of approximately HK\$0.139 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (c) a premium of approximately 168.66% over the average closing price of approximately HK\$0.134 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 185.71% over the average closing price of approximately HK\$0.126 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 174.81% over the average closing price of approximately HK\$0.131 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 5.88% over the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (g) a discount of approximately 41.37% (the “NAV Discount”) to the audited consolidated net asset value attributable to equity shareholders of the Company (the “NAV”) per Share as at 31 December 2023 of approximately RMB0.559 per Share (equivalent to approximately HK\$0.614 based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People’s Bank of China as at the Last Trading Day and 2,793,498,628 issued Shares as at the Latest Practicable Date for illustrative purposes); and

- (h) a discount of approximately 48.13% to the Reassessed NAV (as defined in Appendix I to the Scheme Document) per Share as at 31 December 2023 of approximately RMB0.632 per Share (equivalent to approximately HK\$0.694 based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People's Bank of China as at the Last Trading Day and 2,793,498,628 issued Shares as at the Latest Practicable Date for illustrative purposes).

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.34 per Share on 26 July 2024 (i.e. the Latest Practicable Date), and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.111 per Share on 25 April 2024.

Basis for determining the Cancellation Price

The Cancellation Price has been determined on a commercial basis after taking into account the historical prices of the Shares (which was above the daily closing prices of the Shares during the period from 2 May 2023 to the Last Trading Day) and with reference to other privatisation transactions in Hong Kong in 2023 and 2024 (in particular, the premiums represented by cancellation price/offer price over closing price/average closing prices of the subject companies' shares prior to publication of relevant announcements and the premiums of Cancellation Price over the closing price as at the Last Trading Day or average closing prices for last 5/10/30/90 trading days being higher than premiums of the aforesaid comparable privatisation transactions).

Although the Cancellation Price represented the NAV Discount of approximately 41.37% to the audited NAV per Share as at 31 December 2023, the Offeror noted that the closing price of the Share was far below the NAV per Share (representing discounts ranging from 52.45% to 82.04% based on daily closing price and latest available NAV per Share as at such trading day) during the abovementioned period (i.e. 2 May 2023 to the Last Trading Day).

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Option Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Dividend payment by the Company

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid. The Company does not intend to declare and/or pay any dividend, other distribution and/or return of capital before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses or is withdrawn (as the case may be).

However, if, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

The Option Offer

As at the Latest Practicable Date, there are outstanding 12,570,408 Share Options granted under the Share Option Schemes (all of which have been vested), each giving the Option Holders the right to subscribe for one new Share. Among the outstanding Share Options, (i) Mr. Liu holds 10,529,000 Share Options, including 1,715,000 Share Options with an exercise price of HK\$0.57, 8,813,000 Share Options with an exercise price of HK\$0.221 and 1,000 Share Options with an exercise price of HK\$0.255; (ii) Mr. Chan Yiu Kwong holds 1,100,000 Share Options with an exercise price of HK\$0.439; (iii) Ms. Wu Shihong holds 900,000 Share Options with an exercise price of HK\$0.439; and (iv) the remaining 41,408 Share Options are held by other employees of an associate of the Company with an exercise price of HK\$0.219. The Company does not intend to grant any further Share Options between the Latest Practicable Date and the Effective Date. The Share Options held by Mr. Liu will not be subject to the Option Offer and Mr. Liu will not exercise any Share Options between the Latest Practicable Date and the Effective Date.

The exercise of all outstanding Share Options (other than those held by Mr. Liu) in full would result in the issue of 2,041,408 new Shares, representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date and 0.07% of the issued share capital of the Company as enlarged by issue of such new Shares.

The Offeror is also making an offer to the Option Holders (other than Mr. Liu) at the Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash to cancel all outstanding Share Options (other than those held by Mr. Liu) which has not been lapsed on the Record Date in accordance with Rule 13 of the Takeovers Code. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Option Offer Price will be a nominal amount of HK\$0.01 per outstanding Share Option.

The following table sets out the exercise price and the Option Offer Price of the outstanding Share Options (other than those held by Mr. Liu) under the Option Offer:

Date of Grant	Exercise price (HK\$)	End of Exercise period	Option Offer Price (HK\$)	Number of Shares into which Share Options are exercisable
7 May 2018	0.439	7 May 2025	0.01	2,000,000
28 June 2019	0.219	28 June 2029	0.141	41,408

The Option Offer Letter is being sent to each Option Holder, together with the Scheme Document and a Form of Acceptance.

If any of the outstanding Share Options is exercised before the Record Date in accordance with the rules of the Share Option Schemes and this Scheme Document, any Shares so issued will be subject to and eligible to participate in the Scheme.

All Share Options (including the Share Options held by Mr. Liu) will lapse automatically and not be exercisable (to the extent not already exercised) on the Effective Date.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$0.36 per Scheme Share and 2,793,498,628 Scheme Shares in issue as at the Latest Practicable Date, the Scheme Shares are in aggregate valued at approximately HK\$313,979,483.

Assuming that none of the outstanding Share Options is exercised and none of the outstanding Share Options lapses before the Record Date, the amount of cash required for the Scheme is approximately HK\$313,979,483, and the amount of cash required for the Option Offer is approximately HK\$25,839, of which (i) 41,408 Share Options with an exercise price of HK\$0.219 shall be cancelled in exchange for the Option Offer Price of HK\$0.141 per Share Option; and (ii) 2,000,000 Share Options with an exercise price of HK\$0.439 shall be cancelled in exchange for the Option Offer Price of HK\$0.01 per Share Option.

The total maximum cash consideration payable under the Proposal and the Option Offer on the basis described above is approximately HK\$314,005,322.

Assuming that all Option Holders (other than Mr. Liu) exercise their outstanding Share Options to become Scheme Shareholders before the Record Date, there will be 874,206,638 Scheme Shares and the maximum amount of cash required for the Scheme is approximately HK\$314,714,390.

The Offeror intends to finance the cash required for the Proposal and the Option Offer from internal resources.

Gram Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its payment obligations in full in respect of the maximum amount of cash consideration payable under the Proposal and the Option Offer in accordance with its terms.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if the following Conditions are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) at the Court Meeting by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Shareholders;
- (c) the passing of (i) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (ii) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to simultaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing, to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme and the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modification) and to the extent necessary its confirmation of any reduction of the issued share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

- (e) to the extent necessary, compliance with the procedural requirements and conditions, if any, under the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares;
- (f) all Approvals which are (i) required in connection with the Proposal by (1) the Applicable Laws or (2) any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal);
- (h) all the Applicable Laws having been complied with and no legal or regulatory requirement having been imposed by any Authority which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws in connection with the Proposal which are material in the context of the Group (taken as a whole), in each case up to and as at the Effective Date; and
- (i) since the date of the Announcement, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole.

The Conditions set out in paragraphs (a) to (d) and (f)(i)(1) above cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (e), (f) to (i) (other than (f)(i)(1)) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which (i) the Scheme will not become effective and the Proposal will lapse; (ii) the shareholding structure of the Offeror will remain unchanged as compared to the Latest Practicable Date and the public float of the Company is expected to be sufficient.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal or the Scheme if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal or the Scheme.

As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than the Approvals listed in the Conditions in paragraphs (a) to (e) (inclusive), the Offeror and the Company are not aware of any other Approvals which are required as set out in the Condition in paragraph (f) above, and the Offeror and the Company are also not aware of any other circumstances which may result in any of the Conditions in paragraphs (f) to (i) (inclusive) not being satisfied. In particular, as at the Latest Practicable

Date, the Company is not aware of any Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry as set out in the Condition in paragraph (g).

As at the Latest Practicable Date, none of the Conditions had been satisfied or waived.

If the Conditions are satisfied or waived (as applicable), the Scheme will be binding on the Company and all the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

4. CONDITIONS OF THE OPTION OFFER

The implementation of the Option Offer will be conditional upon the Scheme becoming effective.

Warning: Shareholders, Option Holders and/or potential investors should be aware that the implementation of the Proposal, the Scheme or the Option Offer is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal, the Scheme and the Option Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, Option Holders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprises 2,793,498,628 Shares;
- (b) the Offeror does not legally or beneficially own, control or have direction over any Shares;
- (c) the Offeror Concert Parties beneficially own, control or have direction over 1,942,109,398 Shares, representing approximately 69.52% of the issued Shares. The Offeror Concert Parties Not Subject to the Scheme beneficially own, control or have direction over 1,921,333,398 Shares, representing approximately 68.78% of the issued Shares. The Offeror Concert Parties Subject to the Scheme beneficially own, control or have direction over 20,776,000 Shares, representing approximately 0.74% of the issued Shares;
- (d) Gram Capital is the financial adviser to the Offeror in connection with the Proposal. Accordingly, Gram Capital and persons controlling, controlled by or under the same control as Gram Capital is presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, none of Gram Capital nor any person controlling, controlled by or under the same control as Gram Capital holds any Shares;

- (e) the Scheme Shareholders hold 872,165,230 Shares, representing 31.22% of the issued Shares;
- (f) the Independent Shareholders legally or beneficially own, control or have direction over a total of 851,389,230 Shares, representing approximately 30.48% of the issued Shares;
- (g) save as the 10,529,000 Share Options held by Mr. Liu, there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by Mr. Liu, the Offeror and the Offeror Concert Parties;
- (h) none of Mr. Liu, the Offeror nor any of the Offeror Concert Parties have had any dealings for value in the Shares or other securities of the Company during the Relevant Period;
- (i) neither Mr. Liu, the Offeror nor any of the Offeror Concert Parties have entered into any outstanding derivative in respect of the securities in the Company; and
- (j) neither Mr. Liu, the Offeror nor any of the Offeror Concert Parties have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Scenario I

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

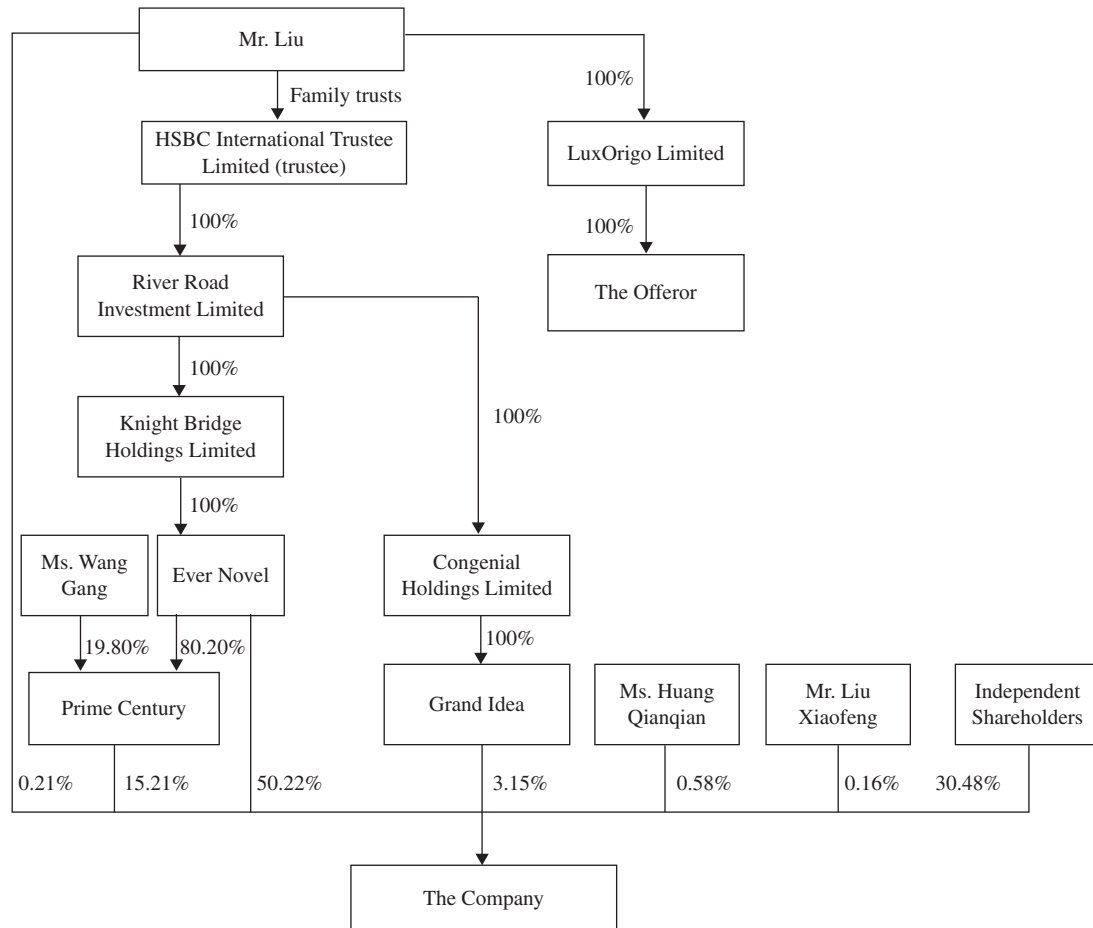
Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares held	Approximate percentage in total issued share capital	Number of Shares held	Approximate percentage in total issued share capital
Offeror	—	—	872,165,230	31.22%
Offeror Concert Parties				
Not Subject to the Scheme				
Ever Novel ^(Note 1)	1,402,891,095	50.22%	1,402,891,095	50.22%
Prime Century ^(Note 2)	424,796,303	15.21%	424,796,303	15.21%
Grand Idea ^(Note 1)	87,880,000	3.15%	87,880,000	3.15%
Mr. Liu ^(Note 1)	5,766,000	0.21%	5,766,000	0.21%

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares held	Approximate percentage in total issued share capital	Number of Shares held	Approximate percentage in total issued share capital
Offeror Concert Parties Subject to the Scheme				
Ms. Huang Qianqian ^(Note 3)	16,278,000	0.58%	—	—
Mr. Liu Xiaofeng ^(Note 3)	4,498,000	0.16%	—	—
Offeror and Offeror Concert Parties				
Sub-total:	1,942,109,398	69.52%	2,793,498,628	100.00%
Independent Shareholders ^(Note 4)	851,389,230	30.48%	—	—
Total	2,793,498,628	100.00%	2,793,498,628	100.00%
Scheme Shareholders ^(Note 5)	872,165,230	31.22%	—	—

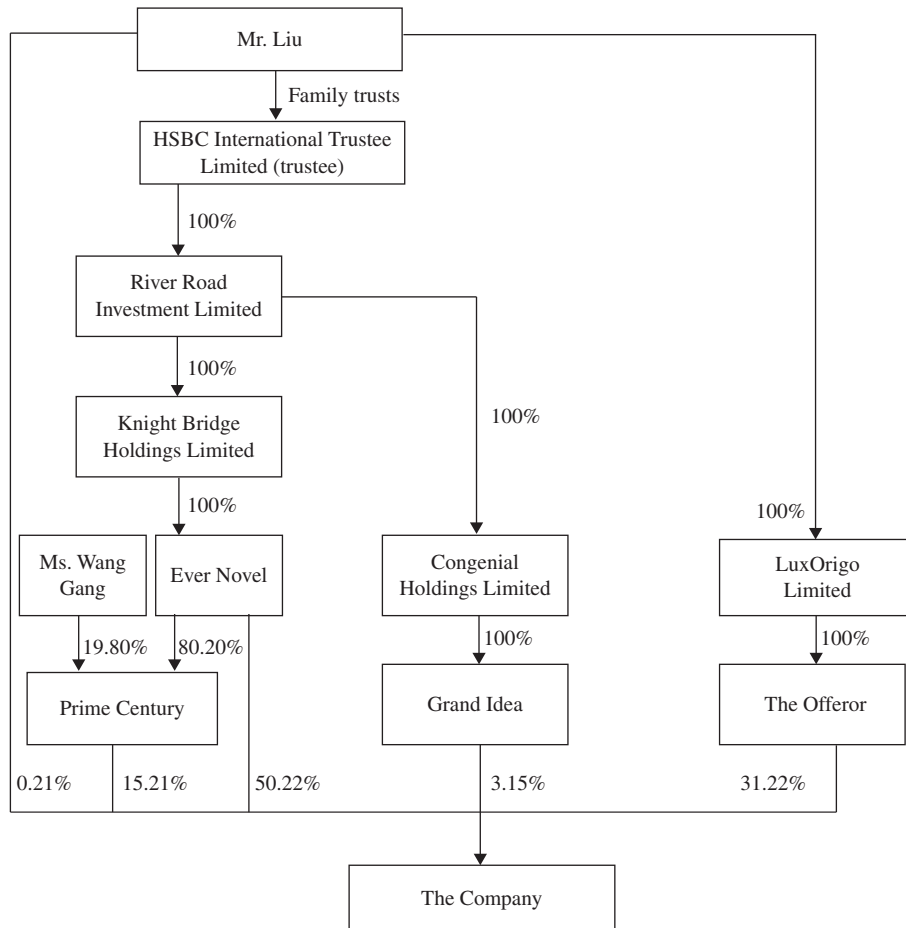
Notes:

- (1) As at the Latest Practicable Date, each of Ever Novel and Grand Idea is 100% controlled by HSBC International Trustee Limited, the trustee of family trusts founded by Mr. Liu who can influence how HSBC International Trustee Limited exercises its discretion.
- (2) Ever Novel is entitled to exercise or control the exercise of 80.20% of the voting power at the general meetings of Prime Century, while the remaining 19.8% of the voting power is controlled by the cousin of Mr. Liu, Ms. Wang Gang.
- (3) Mr. Liu Xiaofeng is the brother of Mr. Liu and Ms. Huang Qianqian is the spouse of Mr. Liu Xiaofeng.
- (4) As at the Latest Practicable Date, other than Mr. Liu, none of the Directors hold any Shares.
- (5) For the avoidance of doubt, the Scheme Shares comprise the Shares beneficially owned, controlled or directed by the Offeror Concert Parties Subject to the Scheme and the Independent Shareholders.
- (6) The percentages are approximated due to rounding.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:



The chart below sets out the illustrative shareholding structure of the Company upon completion of the Proposal:



Scenario II

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal except for the exercise of all Share Options (other than those held by Mr. Liu), the table below sets out the shareholding structure of the Company immediately after the exercise of all Share Options (other than those held by Mr. Liu) and immediately upon completion of the Proposal:

Name of Shareholders	Immediately after the exercise of all Share Options (other than those held by Mr. Liu)		Immediately upon completion of the Proposal	
	Number of Shares held	Approximate percentage in total issued share capital	Number of Shares held	Approximate percentage in total issued share capital
Offeror	—	—	874,206,638	31.27%
Offeror Concert Parties Not Subject to the Scheme				
Ever Novel ^(Note 1)	1,402,891,095	50.18%	1,402,891,095	50.18%
Prime Century ^(Note 2)	424,796,303	15.20%	424,796,303	15.20%
Grand Idea ^(Note 1)	87,880,000	3.14%	87,880,000	3.14%
Mr. Liu ^(Note 1)	5,766,000	0.21%	5,766,000	0.21%
Offeror Concert Parties Subject to the Scheme				
Ms. Huang Qianqian ^(Note 3)	16,278,000	0.58%	—	—
Mr. Liu Xiaofeng ^(Note 3)	4,498,000	0.16%	—	—
Offeror and Offeror Concert Parties				
Sub-total:	1,942,109,398	69.47%	2,795,540,036	100.00%
Option Holders				
Mr. Chan Yiu Kwong ^(Note 4)	1,100,000	0.04%	—	—
Ms. Wu Shihong ^(Note 4)	900,000	0.03%	—	—
Other employees of an associate of the Company ^(Note 4)	41,408	0.00%	—	—
Option Holders Sub-total:	2,041,408	0.07%	—	—
Other Independent Shareholders	851,389,230	30.46%	—	—
Independent Shareholders				
Sub-total:	853,430,638	30.53%	—	—
Total	2,795,540,036	100.00%	2,795,540,036	100.00%
Scheme Shareholders ^(Note 5)	874,206,638	31.27%	—	—

Notes:

- (1) As at the Latest Practicable Date, each of Ever Novel and Grand Idea is 100% controlled by HSBC International Trustee Limited, the trustee of family trusts founded by Mr. Liu who can influence how HSBC International Trustee Limited exercises its discretion.
- (2) Ever Novel is entitled to exercise or control the exercise of 80.20% of the voting power at the general meetings of Prime Century, while the remaining 19.8% of the voting power is controlled by the cousin of Mr. Liu, Ms. Wang Gang.
- (3) Mr. Liu Xiaofeng is the brother of Mr. Liu and Ms. Huang Qianqian is the spouse of Mr. Liu Xiaofeng.
- (4) Mr. Chan Yiu Kwong and Ms. Wu Shihong are independent non-executive Directors. None of these Directors and other employees of an associate of the Company is acting in concert with Mr. Liu or the Offeror or was involved in the discussion or negotiation in relation to or has any interest in the Proposal (other than being an Option Holder subject to the Option Offer). The Shares to be held by such Directors and employees will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.
- (5) For the avoidance of doubt, the Scheme Shares comprise the Shares beneficially owned, controlled or directed by the Offeror Concert Parties Subject to the Scheme and the Independent Shareholders.
- (6) The percentages are approximated due to rounding.

6. SHARE OPTIONS

As at the Latest Practicable Date, there were 12,570,408 outstanding Share Options granted under the Share Option Schemes, each relating to one Share, all of which have already vested and are exercisable as at the Latest Practicable Date. Other than such Share Options, there are no other options, derivatives, warrants or other securities convertible or exchangeable into the Shares which were issued by the Company. As at the Latest Practicable Date, Mr. Liu holds 10,529,000 Share Options, Mr. Chan Yiu Kwong holds 1,100,000 Share Options, Ms. Wu Shihong holds 900,000 Share Options and the remaining 41,408 Share Options are held by other employees of an associate of the Company. The Company does not intend to grant any further Options between the Latest Practicable Date and the Effective Date.

Mr. Chan Yiu Kwong and Ms. Wu Shihong are independent non-executive Directors. None of these Directors is acting in concert with Mr. Liu or the Offeror or was involved in the discussion or negotiation in relation to or has any interest in the Proposal (other than being an Option Holder subject to the Option Offer). The exercise of the outstanding Share Options in full by Mr. Chan Yiu Kwong and Ms. Wu Shihong on or before the Record Date will result in the issue of 2,000,000 new Shares in total (representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.07% of the issued share capital of the Company as enlarged by issue of such new Shares) to them, and such new Shares, if issued, will form part of the Scheme Shares.

The exercise of all outstanding Share Options (apart from the Share Options held by Mr. Liu) would result in the issue of 2,041,408 new Shares, representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.07% of the enlarged issued share capital of the Company. For details of the Option Offer, please refer to the section headed “2. Terms of the Proposal — The Option Offer” above.

7. INFORMATION ON THE GROUP

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the Shares of which are listed on the Stock Exchange.

The Company is an investment holding company and the Group is principally engaged in (i) cultural business which mainly includes online literature and film and television production in the PRC; and (ii) property investment which mainly includes the industrial park business with rental income derived from the national music industry base — A8 Music Building in the PRC.

Your attention is also drawn to Appendix I headed “Financial Information of the Group” and Appendix III headed “General Information” of this Scheme Document.

8. INFORMATION ON THE OFFER

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company which, other than minority shareholding in a company in the new energy sector incorporated in Delaware, the United States, does not hold any assets or business. As at the Latest Practicable Date, the Offeror is wholly owned by LuxOrigo Limited, which is wholly owned by Mr. Liu.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Liu.

Mr. Liu, aged 58, an executive Director, the chairman and the chief executive officer of the Company. Mr. Liu graduated from Hunan university in the PRC in 1984, with a Bachelor’s degree in Electrical Engineering. In 1987, Mr. Liu graduated from China Electric Power Research Institute in the PRC with a Master’s degree in Engineering. In 1991, he studied at Tsinghua university as a PhD research student. He has years of diversified experience in the technology, Internet and investment. He is one of the co-founders of Tencent Holdings Limited (Stock code: 0700.HK), a company listed on the Main Board of the Stock Exchange. He is also the non-executive director of Inkeverse Group Limited (Stock code: 03700.HK), a company listed on the Main Board of the Stock Exchange and the independent non-executive director of China Dongxiang (Group) Co., Ltd. (Stock code: 03818.HK), a company listed on the Main Board of the Stock Exchange. He is a founder of the Group and he has been working for the Company since it was founded in 2000, was appointed as a Director on 2 October 2007. Mr. Liu is currently responsible for the overall strategic planning and the whole business operation and management of the Group.

9. REASONS FOR AND BENEFITS OF THE PROPOSAL

For Scheme Shareholders:

The Offeror is of the view that the terms of the Proposal are attractive to the Scheme Shareholders and the Proposal will be beneficial to the Scheme Shareholders.

Faced with the impact of the external economic environment, the leasing industry in the PRC as a whole was severely impacted. Enterprises generally remained cautious about leasing costs and tightened their corporate leasing budgets during the year, and the increase in the supply of commercial offices in the market further pushed up the vacancy rate. The Group's performance has been impacted by the aforementioned macroeconomic environment in recent years. (As revenue generated from property investment accounted for over 99% of the Group's total revenue for the year ended 31 December 2023, only relevant industry of property investment was considered.)

Over the past five years, the Group's revenue continuously decreased from approximately RMB100.4 million for the year ended 31 December 2019 to approximately RMB68.6 million for the year ended 31 December 2023. The Group recorded loss from continuing operations of approximately RMB10.0 million for the year ended 31 December 2019 and the Group's profit for the year from continuing operations continuously decreased from approximately RMB61.5 million for the year ended 31 December 2020 to approximately RMB21.8 million for the year ended 31 December 2023.

In addition, the average daily trading volume of the Shares during the 12 months period immediately prior to and including the Last Trading Day was approximately 837,905 Shares per day, representing only approximately 0.03% of the issued Shares as at the Last Trading Day. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

Scheme Shareholders who prefer to switch investment of their holding in the Shares into other investments with better prospects or higher share trading volume might not be able to do so in the absence of the Proposal because of the thin trading volume of the Shares.

The Proposal also provides the Scheme Shareholders with an opportunity to exit and realise their investments in the Company for cash at premiums to recent closing prices of the Shares. The Cancellation Price represents a premium of approximately 162.77% over the closing price of HK\$0.137 per Share as quoted on the Stock Exchange on the Last Trading Day.

For the Company:

Due to the low liquidity in the trading of the Shares, and a high compliance cost for maintaining listing status, the Company's current listing platform no longer sufficiently serves as a source of funding for its long term growth, and the Company's ability to raise funds in the equity capital markets for future development and growth is severely limited.

The Company has not conducted any equity fundraising activity since March 2017. As such, the Offeror believes that the administrative costs and management resources associated with maintaining the Company's listing status are no longer justified.

Considering the low liquidity as mentioned above and a high compliance cost for maintaining listing status (including regulatory compliance, disclosure and publication of financial statements), the Company's current listing platform lost its primary function of supporting the Group as a source of funding sufficiently for its long-term growth, and the cost and expenses outweigh the benefit from maintaining the listing status of the Company.

The Company believes that the successful implementation of the Proposal would provide the Company with flexibility in formulating and implementing a series of long-term growth strategies with more capital expenditure to improve the quality of buildings and services for the industrial park business by exploring use of artificial intelligence or new industry technologies, so as to enhance the management effectiveness and reduce the cost in the rental operation, development of the online literature business in a healthy and stable manner and increase the investment and attempts in mini-series.

10. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current businesses (i.e. property investment and cultural businesses). The Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group. The Offeror will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business. The Offeror does not intend to continue the listing of the Shares on the Stock Exchange.

11. FINANCIAL ADVISER, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed Gram Capital to act as its financial adviser in connection with the Proposal.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee is required to comprise all non-executive Directors who have no direct or indirect interest in the Proposal, the Scheme and the Option Offer other than as Shareholders and/or Option Holders.

Accordingly, an Independent Board Committee, which comprises all independent non-executive Directors, namely, Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin, has been established by the Board to make recommendation (i) to the Independent Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable and as to voting; and (ii) to the Option Holders as to whether the Option Offer is fair and reasonable and its views on acceptance of the Option Offer. As at the Latest Practicable Date, 1,100,000 outstanding Share Options are held by Mr. Chan Yiu Kwong and 900,000 outstanding Share Options are held by Ms. Wu Shihong. The exercise of the outstanding Share

Options in full by Mr. Chan Yiu Kwong and Ms. Wu Shihong on or before the Record Date will result in the issue of 2,000,000 new Shares in total (representing approximately 0.07% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.07% of the issued share capital of the Company as enlarged by issue of such new Shares) to them. As at the Latest Practicable Date, each of Mr. Chan Yiu Kwong and Ms. Wu Shihong has indicated that he/she will not exercise any outstanding Share Options.

The Board, with the approval of the Independent Board Committee, has appointed Red Solar Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme and the Option Holders to accept the Option Offer.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme and the Option Holders to accept the Option Offer.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Option Offer is set out in Part V of this Scheme Document.

12. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders and the Option Holders can be found in Part II of this Scheme Document headed “Actions to be Taken”.

13. REQUIREMENTS UNDER COMPANIES ACT AND THE TAKEOVERS CODE**The Companies Act**

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be held in such manner as the Grand Court directs.

Section 86(2A) of the Companies Act states that if not less than 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting or meetings, as the case may be, held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

The Grand Court has convened a meeting of the Scheme Shareholders at which the Scheme needs to be approved by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders, present and voting either in person or by proxy at the Court Meeting.

Additional Requirements as Imposed by Rule 2.10 of the Takeovers Code

In addition to satisfying any requirements imposed by law as summarised above, Rule 2.10 of the Takeovers Code requires, except with the consent of the Executive, that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the disinterested Shares that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all disinterested Shares.

As at the Latest Practicable Date, the Independent Shareholders legally or beneficially own, control or have direction over a total of 851,389,230 Shares and 10% of the votes attached to all Scheme Shares held by the Independent Shareholders was approximately 85,138,923 Shares.

14. COURT MEETING AND EGM

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting. Each of the Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the Court Meeting. Each of the Offeror and the Offeror Concert Parties has undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders will be entitled to vote on (i) the special resolution to be proposed at the EGM to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares, and (ii) the ordinary resolution to be proposed at the EGM to simultaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme and the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror. The Offeror and the Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting, those Shares held by them will be voted in favour of the aforementioned resolutions to be proposed at the EGM.

Notice of the Court Meeting is set out in Appendix V of this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Friday, 23 August 2024 at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong.

Notice of the EGM is set out in Appendix VI of this Scheme Document. The EGM will be held at 10:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or been adjourned) on Friday, 23 August 2024 at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong.

Closure of the Register of Members of the Company

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 19 August 2024. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

Binding Effect of the Scheme

When all of the Conditions set out in the section headed “3. Conditions of the Proposal and the Scheme” of this Explanatory Memorandum are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders regardless of how (or whether) they voted at the Court Meeting or EGM.

15. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being simultaneously issued and credited as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

16. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

If the Scheme is not approved or does not become effective, or the Proposal otherwise lapses or is withdrawn, the listing of the Shares on the Stock Exchange will not be withdrawn. The shareholding structure of the Offeror will remain unchanged as compared to the Latest Practicable Date and the public float of the Company is expected to be sufficient. As the Option Offer is conditional upon the Scheme becoming effective, the Option Offer will lapse if the Scheme is not approved or does not become effective.

If the Scheme is not approved or otherwise lapses or is withdrawn, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or otherwise lapses or is withdrawn announce an offer or possible offer for the Company, except with the consent of the Executive.

17. REGISTRATION AND PAYMENT**Latest time for lodging transfers of Shares**

In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are registered or lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, for registration in their names or in the names of their nominees before 4:30 p.m. on Thursday, 12 September 2024.

Payment of the Cancellation Price to Scheme Shareholders

Subject to the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date as soon as possible but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date. On the basis that the Scheme becomes effective on Friday, 20 September 2024 (Cayman Islands time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Wednesday, 2 October 2024.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses on the register of members of the Company or, in the case of joint holders, to the registered address of that joint holder whose name first appears on the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, Gram Capital, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold all monies in respect of uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and any expenses incurred.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Upon the Scheme becoming effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all of the Scheme Shares and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 20 September 2024 (Cayman Islands time).

Payment of the Option Offer Price to Option Holders

Each holder of the Share Option(s) as at the Record Date who accepts the Option Offer and lodges a duly completed Form of Acceptance by the prescribed deadline will be entitled to receive the Option Offer Price as set out in their respective Option Offer Letters that are sent to each Option Holder individually. Under the Option Offer, the Offeror is offering the Option Holders the “see-through” price (being the Cancellation Price minus the relevant exercise price in the case of the Share Options) for each Share Option.

Payments in respect of the Option Offer Price will be made to the Company as the agent of the Option Holders, by cheque(s), or at the election of the Offeror, by wire transfer no later than seven business days (as defined in the Takeovers Code) after the Effective Date. The Company will make payments in respect of the Option Offer Price to the respective Option Holders by wire transfer. Please refer to the expected timetable as set out in Part III of this Scheme Document for details.

All payments in respect of the Option Offer Price will be made in Hong Kong dollars. Settlement of the Option Offer Price to which any Option Holder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Option Holder.

18. INDICATIONS AS TO VOTING AND ACCEPTANCE OF OPTION OFFER

As at the Latest Practicable Date, each Option Holder who is a Director (i.e. Mr. Chan Yiu Kwong and Ms. Wu Shihong), has indicated that he/she intends to accept the Option Offer in respect of the outstanding Share Options held by him/her (see section 4.1 headed “Directors’ and chief executive’s interests in Shares and underlying Shares” in Appendix II of this Scheme Document for further details) and, to the extent that such Director exercises his/her Share Options on or before the applicable latest time in order to become entitled to attend and vote at the Court Meeting and the EGM, he/she intends to vote in favour of (a) the resolution to approve the Scheme at the Court Meeting; and (b) the resolutions to be proposed at the EGM to implement the Proposal and the Scheme, including the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled to maintain the issued share capital of the Company.

19. OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be affected by the Applicable Laws of the relevant jurisdictions. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements in their own jurisdictions.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from such shareholder in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Gram Capital, the financial adviser to the Offeror, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, save for Ever Novel, the addresses of all Shareholders shown in the register of members of the Company were inside Hong Kong.

20. TAXATION ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders and Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal or the Option Offer. It is emphasised that none of the Offeror, persons acting in concert with the Offeror, the Company, Gram Capital or any of their respective directors, officers or associates (as defined in the Takeovers Code) or any other person involved in the Proposal or the Option Offer accepts responsibility for any taxation effects on, or liabilities of, any other persons as a result of their acceptance or rejection of the Proposal or the Option Offer.

21. COSTS OF THE SCHEME

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, the Scheme or the Option Offer, and the Scheme is not approved, all costs and expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable.

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Proposal will be shared between the Offeror and the Company equally.

22. RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer as set out in the letter from the Independent Board Committee in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Option Offer as set out in the letter from the Independent Financial Adviser in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal, the Scheme and the Option Offer.

23. ADDITIONAL INFORMATION

Additional information in relation to the Proposal, the Scheme and the Option Offer is set out in the appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document and the accompanying forms of proxy and (if applicable) Form of Acceptance and the Option Offer Letter. None of the Company, the Offeror, Gram Capital, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal, the Scheme and the Option Offer have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

24. LANGUAGE

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2021, 2022 and 2023 as extracted from the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023, respectively.

The auditor's reports from the Company's auditors, Ernst & Young, in respect of the Group for each of the financial years ended 31 December 2021, 2022 and 2023 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Save as disclosed below, there were no items of any income or expense which were material in respect of the consolidated financial results of the Group for three years ended 31 December 2021, 2022 and 2023.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December 2023 (Audited) <i>RMB'000</i>	For the year ended 31 December 2022 (Audited) <i>RMB'000</i>	For the year ended 31 December 2021 (Audited) <i>RMB'000</i>
CONTINUING OPERATIONS			
Revenue	68,578	79,151	80,356
Cost of services provided	(17,623)	(18,255)	(20,204)
Gross profit	50,955	60,896	60,152
Other income and gains, net	39,786	16,901	46,230
Selling and marketing expenses	(9)	(1,870)	(3,075)
Administrative expenses	(22,692)	(23,622)	(20,129)
Other expenses, net	(61,516)	(48,017)	(48,283)
Finance costs	—	—	(670)
Share of profits and losses of associates, net	9,937	5,797	30,307
Profit before tax from continuing operations	16,461	10,085	64,532
Income tax credit/(expense)	5,383	11,922	(3,874)
Profit for the year from continuing operations	21,844	22,007	60,658
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	2,546	(8,050)	(5,208)

	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	24,390	13,957	55,450
Attributable to:			
Owners of the Company	24,448	13,219	58,025
Non-controlling interests	(58)	738	(2,575)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements	7,168	40,707	(6,243)
Reclassification adjustments of exchange differences for foreign operations disposed of during the year	174	—	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	7,342	40,707	(6,243)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Financial assets at fair value through other comprehensive income changes in fair value	13,854	(46,982)	(84,070)
Income tax effect	(3,463)	11,745	21,017
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	10,391	(35,237)	(63,053)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	17,733	5,470	(69,296)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	42,123	19,427	(13,846)

	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Attributable to:			
Owners of the Company	42,181	18,689	(11,271)
Non-controlling interests	(58)	738	(2,575)
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
PARENT			
Basic (RMB per share)			
— For profit for the year	0.88 cents	0.49 cents	2.15 cents
— For profit from continuing operations	0.79 cents	0.80 cents	2.25 cents
Diluted (RMB per share)			
— For profit for the year	0.88cents	0.48 cents	2.14 cents
— For profit from continuing operations	0.79 cents	0.79 cents	2.24 cents
Amount of dividends distributed to equity shareholders of the Company	—	—	—
Dividends per share	—	—	—

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the years ended 31 December 2021, 2022 and 2023, together with the significant accounting policies and any points from the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Group for the year ended 31 December 2023 are set out on pages 79 to 223 of the annual report of the Company for the year ended 31 December 2023, which was published on 17 April 2024, and which is posted on the website of the Company at <http://www.a8nmg.com/upload/202404171102466038.pdf> and the Stock Exchange at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0417/2024041700115.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 are set out on pages 81 to 227 of the annual report of the Company for the year ended 31 December 2022, which was published on 25 April 2023, and which is posted on

the website of the Company at <http://www.a8nmg.com/upload/202304251821222715.pdf> and the Stock Exchange at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501465.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 are set out on pages 53 to 161 of the annual report of the Company for the year ended 31 December 2021, which was published on 25 April 2022, and which is posted on the website of the Company at <http://www.a8nmg.com/upload/202204251604088763.pdf> and the Stock Exchange at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500413.pdf>.

The audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023 (but not any other parts of the annual reports for the years ended 31 December 2021, 2022 and 2023) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

Apart from intra-group liabilities and normal trade payables in the normal course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding or agreed to be issued, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of 31 May 2024.

4. MATERIAL CHANGE

The Directors confirm that, save as and except for the Proposal, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

5. PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Asset Appraisal Limited, an independent valuer, has valued the property interests held by the Group as at 31 May 2024. The valuation report is set out in Appendix II to this Scheme Document. The reconciliation between the carrying amount of the properties held by the Group as at 31 December 2023 and the valuation of such properties as at 31 May 2024 is as follows:

	<i>RMB'000</i>
The audited NAV of the Group as at 31 December 2023	1,561,259
Adjustments:	
— net revaluation surplus arising from the valuation of the A8 Music Building as stated in the Valuation Report (<i>Note 1</i>)	203,159
The adjusted NAV as at 31 December 2023 (the “Reassessed NAV”)	1,764,418
The adjusted NAV per Share (<i>Notes 2 & 3</i>)	RMB0.632 per Share or HK\$0.694 per share

Notes:

1. Represents the net revaluation surplus arising from the net excess of the market value of the A8 Music Building held by the Group in existing state as at 31 May 2024, as appraised by the Valuer, over the corresponding book values of it (comprising the relevant parts in the property, plant and equipment, right-of-use assets and investment properties of the Group) as at 31 December 2023. Details are as follows:

	Carrying amount <i>RMB'000</i>	Valuation <i>RMB'000</i>
Building	103,711	
Building improvements	4,077	335,900
Right-of-use assets	11,253	
Investment properties	<u>378,000</u>	<u>364,300</u>
Total:	<u><u>497,041</u></u>	<u><u>700,200</u></u>

2. Based on 2,793,498,628 issued Shares as at the Latest Practicable Date.
3. Based on RMB to HK\$ exchange rate of RMB0.91081 to HK\$1 being the exchange rate as quoted by the People's Bank of China as at the Last Trading Day for illustrative purposes.

The following is the text of a valuation report prepared for the purpose of incorporation in this Scheme Document received from Asset Appraisal Limited, an independent valuer, in connection with their valuation as at 31 May 2024 of the property interests held by the Group.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 801, 8/F, On Hong Commercial Building
No.145 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道145號安康商業大廈8樓801室
Tel : (852) 2529 9448 Fax : (852) 3544 5854

29 July 2024

The Board of Directors

A8 New Media Group Limited

Suite 2703, 27th Floor, Shui On Centre
Nos. 6–8 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of A8 Music Building, No. 1002 Keyuan Road (科園路), Nanshan District, Shenzhen City, Guangdong Province, the People’s Republic of China (the “PRC”)

In accordance with the instructions from **A8 New Media Group Limited** (the “**Company**”) to value the captioned property (the “**Property**”), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **31 May 2024** (the “**Valuation Date**”).

BASIS OF VALUATION

Our valuation of the Property represents its market value, which in accordance with the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors, is defined as “*the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion*”.

TITLESHIP

We have been provided with copies of legal documents regarding the Property. We have also relied upon the legal opinion (the “**PRC Legal Opinion**”) provided by Commerce & Finance Law Offices (the “**PRC Lawyer**”) the PRC legal advisers to the Company on the title and other legal matters relation to the Property. The English translation of the major content of the PRC Legal Opinion has been disclosed herein for reference only. No responsibility is assumed for any legal matters concerning legal title to the Property set out in this report.

VALUATION METHODOLOGY

Market Approach is a commonly adopted approach for valuation of properties where relevant comparable transactions and market offerings of similar properties are available for reference to arrive at the market value. This approach rests on the market evidences as the best value indicator that can be extrapolated to similar properties.

Subject to the covenants set out in the Land Use Right Granting Contract of the land parcel of the Property, any transfer of the Property is prohibited without prior authorization from the Government. In the absence any evidence indicating that such authorization has been or shall be granted and the non-alienation restriction has been rescinded, price comparison between the Property (which is currently subject to alienation restriction) with comparable properties (which are freely transferrable on the market) is not meaningful. Therefore, market approach has been discarded in valuation of the Property.

Given the non-transferrable nature of the Property, its market value has been measured on the basis of investment value/worth. Investment value or worth is defined in the International Valuation Standards as “*the value of an asset to the owner or a prospective owner for individual investment or operational objectives*”. It is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realized from its sale to another party, this basis of value reflects the circumstances and the financial objectives of an entity for and the benefits received by an entity from holding the asset and therefore does not involve a presumed exchange.

As the Property is being held by the Group solely for rental income generation, we have determined the investment value or worth of the Property using the rental capitalization method. Under this method, the net rental incomes to be generated from the Property over its remaining land use right terms are capitalized by a capitalization rate on the basis that:

- the Group has obtained all relevant approval, permit and authorization from the Government authorities in leasing out the Property, whether in whole or in part;
- the Group has not obtained and has not received any notification from the Government authorities for allowing the transfer of the Property;
- the terms and conditions of the existing tenancies of the Property are legal and valid without violating any laws, rules, regulations, covenants and conditions, restrictions, controls, policies and directives imposed onto the Property or its owner as a consequence of the land use right grant, the nabbing of property leasing approval, implementation of any city and neighborhood land administrative policies; and
- all existing uses, trades and operations conducted by occupiers of the Property have not and shall not warrant any penalized actions from the Government authorities by reason of non-conformity uses violating the land use right grant conditions of the Property; and

- the owner of the Property satisfies all requisites in qualifying as the grantee of the Property with respect to the land use right granting contract of the Property and no event has occurred that would result in any impairment of its scope of authorized business activities as far as the permissible industry clause of the land use right grant contract is concerned.

Based on the confirmation of Shenzhen Huadong Feitian Network Development Co., Ltd. (being a company controlled by the Company through contractual arrangements and the financial results of which were consolidated into the financial results of the Group as if it is a subsidiary of the Company) with due verification of the PRC Lawyer, up to the issue date of the PRC Legal Opinion, the PRC Lawyer found no circumstances that would affect Shenzhen Huadong Feitian Network Development Co., Ltd's interests in the Property.

ASSUMPTIONS

Save for the existing tenancies by virtue of which various units of the Property were being leased to various individual tenants on the Valuation Date, our valuation has been made on the assumption that the Property is not subject to any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages. Government taxes, levies or amounts owing on the Property. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, dispute, administrative enforcement actions, judiciary orders, contingent liabilities and outgoings of an onerous nature, which could affect its value or property title.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Property but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Property was last inspected by Zhou Tong, who is a registered member of the China Institute of Real Estate Appraiser and has over 10 year's experiences in valuation of properties in the PRC, on 28 June 2024. He has inspected the exterior and the interior of the Property. However, no structural survey has been made for the Property. In the course of his inspection, he ascertained the general environment and development conditions of the area in which the Property is situated, the existing use(s), the occupancies, the physical conditions of and the facilities provided by the Property. No apparent defect in the Property was witnessed

during the inspection. We are not, however, able to report whether the Property is free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of ground conditions or the services for the land parcel of Property. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred for onward construction.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Property, we have complied with all the requirements contained in the Rule 11 of The Code on Takeovers and Mergers issued by the Securities and Futures Commission, the Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors which incorporates the International Valuation Standards (“IVS”).

All monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of Property in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property interest held by the Group primarily for investment purpose

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2024 RMB
A8 Music Building No. 1002 Keyuan Road Nanshan District Shenzhen City Guangdong Province the PRC	The property comprises a parcel of land namely Lot No. T204-111 with an area of 4,745.49 square metres. The lot is bounded by Bin Hai Boulevard (濱海大道) at the south, Gao Xin Nan Jiu Road (高新南九道) at the west, Hai Tian Er Road (海天二路) at the north and an unnamed driveway at the east and is falling within the Shenzhen Software Industry Base (深圳市軟件產業基地) at the southern part of the Shenzhen Bay High-Tech Zone, Nanshan District, Shenzhen City.	Save for unit 2007 and the whole Level 25 of the Property with a total GFA of approximately 1,751 square metres, which are being occupied by the Group as offices, the remaining portion of the Property is either tenanted or vacant. As at the Valuation Date, a total GFA of 26,351.83 square metres are subject to various individual tenancies for terms expiring on between 31 July 2024 and 2029 at an aggregate monthly rent of approximately RMB4,131,300 plus aggregate monthly management fees and aggregate central air-conditioning fees of approximately RMB429,300 and RMB326,200 respectively. The remaining portion of the Property with a total GFA of 12,916.06 square metres was vacant as at the Valuation Date.	700,200,000
Lot T204-0111	<p>The locality is clustered with modern designed R&D buildings as the building blocks and the strategic platform for facilitating the development of high-tech industries. Ancillary uses including boarding facilities, retail and commercial facilities, amenity facilities and hospital can be found nearby. The Shenzhen University is situated at about 500 metres at the north-west of the Property. The nearest subway (Shen Da Nan) Station of the No. 9 Meilin Subway Line is lying adjacent to the Shenzhen University.</p> <p>The subject lot has been developed into a 25-storey (plus 3 basement carparking levels) curtain wall building designated for industrial research and development, commercial and canteen purposes.</p> <p>The subject building which was completed in 2014 has a total gross floor area (GFA) of 41,018.89 square metres. The basement of the subject building is designated for 250 carparking spaces.</p> <p>The land use rights of the subject lot namely Lot No. T204-0111 have been granted for a term of 50 years commencing on 6 November 2008 and expiring on 5 November 2058 primarily for industrial research and development purpose. The current annual land use right fee of the subject lot is RMB6 per square metres (in term of land area).</p>		

Notes:

- Pursuant to the State-Owned Land Use Right Grant Contract (Ref: Shen Di He Zi (2008) No. 0105) dated 6 November 2008, the land use rights of Lot No. T204-0111 with a land area of 4,745.49 square metres were granted by the Shenzhen City State Owned Land Resources and Buildings Administrative Bureau (深圳市國土資源和房屋管理局) to Shenzhen Huadong Feitian Network Development Co., Ltd. (深圳市華動飛天網絡技術開發有限公司, a wholly-owned subsidiary of Company for a land use right term of 50 years commencing on 6 November 2008 and expiring on 5 November 2058. As provided in the State-Owned Land Use Right Grant Contract, the subject land parcel is subject to the following material land use conditions:

Land use	:	industrial
Kind of land	:	commodity property (商品房)
Primary building use	:	Industrial research and development (工業研發)
Permissible Industry	:	Online information services (互聯網信息服務)
Site coverage	:	not greater than 70%
Plot Ratio	:	not greater than 8.6×
Developable GFA	:	not greater than 40,812 m ² (of which 38,312 m ² , 1,500 m ² and 1,000 m ² are attributable to industrial research and development use, ground floor retail use and canteen use respectively)
Building Height	:	100 metres
Alienation clause	:	the grantee is obliged to conform all laws and rules and to stringently abide permitted usage clauses as laid down in the State-Owned Land Use Right Grant Contract in using the Property and is prohibited from transferring or leasing the Property without prior authorization. Any transfer of the Property shall be proceeded on en-bloc basis but not on strata-title basis

- A Real Estate Title Certificate (Ref. Yue (2015) Shen Zhen Shi Bu Dong Chan Quan No. 0019537) registered on 26 October 2015 was issued to Lot No. T204-0111 and the building thereon in the name of Shenzhen Huadong Feitian Network Development Co., Ltd.. As stated in the certificate, the land area and the GFA of the Property are 4,745.49 square metres and 41,018.89 square metres (comprising 38,619.34 square metres for industrial research and development use, 1,330.23 square metres for commercial use and 1,069.32 square metres for canteen use) respectively.
- As endorsed by the Construction Land Use Planning Permit (Ref Shen Gui Xu No. ZS-2009-0081) dated 16 July 2009 and the Construction Work Planning Permit (Ref Shen Gui Tu Jian Xu Zi No. ZG-2011-0018) dated 2 March 2011, the development of the Property has adhered to town planning requirements.
- Given the non-transferrable nature of the Property, its market value has been measured on the basis of investment value/worth. Investment value or worth is defined in the International Valuation Standards as “*the value of an asset to the owner or a prospective owner for individual investment or operational objectives*”. It is an entity-specific basis of value. Although the value of an asset to the owner may be the same as the amount that could be realized from its sale to another party, this basis of value reflects the circumstances and the financial objectives of an entity for and the benefits received by an entity from holding the asset and therefore does not involve a presumed exchange. As the Property is being held by the Group solely for rental income generation, we have determined the investment value or worth of the Property using the rental capitalization method.
- The main parameters of the valuation are set out below:

Monthly rent	:	RMB385/m ² for ground floor level and RMB150/m ² for upper floor levels, in term of GFA exclusive of management fee and central air conditioning charge (with reference to the actual rental transactions of units within the Property hashed within 2 months ahead of the Property hashed around the Valuation Date)
--------------	---	---

- Rental growth rate : 2.33% per annum (The office market in Shenzhen is embracing supply-demand imbalance situation with demand is trailing supply that weight on the rental prices and vacancy rates of office units. Aiming at boosting occupancy rates of their properties, many landlords have proactively rolled out more accommodative rental offers to compete for tenants. In the first quarter of 2024, a quarter-on-quarter rental decrease of approximately 3% was observed in the office sector in Shenzhen. Between 2014 and the mid of 2018, Shenzhen office rental was following its upward trajectory at a compound annual growth rate (CAGR) of approximately 5%. The reverse of rental growth came after the mid of 2018 on the back of weakened economic growth expectation and the subsequent outbreak of COVID-19 epidermis with office rentals falling at a compound annual rate of approximately 5% between the aforesaid tipping point and the first quarter of 2024. In analyzing the office rental trend over a longer time horizon covering a more complete property cycle, Shenzhen office rentals have sustained a CAGR of 2.33% over the past 15 years and such annual growth rate have been adopted in the valuation of the Property.)
- Vacancy rate : 25% (According to the statistics provided by the Company, the historical vacancy rates of the Property for the 12-month period ended 31 December 2023 and the 5-month period ended 31 May 2024 are approximately 25.7% and 31.5% respectively. As revealed from the market researches for the first quarter of 2024 released from several property consultancy firms based in Hong Kong and the mainland China, the Shenzhen office sector was embracing an overall vacancy rate in the range of 22% to 27% and there was no sign that such rate will back down in near term. In light of this market situation, a vacancy rate of 25% is adopted in the valuation of the Property)
- Capitalization Rate : 7.1% Capitalization rate indicates the rate of return that is expected to be generated from an investment. In the context of an investment property, capitalization rate is arguably the property yield or the annual income to be derived from the property in the form of rental income as a percentage of its market value. To figure out the capitalization rate applicable to the Property, we have grabbed and made references to market prices and market rents of office buildings situated nearby the Property. Our analysis has come up with market yields ranging from 5.5% to 7% with an average rate of 6.2% which is falling within the market yield range of the overall Shenzhen office market as revealed from the “Q1 2024 Asia Pacific Cap Rate Survey” released by CBRE Research, an international property consultancy firm with presence in Hong Kong and the mainland China, in May 2024. As per the survey, the indicative cap rates of Grade A office in core locations of Shenzhen are in the range of 4.5% to 6.3% in March 2024. The capitalization rate of 7.1% adopted in the valuation of the Property represents the average rate of 6.2% adjusted for the aforesaid CAGR of 2.33%)
6. As revealed from two sets of Construction Land Use Planning Permit (Ref Shen Gui Tu Xu Nos. ZS-2012-0087 and ZS-2014-0065) issued by the Town Planning and Land Resources Committee No. 1 Administration Bureau to PRC Co. on 21 March 2013 or 8 April 2015, the aforesaid development scheme of the Property is in line with the planning conditions as mentioned in the permits.

7. As confirmed by the Group, the potential tax liabilities which will arise on disposal of the Property at the valuation amount include the followings:

- Enterprise income tax at 25% on taxable net profit of the subject entity;
- Land appreciation tax at progressive rates from 30% to 60% on the capital appreciation amount;
- Stamp duty at 0.05% on the transaction consideration;
- Value added tax (“VAT”) at either 5% (for small scale VAT payer) or 9% (for general VAT payer) on the transaction consideration; and
- Other surcharges at approximately 12% of VAT amount payable.

As confirmed by the Company, the likelihood of these tax liabilities crystallising is remote since the Group has no intention and no compelled reason to dispose of its interests in the Property in the foreseeable future.

8. The PRC Legal Opinion is summarized as follows:

8.1 According to the Notification on Real Estate Title Information Inquiry (不動產資訊查詢結果告知單) and the Notification on Real Estate Title Registration Record Inquiry (不動產登記資訊查詢結果告知單) (Ref No. C20240709150858154) obtained by the PRC Lawyer from the Shenzhen Real Estate Registration Centre (深圳市不動產登記中心) on 9 July 2024 along with the confirmation of Shenzhen Huadong Feitian Network Development Co., Ltd., Shenzhen Huadong Feitian Network Development Co., Ltd. is the holder of the land use rights of the Property. The land use rights are free from seizure order and mortgage.

8.2 The PRC Lawyer is of the view that Shenzhen Huadong Feitian Network Development Co., Ltd. has obtained all relevant titleship documentation for holding the land use rights of the Property and is the sole legal land use right user of the Property. Before the expiration of the land use right term, Shenzhen Huadong Feitian Network Development Co., Ltd. is eligible to use the land parcel of the Property for the permitted use under the town planning control as remarked in the title documents.

8.3 According to the Notification on Real Estate Title Information Inquiry (不動產資訊查詢結果告知單) and the Notification on Real Estate Title Registration Record Inquiry (不動產登記資訊查詢結果告知單) (Ref No. C20240709150858154) obtained by the PRC Lawyer from the Shenzhen Real Estate Registration Centre (深圳市不動產登記中心) on 9 July 2024 along with the confirmation of Shenzhen Huadong Feitian Network Development Co., Ltd., Shenzhen Huadong Feitian Network Development Co., Ltd. is the sole holder of the building ownership rights of the Property. The building is in the nature of commodity property and is permitted for industrial research and development, commercial, canteen uses. Registration status of the Building is “current state (現勢)”. As explained by the staff of the Shenzhen Real Estate Registration Centre, registration status merely remarked as “current state” without other registered encumbrances indicates that the concerned property is not encumbered with mortgage, seizure order or legal dispute.

8.4 The PRC Lawyer is of the view that Shenzhen Huadong Feitian Network Development Co., Ltd. has obtained all relevant titleship documentation for holding the building ownership rights of the Property and is the sole legal building ownership right holder of the Property. Before the expiration of the land use right term, Shenzhen Huadong Feitian Network Development Co., Ltd. is eligible to use the building of the Property for the permitted use under the town planning control as remarked in the title documents.

8.5 Based on the confirmation of Shenzhen Huadong Feitian Network Development Co., Ltd. with due verification of the PRC Lawyer, up to the issue date of the PRC Legal Opinion, the PRC Lawyer found no circumstances that would affect Shenzhen Huadong Feitian Network Development Co., Ltd.’s interests in the land use rights and the building ownership rights of the Property.

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Liu Xiaosong, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Board comprises Mr. Liu Xiaosong and Mr. Ji Bo as executive directors, and Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin as independent non-executive directors. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this Scheme Document relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the sole director of the Offeror in his capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the number of authorised share capital of the Company was HK\$30,000,000 divided into 3,000,000,000 Shares of par value of HK\$0.01 each;
- (b) the Company had 2,793,498,628 Shares in issue;
- (c) all of the Shares currently in issue rank *pari passu* in all respects including as to capital, dividends and voting;
- (d) since 31 December 2023, being the date of the last audited consolidated financial statements of the Company, up to the Latest Practicable Date, the Company has issued 20,664,000 Shares as a result of the exercise of 20,664,000 Share Options;
- (e) As at the Latest Practicable Date, there were 12,570,408 outstanding Share Options granted under the Share Option Schemes, each relating to one Share, all of which have already vested and are exercisable as at the Latest Practicable Date. Other than such Share Options, the Company does not have any outstanding options, warrants or conversion rights affecting Shares in the Company.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share (HK\$)
29 December 2023	0.154
31 January 2024	0.123
29 February 2024	0.138
28 March 2024	0.114
30 April 2024	0.122
27 May 2024 (Last Trading Date)	0.137
28 June 2024	0.320
26 July 2024 (Latest Practicable Date)	0.340

During the Relevant Period, the highest and lowest closing prices per Share as quoted on the Stock Exchange were HK\$0.340 on 26 July 2024 (i.e. the Latest Practicable Date) and HK\$0.111 on 25 April 2024, respectively.

4. DISCLOSURE OF INTERESTS

4.1 Directors' and chief executive's interests in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or shares and debentures of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code were as follows:

Long positions in shares of the Company

Name of Directors	Nature of interest	Number of shares		Approximate percentage of interest in the Company's issued share capital ^(Note 1)
		Ordinary shares	Underlying Shares (under equity derivatives of the Company)	
Mr. Liu	Founder of trust ^(Note 2)	1,915,567,398	—	68.57%
	Beneficial owner	5,766,000	10,529,000 ^(Note 3)	0.58%
Mr. Chan Yiu Kwong	Beneficial owner	—	1,100,000 ^(Note 3)	0.04%
Ms. Wu Shihong	Beneficial owner	—	900,000 ^(Note 3)	0.03%

Notes:

- The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date (i.e. 2,793,498,628 Shares).
- Mr. Liu is the founder of a family trust which is deemed under SFO to be interested in all the shares held by Ever Novel, Prime Century and Grand Idea in the Company. As at the Latest Practicable Date, Prime Century directly held 424,796,303 shares and Ever Novel directly held 1,402,891,095 shares in the Company, and Grand Idea directly held 87,880,000 in the Company.
- As at the Latest Practicable Date, Mr. Liu holds 10,529,000 Share Options, Mr. Chan Yiu Kwong holds 1,100,000 Share Options and Ms. Wu Shihong holds 900,000 Share Options. Details of such Share Options are set out as follows:

Name	Number of Share Options	Exercise price (HK\$)	End of Exercise period
Mr. Liu	1,715,000	0.570	9 January 2025
	8,813,000	0.221	20 June 2029
	1,000	0.255	30 September 2031
Mr. Chan Yiu Kwong	1,100,000	0.439	7 May 2025
Ms. Wu Shihong	900,000	0.439	7 May 2025

Long positions in associated corporations of the Company

Name of associated corporations	Name of Directors	Nature of Interest	Registered capital/no. of shares held	Approximate percentage of interest in the total issued share capital
Beijing Duomi Online Technology Co., Ltd. ^(Note 1)	Mr. Liu	Beneficial owner	25,383,000 ^(Note 2)	28.71%

Notes:

1. Beijing Duomi Online Technology Co., Ltd. (“**Beijing Duomi**”) is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, the Company was interested in 22.51% of the registered capital of Beijing Duomi through its wholly-owned subsidiary, Shenzhen Kwaitonglian technology Co., Ltd., and therefore Beijing Duomi is an associated corporation of the Company. Mr. Liu was directly interested in 28.71% of the shares of Beijing Duomi.
2. This represents the number of shares of Beijing Duomi held by Mr. Liu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or shares and debentures of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests in any Shares, convertible securities, warrants, options or derivatives of the Company.

As at the Latest Practicable Date, save as disclosed above and in the Explanatory Memorandum, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 or Part XV of the SFO.

4.2 Interests of the Offeror, the Offeror Concert Parties and other substantial Shareholders in the Shares

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares (long positions)	Approximate percentage of interest in the Company's issued share capital ^(Note 1)
HSBC International	trustee (other than a bare trustee) ^(Note 2)	1,915,567,398	68.57%
River Road	Interest in controlled corporation ^(Note 2)	1,915,567,398	68.57%
Knight Bridge	Interest in controlled corporation ^(Note 2)	1,827,687,398	65.43%
Ever Novel	Interest in controlled corporation ^(Note 3)	424,796,303	15.21%
Prime Century	Beneficial owner ^(Note 3)	1,402,891,095	50.22%
	Beneficial owner ^(Note 3)	424,796,303	15.21%

Notes:

- The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date (i.e. 2,793,498,628 Shares).
- Each of River Road, Knight Bridge, Ever Novel and Prime Century is controlled by HSBC International trustee Limited (“**HSBC International**”), the trustee of family trusts founded by Mr. Liu who can influence how HSBC International Trustee Limited exercises its discretion. Mr. Liu and HSBC International are deemed under SFO to be interested in all the Shares held by such companies (as at the Latest Practicable Date, 1,915,567,398 Shares in total).
- As at the Latest Practicable Date, Prime Century directly held 424,796,303 shares and Ever Novel directly held 1,402,891,095 shares in the Company. Ever Novel is entitled to exercise or control the exercise of 80.20% of the voting power at the general meetings of Prime Century, while the remaining 19.8% of the voting power is controlled by the cousin of Mr. Liu, Ms. Wang Gang. Ever Novel is deemed under the SFO to be interested in the 424,796,303 shares in the Company held directly by Prime Century.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who (a) had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the

register required to be kept by the Company pursuant to Section 336 of the SFO; or (b) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

As at the Latest Practicable Date, save as disclosed above and save for the existing shareholding of the sole director of the Offeror and the Offeror Concert Parties as set out in the section headed “5. Shareholding Structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document, none of the Offeror, its sole director or the Offeror Concert Parties had any interest in, owned or controlled any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

4.3 Dealings in the securities of the Company

(a) During the Relevant Period:

- (i) none of the Offeror, its sole director or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any Offeror Concert Party had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(b) During the offer period and up to the Latest Practicable Date:

- (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (ii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (A) the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and/or (B) the Offeror or the Offeror Concert Parties; and

- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had any dealings in any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

4.4 Interest and dealings in the securities of the Offeror

- (a) As at the Latest Practicable Date, other than Mr. Liu who ultimately controls the Offeror, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.
- (b) During the Relevant Period, none of the Company or any of the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

4.5 Other interests

As at the Latest Practicable Date:

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (b) no Shares, convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company; and
- (c) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4.6 Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) save for the Cancellation Price and the Option Offer Price, no benefit was or would be given to any Director as compensation for his or her loss of office or otherwise in connection with the Proposal;
- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between any person and (A) the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or any

person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and/or (B) the Offeror or the Offeror Concert Parties;

- (c) there was no material contract which had been entered into by the Offeror in which any Director had a material personal interest;
- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) existed between any of the Directors and any other person which was conditional on or was dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (e) save for the Proposal, the Scheme and the Option Offer, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror or the Offeror Concert Parties and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposal;
- (f) there were no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal;
- (g) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be received in pursuance of the Proposal, and the Offeror had no intention to transfer, charge or pledge any Shares received in pursuance of the Proposal to any other person;
- (h) there was no arrangement (whether by way of option, indemnity or otherwise), in relation to the Shares or the shares of the Offeror and any of the Offeror Concert Parties between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal;
- (i) save for the voting indications as disclosed in the section headed “14. Court Meeting and EGM” and “18. Indications as to Voting and Acceptance of Option Offer” in Part VII — Explanatory Memorandum of this Scheme Document, none of the Directors hold any beneficial shareholding in the Shares which would entitle them to vote in favour or against the Scheme at the Court Meeting or the resolutions proposed at the EGM;
- (j) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment from any Independent Shareholder to vote for or against the Scheme, or from any Option Holder to accept or not accept the Option Offer;

- (k) save for the Cancellation Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or any person acting in concert with the Scheme Shareholders in connection with the cancellation of the Scheme Shares;
- (l) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any of the Offeror Concert Parties on the one hand, and the Scheme Shareholders and any person acting in concert with the Scheme Shareholders on the other hand; and
- (m) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder on the one hand, and (i) the Offeror and any of the Offeror Concert Parties, or (ii) the Company, its subsidiaries or associated companies, on the other hand.

5. MATERIAL CONTRACTS

None of the members of the Group had entered into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group, within the two years immediately preceding the offer period and up to and including the Latest Practicable Date.

6. MATERIAL LITIGATION

Save as disclosed below, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against any member of the Group.

As at the Latest Practicable Date, the Group held an aggregate of 29.52% share in Lanlanlanlan Film & Television Media (Tianjin) Co., Limited (“**Lanlanlanlan Film & Television**”), an associate of the Company, which was acquired through capital increase, share acquisition and equity compensation. As Lanlanlanlan Film & Television and its subsidiaries did not meet the respective target profit for the financial years ended 31 December 2017, 2018 and 2019, pursuant to the relevant transaction documents, the Group shall be compensated by the founders of Lanlanlanlan Film & Television by cash or equity. Also, the disposal of an aggregate of 23.56% equity interests in Lanlanlanlan Film & Television by the Group, has yet to be completed. As at the Latest Practicable Date, RMB5 million has been paid by the founders to the Group for such disposal.

The founders of Lanlanlanlan Film & Television have undertaken to the Group to perform its obligations in relation to the compensation and the disposal by 24 March 2022 but failed to fulfill such undertaking and the Group has filed an arbitration application with the Shenzhen Court of International Arbitration (“**the SCIA**”) on 15 March 2022, requesting for the payment of the equity repurchase amount of RMB141,380,434.37 and penalty interest of RMB59,043,116 by the founders of Lanlanlanlan Film & Television to the Group, totalling RMB200,423,550.37. The case was closed through mediation by the SCIA. According to the

arbitration mediation statement, the founders of Lanlanlanlan Film & Television shall pay the Group a share repurchases fee and interest penalty totaling RMB200,423,550.37 before 20 November 2022. Since the founders of Lanlanlanlan Film & Television failed to fulfill the arbitration mediation agreement on time, the Group has applied to the People’s Court for enforcement and is currently in the enforcement procedure. As of the Latest Practicable Date, the Group has been informed by the People’s Court that a property located in Tianjin City owned by the founders of Lanlanlanlan Film & Television (the “**Enforcement Asset**”) has been put on auction twice as part of the aforesaid enforcement procedure but the auction could not proceed due to lack of bidding. It is expected that the People’s Court may initiate another auction in respect of the Enforcement Asset. The enforcement procedure will largely depend on the result of the future auctions in respect of the Enforcement Asset and the enforcement actions (if any) carried out by other creditors of the founders of Lanlanlanlan Film & Television, which both remained undetermined as of the Latest Practicable Date.

For further details of the aforesaid capital increase, acquisition, disposal and compensation, please refer to the announcements of the Company dated 18 December 2017, 13 March 2018, 3 September 2018, 25 March 2019 and 25 March 2020 and the circular of the Company dated 5 June 2019.

7. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the offer period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Director	Expiry date	Fixed remuneration payable under the contract	Variable remuneration payable under the contract
Mr. Gao Shenglin	19 September 2025, being three years from 20 September 2022	HK\$120,000 per annum	Nil

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or have given their opinion or advice which are contained in this Scheme Document:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Red Solar Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Asset Appraisal Limited	an independent professional property valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of its letter, report or opinion (as the case may be) and references to its name and/or opinions and/or letters in the form and context in which they are included.

9. OTHER INFORMATION

- (a) The registered address of the Offeror is at Intershore Chambers, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror in Hong Kong is Room 1401, Java Commercial Centre, 128 Java Road, North Point, Hong Kong.
- (b) The sole director of the Offeror is Mr. Liu.
- (c) The Offeror is ultimately controlled by Mr. Liu. The shareholding structure of the Offeror is disclosed in the section headed “12. Information on the Offeror” in Part VII — Explanatory Memorandum of this Scheme Document.
- (d) The principal members of the Offeror Concert Parties are as follows:

Name	Director(s)	Registered office
Mr. Liu	N/A	N/A
Ever Novel	Mr. Liu	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Prime Century	Mr. Liu	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Grand Idea	Mr. Wang Daiqiang	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Mr. Liu Xiaofeng	N/A	N/A
Ms. Huang Qianqian	N/A	N/A

- (e) Gram Capital is the financial adviser to the Offeror in relation to the Proposal and its address is Room 1209, 12/F, Nan Fung Tower, 88 Connaught Road Central/173 Des Voeux Road Central, Hong Kong.
- (f) The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Suites 2703, 27/F, Shui on Centre, 6–8 Harbour Road, Wanchai, Hong Kong.
- (g) As at the Latest Practicable Date, the Board comprises Mr. Liu and Mr. Ji Bo as executive Directors, and Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin as independent non-executive Directors.
- (h) The address of the Independent Financial Adviser, Red Solar, is at 402B, 4/F China Insurance Group Building, 141 Des Vouex Road Central, Central, Hong Kong.
- (i) In case of inconsistency, the English version of this document shall prevail over the Chinese version.

10. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents are available for inspection on the website of the Company at www.a8nmg.com and on the website of the SFC at www.sfc.hk from the date when this Scheme Document is published until (a) the Effective Date, and (b) the date on which the Scheme is withdrawn or lapses, whichever is earlier:

- (a) the Articles;
- (b) the articles of association of the Offeror;
- (c) the annual reports of the Company for each of the three years ended 31 December 2021, 2022 and 2023;
- (d) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (g) the property valuation report prepared by Asset Appraisal Limited, the text of which is set out in Appendix II of this Scheme Document;
- (h) the written consents referred to in the section headed “8. Consents and Qualifications of Experts” in this Appendix III;
- (i) the service contracts referred to in the section headed “7. Service Contracts” in this Appendix III;
- (j) this Scheme Document; and
- (k) the Option Offer Letter.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

Cause No. FSD 204 of 2024 (IKJ)

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (AS REVISED) AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 2023 (AS REVISED) AND IN THE MATTER OF A8 NEW MEDIA GROUP LIMITED
A8新媒體集團有限公司**

**SCHEME OF ARRANGEMENT
BETWEEN
A8 NEW MEDIA GROUP LIMITED
A8新媒體集團有限公司
AND
THE SCHEME SHAREHOLDERS
(AS DEFINED BELOW)**

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code, and “parties acting in concert” shall be construed accordingly
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.36 for every Scheme Share cancelled and extinguished pursuant to the Scheme
“Conditions”	the conditions to the Proposal, as set out in the paragraph headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of the Scheme Document
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands
“Company”	A8 New Media Group Limited A8新媒體集團有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 800)

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at 10:00 a.m. on Friday, 23 August 2024 at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong, at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Ever Novel”	Ever Novel Holdings Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in respect of the Proposal
“Grand Court”	the Grand Court of the Cayman Islands
“Grand Idea”	Grand Idea Holdings Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Financial Advisor”	Red Solar Capital Limited, being the independent financial advisor to the Independent Board Committee in relation to the Proposal and the Scheme
“Latest Practicable Date”	26 July 2024, being the latest practicable date for ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 May 2025 (or any other date as may be agreed by the Offeror and the Company and as consented by the Executive)

“Mr. Liu”	Mr. Liu Xiaosong, the executive Director and the chairman of the Board
“Offeror”	LuxOrigo Investment Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with Mr. Liu or the Offeror (including but not limited to the Offeror Concert Parties Not Subject to the Scheme and Offeror Concert Parties Subject to the Scheme)
“Offeror Concert Parties Not Subject to the Scheme”	Mr. Liu, Ever Novel, Prime Century and Grand Idea
“Offeror Concert Parties Subject to the Scheme”	Mr. Liu Xiaofeng and Ms. Huang Qianqian
“Prime Century”	Prime Century Technology Limited, a limited liability company incorporated in the British Virgin Islands and its ultimate beneficial owner is Mr. Liu
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the Conditions set out in this Scheme Document
“Record Date”	Friday, 20 September 2024, or such other date as shall have been announced to the Shareholders, being the record date for the purpose determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme”	a scheme of arrangement to be proposed under Section 86 of the Companies Act for the implementation of the Proposal, involving the cancellation of all the Scheme Shares and the simultaneous maintenance of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by the issuance to the Offeror, credited as fully paid, of such number of new Shares as is equal to the number of Scheme Shares cancelled

“Scheme Document”	the composite scheme document jointly issued by the Offeror and the Company to the Shareholders containing, among others, further details of the Proposal, including each of the letters, statements, memorandum, appendices and notices in it
“Scheme Share(s)”	Share(s) other than those held by Offeror Concert Parties Not Subject to the Scheme
“Scheme Shareholder(s)”	the registered holder(s) of Scheme Shares as at the Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as revised from time to time)

- (B) The Company was incorporated as an exempted company on 2 October 2007 with limited liability in the Cayman Islands.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$30,000,000 divided into 3,000,000,000 Shares with a par value of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$27,934,986.28 divided into 2,793,498,628 Shares, with the remainder being unissued.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatise the Company by cancelling all the Scheme Shares in consideration of the Cancellation Price such that the Company shall thereafter become wholly owned by the Offeror and the Offeror Concert Parties Not Subject to the Scheme. Simultaneously with the cancellation of all the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the same number of new Shares as is equal to the

number of the Scheme Shares cancelled. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied to pay up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

- (F) The Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme.
- (G) Each of the Offeror and the Offeror Concert Parties has instructed Conyers Dill & Pearman LLP to appear on its behalf before the Grand Court and so represent to the Grand Court and has undertaken to the Grand Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to the Scheme.

**THE SCHEME
PART I
CANCELLATION OF THE SCHEME SHARES**

- 1. On the Effective Date:
 - (a) all the Scheme Shares will be cancelled;
 - (b) simultaneously with the cancellation of all the Scheme Shares, the issued share capital of the Company will be maintained by the issuance at par value to the Offeror, credited as fully paid, of the same number of new Shares as is equal to the number of the Scheme Shares cancelled; and
 - (c) the Company shall apply the reserve created in its books of accounts as a result of the cancellation of the Scheme Shares in paying up in full at par the new Shares issued, credited as fully paid, to the Offeror.

**PART II
CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

- 2. In consideration of the cancellation of the Scheme Shares, each Scheme Shareholder as appears in the register of members of the Company on the Record Date shall be entitled to receive the Cancellation Price.

**PART III
GENERAL**

- 3. (a) As soon as possible but in any event no later than seven Business Days after the Effective Date, the Offeror shall post or cause to be posted cheques to the Scheme Shareholders in respect of such sums payable to such Scheme Shareholders pursuant to paragraph 2 of the Scheme.

- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of the Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Gram Capital, the Independent Financial Advisor and the Share Registrar and their respective ultimate beneficial owners, directors, employees, officers, agents, advisors, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of the Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror (or its nominee) shall hold such monies represented by such uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of the Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction required by law and expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of the Scheme, including accrued interest subject to, if applicable, any deduction required by law and expenses incurred.
- (g) Paragraph 3(f) shall take effect subject to any prohibition or condition imposed by law.

4. As from and including the Effective Date:
 - (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Offeror, to deliver up such certificates to the Offeror, or to any person appointed by the Offeror, to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
6. Unless the Scheme shall have become effective on or before the Long Stop Date, the Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition which the Grand Court may see fit to approve or impose.
8. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

Cause No. FSD 204 of 2024 (IKJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT
(AS REVISED) AND IN THE MATTER OF ORDER 102 OF
THE GRAND COURT RULES 2023 (AS REVISED)

AND IN THE MATTER OF A8 NEW MEDIA GROUP LIMITED

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 25 July 2024 (Cayman Islands time) made in the above matter, Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) proposed to be made between A8 New Media Group Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 10:00 a.m. on Friday, 23 August 2024 (Hong Kong time) at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the Explanatory Memorandum (as defined in the Scheme Document) explaining the effect of the Scheme are incorporated in the composite scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched to the Scheme Shareholders. A copy of the Scheme Document can be obtained by the Scheme Shareholders from the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Any Scheme Shareholder may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Court Meeting is enclosed with the Scheme Document. The completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting, or any adjournment thereof, if he/she so wishes and in such event, the **PINK** form of proxy previously submitted will be revoked by operation of law.

In the case of joint registered holders of a Scheme Share (as defined in the Scheme), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders is present at the Court Meeting personally or by proxy the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

The **PINK** form of proxy for use at the Court Meeting, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, must be lodged at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible, but in any event no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. Alternatively, the **PINK** form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

By the Order, the Court has appointed any one of the independent non-executive Directors, or failing whom, any other person who is an officer of the Company as at the date of the Court Meeting, to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Grand Court.

The Scheme is subject to the subsequent sanction of the Grand Court as set out in the Explanatory Memorandum contained in the Scheme Document.

Date: 29 July 2024

By order of the Grand Court
A8 New Media Group Limited

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Suite 2703, 27/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Notes:

1. Voting at the Court Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Code on Takeovers and Mergers in Hong Kong.
2. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice. For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Monday, 19 August 2024. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting.
3. If a tropical cyclone warning signal No. 8 or above or "extreme conditions" is hoisted or a black rainstorm warning signal is in force at any time after 8:00 a.m. on the date of the Court Meeting, the Court Meeting will be adjourned or postponed in accordance with the articles of association of the Company. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the date, time and venue of the rescheduled meetings.

As at the date of this notice, the Board comprises Mr. Liu Xiaosong and Mr. Ji Bo as executive directors, and Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin as independent non-executive directors.

**A8 New Media Group Limited****A8新媒體集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 800)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of A8 New Media Group Limited (the “**Company**”) will be held at 5th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 23 August 2024 at 10:30 a.m. (Hong Kong time) (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting (as defined in the Scheme Document (as defined below))) for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION1. “**THAT:**

- (a) for the purpose of giving effect to the scheme of arrangement between the Company and the Scheme Shareholders (as defined in the Scheme Document) (the “**Scheme**”) as set out in the composite scheme document of the Company dated 29 July 2024 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting (as defined in the Scheme Document), on the Effective Date (as defined in the Scheme Document), any reduction of the issued share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme Document) be and is hereby approved; and
- (b) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and any reduction of the issued share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, including (without limitation) giving consent to any modification of, or addition to, the Scheme or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

ORDINARY RESOLUTION

2. “THAT:

- (a) subject to and simultaneously with the cancellation of the Scheme Shares (as defined in the Scheme Document), the issued share capital of the Company be maintained by the issuance at par value to the Offeror (as defined in the Scheme Document), credited as fully paid, of such number of ordinary shares of HK\$0.01 par value each in the share capital of the Company (the “**Shares**”) as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme;
- (b) the credit arising in the books of account of the Company consequent upon any reduction of its issued share capital resulting from the cancellation of the Scheme Shares shall be applied by the Company in paying up in full at par the new Shares allotted and issued to the Offeror pursuant to sub-paragraph (a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- (c) the directors of the Company be and are hereby authorised to do all acts and things and/or sign all such documents as considered by them to be necessary for or desirable in connection with the implementation of the Proposal (as defined in the Scheme Document) and the Scheme, including (without limitation) (i) the making of an application to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the withdrawal of the listing of the Shares on the Stock Exchange, subject to the Scheme taking effect; (ii) the allotment and issue of the Shares referred to in sub-paragraph (a) above; and (iii) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose and to do all other acts and things and/or sign all such other documents considered by them to be necessary for or desirable in connection with the implementation of the Scheme.”

By order of the Board
A8 New Media Group Limited
Liu Xiaosong
Chairman & Executive Director

Hong Kong, 29 July 2024

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Suite 2703, 27/F
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
2. Any Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxy to attend and on a poll, vote instead of him. A proxy need not be a Shareholder. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every Shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the **WHITE** 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 that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:30 a.m. on Wednesday, 21 August 2024) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. If two or more persons are jointly registered as holders of a share, the vote of the senior person who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the Company's register of members in respect of the relevant shares.
5. For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 19 August 2024.
6. All resolutions put to vote at the EGM will be decided by way of poll as required by the Listing Rules and Takeovers Code.
7. References to time and dates in this notice are to Hong Kong time and dates.
8. If a tropical cyclone warning signal No. 8 or above or "extreme conditions" is hoisted or a black rainstorm warning signal is in force at any time after 8:00 a.m. on the date of the EGM, the EGM will be adjourned or postponed in accordance with the articles of association of the Company. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the date, time and venue of the rescheduled meetings.

As at the date of this notice, the Board comprises Mr. Liu Xiaosong and Mr. Ji Bo as executive directors, and Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin as independent non-executive directors.

Set out below is a form of the Option Offer Letter to the Option Holders in connection with the Option Offer.

LuxOrigo Investment Limited

Intershore Chambers
Road Town, Tortola
British Virgin Islands

29 July 2024

To the Option Holders

Dear Sir/Madam,

**OPTION OFFER
IN RELATION TO THE PROPOSAL FOR THE PRIVATISATION OF
A8 NEW MEDIA GROUP LIMITED
BY LUXORIGO INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES ACT**

A scheme document issued jointly by LuxOrigo Investment Limited (the “**Offeror**”) and A8 New Media Group Limited (the “**Company**”) dated the same date as this letter (the “**Scheme Document**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

The Offeror and the Company issued jointly the Announcement dated 12 June 2024 which stated, among others, that on 27 May 2024, the Offeror requested the Board to put forward the Proposal to the holders of Scheme Shares for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. As stated in the Announcement, as part of the Proposal, the Offeror would make (or procure to be made on its behalf) an appropriate offer to the Option Holders to cancel every Share Option in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective.

This letter explains the terms of the Option Offer and the actions you may take in relation to your Share Option(s). You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the Share Option Schemes (as applicable).

TERMS OF THE OPTION OFFER

We are making the Option Offer, which is conditional on the Scheme becoming effective, with respect to the Share Option(s) held by you.

All Share Options (including the Share Options held by Mr. Liu) will lapse automatically and not be exercisable (to the extent not already exercised) on the Effective Date. You may accept the Option Offer by lodging a completed Form of Acceptance in respect of the Option Offer by the prescribed deadline and, if the Option Offer becomes unconditional, you will be entitled to the Option Offer Price with respect to the Shares underlying your Share Option(s).

Under the Option Offer, the Offeror is offering the Option Holders the “see-through” price (being the Cancellation Price minus the relevant exercise price in the case of the Share Options) for each Share Option. Where the exercise price of any Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Option Offer Price will be a nominal amount of HK\$0.01 per outstanding Share Option.

Date of Grant	Exercise price (HK\$)	End of Exercise period	Option Offer Price (HK\$)	Number of Shares into which Share Options are exercisable
7 May 2018	0.439	7 May 2025	0.01	2,000,000
28 June 2019	0.219	28 June 2029	0.141	41,408

The Option Offer is conditional upon the Scheme becoming effective. The Conditions are set out in the section headed “3. Conditions of the Proposal and the Scheme” and “4. Conditions of the Option Offer” in Part VII — Explanatory Memorandum of the Scheme Document. In addition, all payments in respect of the Option Offer Price will be made to the Company as the agent of the Option Holders by cheque(s), or at the election of the Offeror, by wire transfer, in Hong Kong dollars. The Company will make payments in respect of the Option Offer Price to the respective Option Holders by wire transfer.

You are further advised to refer to the sections headed “17. Registration and Payment” and “20. Taxation Advice” in Part VII — Explanatory Memorandum of the Scheme Document.

Your attention is drawn to the letter from the Independent Board Committee set out in Part V of the Scheme Document and the letter from the Independent Financial Adviser set out in Part VI of the Scheme Document, which contain the recommendation of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Proposal, the Scheme and the Option Offer.

COURSES OF ACTION AVAILABLE TO OPTIONHOLDERS

In summary, the choices available to you in respect of your Share Option(s) are:

- (a) to the extent any of your Share Option(s) is not exercised on or prior to the Latest Option Exercise Date, if you will be a holder of the Share Option(s) as at the Record Date (i.e. your Share Option(s) will not lapse prior to the Record Date under the terms of the Share Option Schemes), you may accept the Option Offer in respect of all of your Share Option(s) in accordance with its terms, as set out in this letter and in the Scheme Document, **AND TICK THE** “Accept” box on the Form of Acceptance and return it by not later than 4:30 p.m. (Hong Kong time) on Friday, 20 September 2024 (or such later time and/or date as may be notified to you through announcement(s)), to receive the Option Offer Price for the relevant Shares under your Share Option(s) if the Scheme becomes effective;
- (b) you may in accordance with the terms of the Share Option Schemes (as applicable), exercise, all of your outstanding vested Share Option(s) (to the extent not already exercised) to its full extent or to the extent specified in your notice of exercise of Share Options at any time up to the Latest Option Exercise Date. Option Holders who exercise their Share Option at or before 4:30 p.m. on Tuesday, 13 August 2024 will be entitled to attend and vote at the Court Meeting and the EGM. Any Share issued as a result of the exercise of such Share Option(s) as mentioned above, conditional on the passing of the resolutions to be proposed at the Court Meeting and the EGM to approve the Scheme, will be subject to and eligible to participate in the Scheme. Please refer to the Scheme Document for details of the Scheme and the Proposal in this regard;
- (c) you may reject the Option Offer in accordance with its terms, as set out in this letter and in the Scheme Document, and tick the “Reject” box on the Form of Acceptance and return it in accordance with the instructions therein. Such rejection of the Option Offer shall apply to all Share Options held by you as at the Record Date. If you reject the Option Offer, you will not be entitled to receive the Option Offer Price in respect of any of your Share Options if the Scheme becomes effective. If you reject the Option Offer and do not exercise all of your outstanding vested Share Option(s) (to the extent not already exercised) on or before the Latest Option Exercise Date, and the Scheme becomes effective, all your outstanding Share Options will lapse automatically on the Effective Date and you will receive neither the Option Offer Price nor the Cancellation Price; or
- (d) do nothing, in which case, conditional on the passing of the resolutions to be proposed at the Court Meeting and the EGM to approve the Scheme, and the Scheme becoming effective, your Share Options will lapse automatically on the Effective Date, and you will receive neither the Option Offer Price nor the Cancellation Price.

For further details, please refer to the remaining sections of this letter, the Scheme Document, the Form of Acceptance and the terms of the Share Option Schemes (as applicable).

OUTSTANDING SHARE OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the Share Option(s) held by you as at the Latest Practicable Date is available from the Human Resources Department of the Company. If there is any exercise of your Share Option(s) after the Latest Practicable Date, you may accept the Option Offer only in respect of such Share Option(s) which remain unexercised or unvested as at the Record Date.

LAPSED SHARE OPTION

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Option which lapses, will lapse, or has already lapsed, under the terms of the Share Option Schemes (as applicable). As such, you may exercise the Share Option (to the extent such Share Option is vested but not already exercised) prior to the lapsing of the Share Options in accordance with the terms of the Share Option Schemes (as applicable), but you cannot accept the Option Offer in respect of a Share Option which will have lapsed in accordance with its terms on or before the Record Date.

In accordance with the terms of the Share Option Schemes, if a general offer by way of a scheme of arrangement is made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and has been approved by the necessary number of Shareholders at the requisite meetings, the Option Holders shall be entitled to exercise the Share Options thereafter (up to the Latest Option Exercise Date) by notice in writing to the Company. To the extent that the Share Options have not been so exercised, the right to exercise the Share Options shall terminate on the Record Date and such Option Holders will only be entitled to the Option Offer. Any unexercised Share Option which are not tendered for acceptance under the Option Offer will automatically lapse (other than the right to receive payment of the “see-through” price from the Option Trustee) upon the Scheme becoming effective.

All Share Options will lapse automatically and not be exercisable (to the extent not already exercised) on the Effective Date.

PROFESSIONAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

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

DECLARATION

By signing and returning the completed Form of Acceptance, you thereby:

- (a) warrant and confirm that each Share Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Share Option shall become void once that Share Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;
- (b) acknowledge and agree that you cease to have any rights and obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of all the Share Option(s) held by you for which you accept the Option Offer, that all rights and obligations under all such Share Option(s) will be cancelled;
- (c) confirm that you have observed and is permitted under all applicable laws and requirements to receive and accept the Option Offer and any revision thereof, and that you have obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and have paid all issue, transfer or other taxes, duties or other required payments due from you in connection with such acceptance in any jurisdiction, and that you have not taken or omitted to take any action which will or may result in the Company, the Offeror or their respective advisers, including the Gram Capital, the Independent Financial Adviser and the Registrar, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Option Offer or your acceptance thereof and such acceptance, surrender and/or cancellation shall be valid and binding in accordance with all applicable laws and regulations;
- (d) confirm that the decisions which you have made on the Form of Acceptance cannot be withdrawn or altered;
- (e) agree, in consideration for the Option Offer, to release and waive all present and future claims, demands, actions and/or proceedings (whether contractual, statutory or otherwise and whether such claims are known or could be known or are in your contemplation at the time of signing the Form of Acceptance and to the maximum extent not prohibited by law) against any party (including the Company, the Offeror and their officers and respective advisers) arising out of or in connection with the Share Options and/or the Option Offer;
- (f) authorise the Offeror, the Company, Gram Capital and/or such person or persons as any of them may direct to do all acts and things and to complete, amend and execute any document on your behalf as may be necessary or desirable to give effect to or in connection with the acceptance you have made on the Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance;

- (g) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any person authorised or appointed by or pursuant to this letter and the Form of Acceptance;
- (h) authorise the Company to transfer any personal data which may identify you (including, but not limited to your name, your date of birth, contact details, nationality, identity or passport number, tax residency, social security number (or equivalent), bank account details and details of your Share Options) to the Offeror and to authorise the Offeror to collect, use and process such personal data for all matters directly or indirectly connected with the implementation of the Option Offer. You agree to execute any further documents as may be required by the Company or the Offeror to give effect to such authorization; and
- (i) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including, without limitation, those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received and read the Scheme Document and this letter.

GENERAL

- (a) All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from the Option Holders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of the Offeror, the Company or Gram Capital accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.
- (c) The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to the Offeror and the Company or such person(s) as any of them may direct to complete and execute on behalf of the accepting Option Holder, the Form of Acceptance and any document and to do any other act that may be necessary or expedient for the purpose of cancelling, or vesting in the Offeror or such person(s) as the Offeror shall direct, all rights of the Option Holders in respect of the Share Option(s) which are the subject of such acceptance.
- (e) The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed, executed and received notwithstanding that it is not completed, executed or received strictly in accordance with the Forms of Acceptance and this letter, including the date specified for receipt or the absence of any witness attesting to the execution of any Form of Acceptance.

- (f) By completing the Form of Acceptance in respect of a particular Share Option, you irrevocably and at your own risk elect to authorise the Offeror, the Company and/or their respective agent(s) to send to you, or procure the sending to you of, the payment to which you are entitled.
- (g) Any acceptance of the Option Offer and the receipt of cash consideration may trigger taxes subject to withholding obligations of the Offeror and/or the Company. Cash consideration under the Option Offer may be paid to you net of such applicable taxes, if any. All Option Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Option Offer.

ACTIONS TO BE TAKEN FOR ACCEPTING THE OPTION OFFER

In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance together with relevant certificate(s) (if any) or any other document(s) evidencing the grant of the Share Option(s) to you or other document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Company at 25/F, A8 Music Building, No. 1002, Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen City, Guangdong Province, PRC and marked “A8 New Media Group Limited — Option Offer” by no later than 4:30 p.m. (Hong Kong time) on Friday, 20 September 2024 (or such later time and/or date as may be notified to you through announcement(s)). If you do not complete a Form of Acceptance, subject to and conditional upon the Scheme becoming effective, your Share Option(s) will lapse.

Before forwarding the Form of Acceptance to the sole director of the Offeror, please ensure that you have duly executed the Form of Acceptance and that your signature has been witnessed.

Assuming the Option Offer will close on Friday, 20 September 2024, payment for the Option Offer Price is expected to be made no later than seven business days (as defined in the Takeovers Code) of the Effective Date (i.e. Wednesday, 2 October 2024).

No acknowledgement of receipt of any Form of Acceptance, the relevant certificate(s) (if any) or any other document(s) evidencing the grant of the Share Option(s) or other document(s) of title or entitlement (and/or any satisfactory indemnity of indemnities required in respect thereof) will be given.

RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this letter and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this letter have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

Yours faithfully,
For and on behalf of
LuxOrigo Investment Limited
Liu Xiaosong
Director