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**TSUN YIP HOLDINGS LIMITED**

**進業控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8356)**

**VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO THE ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
XINHUA TV ASIA-PACIFIC OPERATING CO., LIMITED  
INVOLVING ISSUE OF SHARES AND CONVERTIBLE BONDS  
AND  
RESUMPTION OF TRADING**

**THE PROPOSED ACQUISITION**

The Board is pleased to announce that on 6 September 2011, the Company entered into the Acquisition Agreement with the Vendors for the Proposed Acquisition at the consideration of HK\$700,000,000, in which approximately HK\$93,000,000 will be settled by the allotment and issue of the Consideration Shares and approximately HK\$607,000,000 will be settled by the issuance of the Convertible Bonds. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The Target Group is principally engaged in the business of television broadcasting in the Asia-Pacific market (excluding the PRC) and the Target Company has been granted the Television Broadcasting Right from China Xinhua NNC.

## **PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW SHARES**

Under the Acquisition Agreement, the Company will issue to the Vendors the Consideration Shares and the Convertible Bonds on Completion. It is expected that the Consideration Shares and the Conversion Shares shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek a specific mandate from the Shareholders at the EGM for the allotment and issue of the Consideration Shares and the Conversion Shares.

## **GEM LISTING RULES IMPLICATIONS**

As one or more of the relevant percentage ratios applicable to the Company exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Rule 19.07 of the GEM Listing Rules, and will be subject to the Shareholders' approval requirements under the GEM Listing Rules.

In this connection, the EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Proposed Acquisition and the transactions contemplated thereunder.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further information of the Acquisition Agreement and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) notice of the EGM, will be despatched to the Shareholders. Pursuant to Rule 19.60 of the GEM Listing Rules, the Company shall despatch the circular to the Shareholders within 15 Business Days after the publication of this announcement, being 2 November 2011. In case further time is required by the Company to prepare the circular, the Company will notify the public by way of announcement(s) pursuant to Rule 19.36A of the GEM Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares has been suspended with effect from 9:00 a.m. on 6 September 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 12 October 2011.

**As the Proposed Acquisition is subject to the fulfillment of a number of conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

## INTRODUCTION

The Board is pleased to announce that on 6 September 2011, the Company (as purchaser) and China Xinhua NNC, Proud Glory and APT Satellite (as vendors) entered into the Acquisition Agreement pursuant to which, among other things, the Company has conditionally agreed to acquire and China Xinhua NNC, Proud Glory and APT Satellite have conditionally agreed to sell the entire issued share capital of the Target Company.

## THE ACQUISITION AGREEMENT

Date: 6 September 2011 (as supplemented and amended by the parties thereto by way of the Supplemental Agreement)

Vendors: (1) China Xinhua NNC  
(2) Proud Glory  
(3) APT Satellite

Purchaser: the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and are not connected persons of the Company.

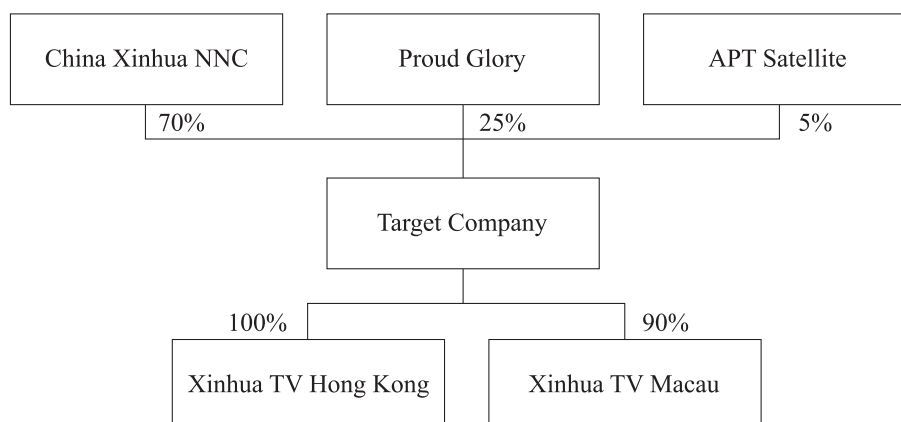
Upon Completion, China Xinhua NNC will become a substantial Shareholder and therefore a connected person of the Company.

### Assets to be acquired

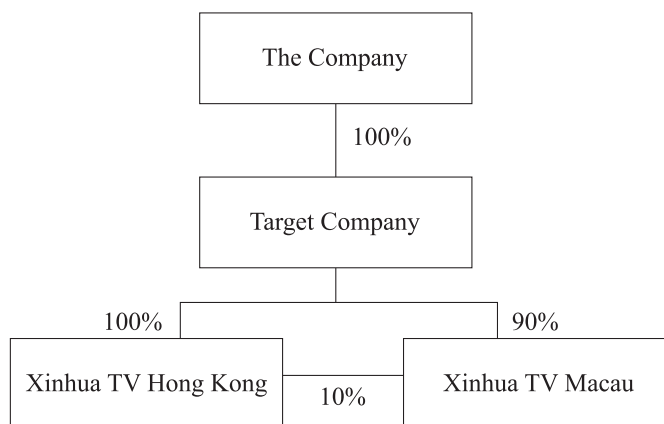
The assets to be acquired are the Sale Shares, representing the entire issued share capital of the Target Company.

### Shareholding structure of the Target Group before and after Completion

#### *Before Completion*



*After Completion (note)*



*Note:* Xinhua TV Macau will become a wholly-owned subsidiary of the Target Company at or prior to Completion.

**Consideration**

The consideration for the Sale Shares is HK\$700,000,000, which shall be satisfied by the Company in the following manner:

- (a) as to approximately HK\$93,000,000 to be settled by the Company allotting and issuing the Consideration Shares credited as fully paid up at approximately HK\$0.196 each in favour of China Xinhua NNC upon Completion. On the basis of an issue price of approximately HK\$0.196 per Consideration Share, a total of 474,335,664 Consideration Shares will be allotted and issued to China Xinhua NNC upon Completion; and
- (b) as to approximately HK\$607,000,000 to be settled by the Company issuing the Convertible Bonds in favour of the Vendors upon Completion. Details of the terms and conditions of the Convertible Bonds are stated below.

The consideration amount payable to each of the Vendors upon Completion is set out below:

- (i) HK\$490,000,000 to China Xinhua NNC, of which HK\$92,969,790 will be satisfied by the Company allotting and issuing 474,335,664 Consideration Shares credited as fully paid up at approximately HK\$0.196 each in favour of China Xinhua NNC, and HK\$397,030,210 will be satisfied by the Company issuing the Convertible Bonds (which are convertible into 2,025,664,336 Conversion Shares) in favour of China Xinhua NNC upon Completion;
- (ii) HK\$175,000,000 to Proud Glory, which will be satisfied by the Company issuing the Convertible Bonds (which are convertible into 892,857,143 Conversion Shares) in favour of Proud Glory upon Completion; and

- (iii) HK\$35,000,000 to APT Satellite, which will be satisfied by the Company issuing the Convertible Bonds (which are convertible into 178,571,429 Conversion Shares) in favour of APT Satellite upon Completion.

The consideration has been determined based on normal commercial terms and arrived at after arm's length negotiations between the parties to the Acquisition Agreement with reference to, among other things:

- (i) the potential of the profitability of the Television Broadcasting Right granted by China Xinhua NNC to the Target Company. The fixed costs of the Target Company mainly comprise of the expenses payable to China Xinhua NNC for the information content owned by Xinhua News Agency, the satellite transmission and broadcasting expenses to satellite operator(s) (衛星傳輸及廣播費用) and broadcasting content expenses for the media broadcasting providers (電視落地費); whereas the variable costs mainly comprise of the sharing of advertising revenue and sales and marketing expenses in promoting the programmes of Xinhua News Agency. Leveraging on the extensive network of reporters worldwide and resources available to Xinhua News Agency in producing television programmes, the Directors believe that viewership will increase with appropriate promotion effort and therefore the Proposed Acquisition is capable of bringing in substantial advertising revenue to the Company in the future. As such, the Company is of the view that it is reasonable to expect that the advertising income of the Target Company will be higher than the cost of the operations; and
- (ii) the preliminary valuation on the Target Group, being not less than HK\$700,000,000, as valued by the Valuer, an independent valuer appointed by the Company for the purpose of conducting a valuation on the Target Company. The valuation as at 31 August 2011 was conducted on 5 September 2011 using income-based approach on the basis of the discounted value of Target Group's projected free cash flow for the next ten years. The Directors confirmed that such preliminary valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. The following sets out the principal assumptions upon which such valuation was based:
- the projections outlined in the financial information provided by the Company to the Valuer are reasonable, reflecting market conditions and economic fundamentals;
  - the financial projections provided by the Company to the Valuer will be materialised;
  - there will be sufficient supply of technical staff in the industry in which the Target Company operates;
  - there will be no major changes in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
  - all relevant legal approvals and business certificates or licences to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained, and renewed upon expiry;

- there will be no major changes in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company; and
- interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

### **Consideration Shares**

The Consideration Shares represent (i) approximately 39.8% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.5% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

The issue price for the Consideration Share and conversion price for the Convertible Bonds of approximately HK\$0.196 represents:

- (i) a discount of approximately 59.6% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 51.1% to the average of the closing prices of approximately HK\$0.400 per Share for the last one month up to and including the Last Trading Day;
- (iii) a discount of approximately 37.2% to the average of the closing prices of approximately HK\$0.312 per Share for the last 3 months up to and including the Last Trading Day;
- (iv) a discount of approximately 32.0% to the average of the closing prices of approximately HK\$0.288 per Share for the last 6 months up to and including the Last Trading Day;
- (v) a discount of approximately 26.4% to the average of the closing prices of approximately HK\$0.266 per Share for the last 12 months up to and including the Last Trading Day; and
- (vi) a premium of approximately 324.2% over the audited net asset value of approximately HK\$0.0462 per Share as at 31 March 2011.

The issue price for the Consideration Shares and the conversion price for the Convertible Bonds were determined after arm's length negotiation between the Company and the Vendors, having considered, among other things, the following factors: (i) the Proposed Acquisition being an unique opportunity as the contents to which the Target Group is permitted to broadcast is owned and/or acquired by Xinhua News Agency, which is one of the most authoritative news sources in the PRC; (ii) the net asset value per Share is comparatively low to the issue price of the Consideration Shares and the conversion price for the Convertible Bonds, which represents over 300% of the audited net asset value per Share of approximately HK\$0.0462 as at 31 March 2011; (iii) the recent volatile stock market conditions in Hong Kong and around the world, which means that a comparatively higher discount to the market price of the Share is required to factor in the risk involved; (iv) the market capitalisation of the Company was on average approximately HK\$565 million as of the five trading days before the

execution of the Acquisition Agreement. Any future disposal by the Vendors is expected to involve significant discount to the then prevailing market price of the Shares. As such, it is reasonable for the Vendors to request a higher discount in order to liquidate their Shares considering in particular that the total value of the Consideration Shares and the Convertible Bonds based on the Acquisition Agreement amounted to HK\$700,000,000; and (v) the amount of Consideration Shares and Shares to be converted from the Convertible Bonds. As such, the Company considers that the issue price for the Consideration Shares and conversion price for the Convertible Bonds are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **Conditions Precedent**

Completion shall be subject to the satisfaction of the following conditions precedent:

- (i) the Company and the Vendors being reasonably satisfied with the results of the due diligence review to be conducted by the Company on the Target Company and by the Vendors on the Company, respectively;
- (ii) the board of directors of China Xinhua News Network Co. Limited (中國新華新聞電視網有限公司), being (as advised by China Xinhua NNC) a company established in the PRC and the immediate holding company of China Xinhua NNC, approving in writing the Acquisition Agreement and the transactions contemplated thereunder;
- (iii) the passing by the Shareholders at the EGM by way of poll, the necessary resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder;
- (iv) all necessary consents and approvals from the regulators pursuant to the GEM Listing Rules, the Takeovers Code and any other rules and regulations which may be applicable to the Proposed Acquisition and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (v) the acquisition of 10% shares in Xinhua TV Macau by Xinhua TV Hong Kong; and
- (vi) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal, in the Consideration Shares and Conversion Shares.

As of the date of this announcement, the Company and the Vendors have agreed to enter into a second supplemental agreement to the Acquisition Agreement whereby (i) Completion will be subject to a further condition precedent that a legal opinion has to be provided by the Vendors to the Company in respect of the validity and legality of the Television Broadcasting Right and the cooperation agreements entered into by the Target Group and China Xinhua NNC referred to below; and (ii) the Consideration Shares and the Conversion Shares shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The updated status regarding such proposed amendments will be disclosed in further announcement of the Company and in the circular to be despatched by the Company to the Shareholders in relation to the Proposed Acquisition.



The Company expects that the due diligence review to be conducted by the Company on the Target Company as referred to in (i) above would involve reviewing books and records, accounts and the supporting documents thereof, interviewing with auditors and conducting publicly available searches including company search, litigation search, liquidation search and bankruptcy search in Hong Kong.

Prior to the execution of the Acquisition Agreement, as part of due diligence review on the Target Group, the Company has obtained a preliminary legal opinion provided by its PRC legal advisor in respect of, among other things, the background of the Target Company and China Xinhua NNC, including their legal position and proper authorization of their operations. The Directors have also discussed with the management of the Vendors and the Target Group on the future prospect of the Target Group, reviewed the cashflow projection of the Target Group prepared by the Vendors and discussed the basis and assumptions of the cashflow projection with the Vendors.

None of the above conditions precedent can be waived by the Company and the Vendors. If the above conditions precedent have not been satisfied on or before the Long Stop Date or such later date as the Company and the Vendors may agree, the Acquisition Agreement shall cease and neither party shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of terms of the Acquisition Agreement.

#### **Nomination of Directors by the Vendors to the Board**

Xinhua China NNC has the right to nominate persons for appointment as Directors to be effective as from Completion and the number of Directors to be so nominated by the Vendors shall be four, of which three shall be executive Directors and one shall be non-executive Director. The Company is advised by Xinhua China NNC that none of the proposed Directors has any shareholding interest in China Xinhua NNC or its ultimate beneficial owner. The appointments of these Directors will be subject to the Shareholders' approval at the EGM.

The Directors believe that, by leveraging on the experience of the Vendors, their networking and the skills and experience of their personnel, the additional Directors will help the Company better equipped for the development of the television advertising business in the Asia-Pacific market (excluding the PRC).

Set out below are the background information of the four candidates:

- (i) Mr. Wu Jin Cai (吳錦才), aged 49, joined Xinhua News Agency since July 1982 after he graduated from University of Nanjing. Being regarded as professional senior reporter, he has held the positions of reporter and editor in financial and economical businesses during his 30 years with Xinhua News Agency. Mr. Wu was awarded the "Government Special Grant (政府特殊津貼)" by the Council of the PRC for his contribution on Journalism in 1992. He has been the deputy editor in chief of Xinhua News Agency since May 2006. He has also been the officer of Xinhua News Agency Audio and Video News Desk. Mr. Wu is also the director of China Xinhua NNC since December 2008.



- (ii) Mr. Zhou Chen Dong (鄒陳東), aged 43, he graduated from the Department of Journalism of China People's Liberation Army Nanjing School of Department Political Science (中國人民解放軍南京政治學院新聞系) in 1990 and joined Xinhua News Agency since 2001. He is currently regarded as the reporter superior in Xinhua News Agency. He was the reporter of Tibet People's Broadcast Television (西藏人民廣播電台), Tibet Television (西藏電視台), China Central Television (中國中央電視台), China Central People's Broadcast Television (中國中央人民廣播電台), a Tibet correspondent of New China Agency People's Liberation Army and the News Director of Shanghai Securities News in 2007. Mr. Zhou is the director of China Xinhua NNC.
- (iii) Ms. Wu Yu Hong (吳旭紅), aged 43, obtained double degree from the Department of Journalism of the Communication University of China (中國傳媒大學), formerly named Beijing Broadcasting Institute (北京廣播學院) and joined Xinhua News Agency since July 1995. She is currently regarded as editorial superior in Xinhua News Agency. She was the officer in charge of the current affairs department, administration in charge officer and the committee member of the Xinhua News Agency Women's Commission. She is the general manager of Xinhua News Agency Audio and Video News Desk. Ms. Wu is also the director of China Xinhua NNC.
- (iv) Ms. Liang Wai (梁慧), aged 44, is a senior qualified accountant in the PRC. She was appointed as a national senior accountant leader training (Administration Affairs) held by the Ministry of Finance in July 2006. She was the officer in charge of the Accounting Technology Department of China Xinhua News Agency (新華社技術局經管處主管會計), Department of Financial Technology (技術局財務部主任), Department of Statistics Audit (技術局統計核算部主任) and Vice-Commissioner of Financial Assets Management (計財局資金管理處副處長). Ms. Liang is the financial controller of China Xinhua NNC.

As of the date of this announcement, the existing Directors have no intention to resign upon Completion. Further, as at the date of this announcement, China Xinhua NNC has not decided whether or not any of the proposed Directors nominated by it will become the chairman of the Board. However, China Xinhua NNC may consider the nomination of an appropriate candidate as the chairman of the Board after Completion.

## **Completion**

Upon fulfillment of the conditions precedent set out in the Acquisition Agreement, Completion shall take place on the Completion Date. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

As of the date of this announcement, the Board has no agreement, arrangement, understanding, intention, and negotiation (concluded or otherwise) about any disposal, termination or scaling down of the Company's existing businesses.

As of the date of this announcement, it is the Company's intention to continue the Group's principal existing business, i.e. provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong, and to maintain its business plans as stated in the prospectus of the Company dated 20 August 2010, which includes the implementation of the waterworks relating to the replacement and rehabilitation of water mains in Sai Kung awarded by the WSD.

It is also the Company's intention as of the date of this announcement to continue submitting tenders relating to replacement and rehabilitation of water mains with terms of approximately 2.5 years and estimated aggregate contract value of HK\$150 million from the WSD. In this respect, the Company has been awarded with Contract number 8/WSD/10 (Replacement and rehabilitation of water mains, stage 4 phase 1 - mains in Tuen Mun, Yuen Long, North District and Tai Po) by Hsin Chong Construction Company Limited with contract sum of approximately HK\$430 million in April 2011. The site work on the above contract will continue until December 2015. The Company expects such planned businesses to grow organically and will be funded by way of its internal funding.

The Board is of the view that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition Agreement was entered into on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

### **Lock-up undertaking**

Pursuant to the Acquisition Agreement, the Vendors shall not dispose of any of the Consideration Shares and the Convertible Bonds (including the Conversion Shares) within six months from the Completion Date.

### **CONVERTIBLE BONDS**

Upon Completion, approximately HK\$607,000,000 of the Consideration will be satisfied by the issuance of the Convertible Bonds by the Company. The principal terms of the Convertible Bonds are as follows:

Issuer:	The Company
Holders of the Convertible Bonds:	The Vendors
Principal amount:	Approximately HK\$607,000,000
Interest:	5% per annum
Date of issue:	The Completion Date

- Conversion Rights:** The Convertible Bonds are convertible at any time, and from time to time, at the option of the holders of the Convertible Bonds, subject to compliance with the Takeovers Code and the GEM Listing Rules and any other statutory and regulatory requirements.
- Conversion Shares:** 3,097,092,908 Conversion Shares will be issued on full conversion of the Convertible Bonds based on the principal amount of approximately HK\$607,000,000 and the conversion price of approximately HK\$0.196 per Conversion Share.
- The Conversion Shares represent approximately 260.2% of the existing issued share capital of the Company and approximately 65.0% of the issued share capital of the Company as enlarged by the Consideration Shares and the Conversion Shares.
- Conversion Price:** Approximately HK\$0.196, which represents (i) a discount of approximately 59.6% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 51.1% to the average of the closing prices of approximately HK\$0.400 per Share for the last one month up to and including the Last Trading Day; (iii) a discount of approximately 37.2% to the average of the closing prices of approximately HK\$0.312 per Share for the last 3 months up to and including the Last Trading Day; (iv) a discount of approximately 32.0% to the average of the closing prices of approximately HK\$0.288 per Share for the last 6 months up to and including the Last Trading Day; (v) a discount of approximately 26.4% to the average of the closing prices of approximately HK\$0.266 per Share for the last 12 months up to and including the Last Trading Day; and (vi) a premium of approximately 324.2% over the audited net asset value of approximately HK\$0.0462 per Share as at 31 March 2011
- Maturity:** The third anniversary of the date of the issue of the Convertible Bonds. To the extent that the Convertible Bonds have not been previously converted, the Company shall repay the outstanding principal amount of the Convertible Bonds on the maturity date.
- Transferability:** The Convertible Bonds are transferable, provided that none of the Convertible Bonds may be transferred to any connected person of the Company.

- Limitations on conversion:** No conversion rights will be exercised by any of the holders of the Convertible Bonds if upon such conversion and immediately following the issue of the relevant Conversion Shares, (i) such holder and persons acting in concert (as defined in the Takeovers Code) with it would directly or indirectly control or be interested in an aggregate of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the Shares in issue, or if such holder and persons acting in concert (as defined in the Takeovers Code) with it would otherwise be obligated to make a general offer for the Shares in issue not being owned by them under Rule 26 of the Takeovers Code following such conversion; or (ii) the public float of the Shares will fall below 25% as required under the GEM Listing Rules.
- Ranking:** It is expected that the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all Shares in issue on the date of allotment and issue thereof.
- Voting rights:** Holders of the Convertible Bonds will not be permitted to attend or vote at meetings of the Company.
- Application for listing:** No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds

## **PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW SHARES**

### **Specific mandate**

Pursuant to the Acquisition Agreement, the Company will issue to China Xinhua NNC the Consideration Shares on Completion and will issue the Conversion Shares upon the conversion of the Convertible Bonds. It is expected that the Consideration Shares and the Conversion Shares shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek a specific mandate from the Shareholders at the EGM for the allotment and issue of the Consideration Shares and Conversion Shares.

### **Application for listing**

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

## SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION

For illustration purpose only and without taking into account any other possible change in the shareholding structure, the following table shows the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon Completion and assuming that none of the Convertible Bonds have been converted; and (iii) upon Completion and assuming full conversion of the Convertible Bonds.

	As at the date hereof	Approximate %	Upon Completion and assuming that none of the Convertible Bonds have been converted	Approximate %	Upon Completion and assuming full conversion of the Convertible Bonds (note 4)	Approximate %
<b>Shunleetat</b> (note 1)	409,200,000	34.38	409,200,000	24.58	409,200,000	8.60
<b>Chuwei</b> (note 2)	163,680,000	13.75	163,680,000	9.83	163,680,000	3.44
<b>Purplelight</b> (note 3)	78,120,000	6.56	78,120,000	4.69	78,120,000	1.64
<b>Lotawater</b> (note 3)	93,000,000	7.81	93,000,000	5.59	93,000,000	1.95
<b>Vendors</b>						
— Consideration Shares	—	—	474,335,664	28.49	474,335,664	9.96
— Conversion Shares						
China Xinhua NNC					2,025,664,336	42.54
Proud Glory					892,857,143	18.75
APT Satellite					178,571,429	3.75
<b>Public</b>	<u>446,400,000</u>	<u>37.50</u>	<u>446,400,000</u>	<u>26.82</u>	<u>446,400,000</u>	<u>9.37</u>
<b>Total</b>	<u>1,190,400,000</u>	<u>100.00</u>	<u>1,664,735,664</u>	<u>100.00</u>	<u>4,761,828,572</u>	<u>100.00</u>

### Notes:

- Mr. Kan, an executive Director and the Chairman of the Board, is the sole beneficial owner of Shunleetat which is interested in 409,200,000 Shares as at the date of this announcement.
- As at the date of this announcement, Mr. Cheng through his interest in Chuwei, is interested in 163,680,000 Shares.
- As at the date of this announcement, Mr. Chia through his interests in Lotawater and Purplelight respectively, is interested in an aggregate of 171,120,000 Shares.
- This column is for illustration purpose only. Conversion of the Convertible Bonds is subject to the restriction that no conversion rights shall be exercised by any of the holders of the Convertible Bonds if upon such conversion and immediately following the issue of the relevant Conversion Shares, (i) such holder and persons acting in concert (as defined in the Takeovers Code) with it would directly or indirectly control or be interested in an aggregate of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the Shares in issue, or if such holder and persons acting in concert (as defined in the Takeovers Code) with it would otherwise be obligated to make a general offer for the Shares not being held by

them under Rule 26 of the Takeovers Code following such conversion; or (ii) the public float of the Shares will fall below 25% as required under the GEM Listing Rules. Please refer to the restriction on conversion of the Convertible Bonds as more particularly set out in the section headed “Convertible Bonds” above.

## **PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

The principal business activities of the Group are provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong.

Under Rule 19.88 of the GEM Listing Rules, a listed issuer shall not, during the period of 12 months from the date on which dealings in its securities commenced on GEM, enter into any acquisition, disposal or other transaction or arrangement, or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in the principal business activities of the listed issuer as described in the listing document issued when it first applied for listing. In this regard, the Directors note that:

- (i) the Shares are newly listed on GEM on 30 August 2010 while the Acquisition Agreement was entered into on 6 September 2011;
- (ii) a discloseable transaction was announced by the Company on 29 July 2011 in respect of the Company’s acquisition of 17% interest in China New Media (HK) Company Limited (the “Discloseable Transaction”); and
- (iii) the principal business of the Target Group under the Proposed Acquisition, in aggregate with the Discloseable Transaction (i.e. television broadcasting and advertising) is fundamentally different from the Company’s existing business.

In respect of the above, the Company considers that (a) the 17% interest in China New Media (HK) Company Limited is an investment and the Company only holds such interest as a plan to broaden the business of the Company; (b) the respective targets under the Discloseable Transaction and the Proposed Acquisition are unrelated, one being a start-up business engaging in the outdoor advertising business in Hong Kong specialising in advertising spaces in lifts and outer walls of buildings under the Discloseable Transaction and the other being engaged in the television advertising business in the Asia-Pacific region under the Proposed Acquisition; (c) the Company’s existing waterworks business will continue upon Completion; and (d) the Proposed Acquisition was entered into after the first year of the listing of the Shares on GEM. As such, the Company considers that it is in compliance with Rule 19.88 of the GEM Listing Rules.

## **INFORMATION OF THE VENDORS**

### **China Xinhua NNC**

China Xinhua NNC, a wholly-owned subsidiary of Xinhua News Agency, has not been engaged in any business operation since its incorporation in December 2009 save for the setting up of the Target Company, and the three separate agreements entered into with Chinese New Zealand Television



Limited dated 10 January 2011, with Mongolia Broadcast Company Limited dated 20 December 2010 and with APT Satellite Company Limited dated 7 October 2010 (details of which are stated below). As advised by China Xinhua NNC, China Xinhua NNC is the only company which has been granted the rights to develop the television broadcasting network by the PRC government and by Xinhua News Agency. Xinhua News Agency, headquartered in Beijing, PRC, is the state-owned news agency of the PRC and the major news and information collection and distribution centre in the PRC since 1931. Xinhua News Agency has branches located in over 30 provinces, autonomous regions and centrally administered municipalities in the PRC as well as Hong Kong and Macau and bureau in more than 100 countries and regions. In addition, Xinhua News Agency has seven regional offices that can release news directly. Xinhua News Agency has a multi-channel, multi-function and multi-level news release system and broadcasts news to PRC domestic newspapers, radio and television stations through dedicated lines and release news to the world in a number of languages, including Chinese, English, French, Spanish, Russian, Arabic and Portuguese. Xinhua News Agency also publishes a number of publications in the PRC including “Reference News” and “Fortnightly Chat”, which are two of the largest daily newspapers and magazines in the PRC in terms of circulation. Xinhua News Agency has also established its audio-video news centre which provides programmes on current events and special topics to television stations and its subscribers, and has set up a news, information and subscribers network both domestically and overseas and signed news exchange and cooperation agreements with news agencies and other journalistic organizations of approximately 100 countries and regions.

### **Proud Glory**

Proud Glory is a company wholly-owned by Dr. Lee Yuk Lun who is a committee member of the Chinese People’s Political Consultative Conference (CPPCC) Beijing Committee, a member of the Committee of Shunyi District, a director of Beijing Chinese Overseas Friendship Association and a director of Tung Wah Group of Hospitals.

Proud Glory is a single purpose investment holding company and its sole principal business activity is the holding of 2,500 shares in the Target Company.

### **APT Satellite**

APT Satellite is a wholly-owned subsidiary of APT Satellite Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1045). APT Satellite Holdings Limited owns and operates five in-orbit satellites covering regions in Asia, Europe, Africa and Australia, approximately 75% of the World’s population and providing quality “one-stop-shop” transponder, satellite telecommunications and satellite TV broadcasting and transmission services to broadcasters and telecommunication customers of these regions.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Vendors is (i) third party independent among themselves; (ii) independent of the vendors and their respective ultimate beneficial owners in the Discloseable Transaction; and (iii) independent of the places of the Company’s placing of new Shares as set out in the announcement of the Company dated 21 July 2011.



## **INFORMATION OF THE TARGET GROUP**

### **Principal business of the Target Group**

The Target Company has been granted the Television Broadcasting Right from China Xinhua NNC. Pursuant to the Television Broadcasting Right, the Target Group is entitled to offer the information content owned and/or acquired by Xinhua News Agency from time to time across television channels in the Asia-Pacific market (excluding the PRC). A brief description of the Target Company's business, revenue sources and content supplier are set out below:

#### *Business*

Leveraging on the video programmes of Xinhua News Agency, the Target Group intends to develop a broadcasting and distribution channel in the Asia-Pacific region (excluding the PRC) in order to generate its advertising income. By entering into co-operative agreements with different media service providers (namely, television broadcasting companies) in the Asia-Pacific region, the programmes of Xinhua News Agency could enjoy an increasing rate of penetration through different media service providers, including television channel. As such, the increasing penetration rate of the programmes of Xinhua News Agency will be taken into account by and attract advertisers to consider purchasing advertising air-time from the Target Company.

#### *Revenue sources*

The Target Group intends to generate its income mainly from (i) sharing the advertising revenue with media services providers; and (ii) receiving a fixed fee by granting the broadcasting right of the programmes of Xinhua News Agency from the media service providers.

As disclosed below, the Target Group has entered into six agreements granting the broadcasting right of the programmes of Xinhua News Agency in various countries and territories. The Target Group will continue to seek appropriate media service providers in different countries and territories in order to build an overseas media network to increase the penetration rate of the video programmes of Xinhua News Agency.

#### *Content supplier*

The sole supplier of the Target Group is Xinhua News Agency, who produces video programmes for the Target Group. Leveraging on the background, experience and an extensive network of reporting team (in terms of the number of reporters worldwide) from Xinhua News Agency who station in over 100 news reporting centers around the world, the above provide the basic support for the production of television content for Xinhua News Agency.

## Television Broadcasting Right

The Television Broadcasting Right was granted by China Xinhua NNC to the Target Company for the period from 1 September 2011 to 31 August 2021 on an exclusive basis with, among other things, the following key terms:

- (i) an annual fee of (a) HK\$1 million payable by the Target Company to China Xinhua NNC prior to 31 December 2016; and (b) HK\$3 million payable by the Target Company to China Xinhua NNC with effect from 1 January 2017;
- (ii) the Target Company has the exclusive right to broadcast all video programmes from Xinhua News Agency in all its overseas distribution channels, including its co-operative companies and/or self-owned enterprises, television channels or other media channels;
- (iii) commercial advertising will be allowed when broadcasting the video programmes of Xinhua News Agency in the overseas distribution channels of the Target Company;
- (iv) the Target Company may broadcast programmes produced by the Target Company itself for no more than 60 minutes per day, provided that such programmes must be approved by the relevant officer of Xinhua News Agency before broadcasting; and
- (v) China Xinhua NNC has the right to terminate the Television Broadcasting Right by giving three days' notice to the Target Company in the event that (a) a mandatory general offer is made by any third party or parties acting in concert (as defined in the Takeovers Code) with it pursuant to the Takeovers Code; (b) any third party or parties acting in concert with it holding 30% or more of the outstanding Shares and is granted a waiver by the Hong Kong Securities and Futures Commission to make a mandatory general offer pursuant to the Takeovers Code; or (c) there is a change in control (as defined in the Takeovers Code) in the Company.

As the transactions contemplated under the grant of the Television Broadcasting Right from Xinhua News Agency are one-off and irrevocable, and the Target Company is obliged to pay a fixed annual fee to China Xinhua NNC during the term of the Television Broadcasting Rights notwithstanding whether the Television Broadcasting Rights is used by the Target Company, and despite there will be on-going services to be provided by China Xinhua NNC to the Company and on-going fees to be paid by the Company to China Xinhua NNC after Completion, the Directors are of the view that the transactions contemplated under the grant of the Television Broadcasting Rights will not constitute continuing connected transactions of the Company.

The Target Company has two subsidiaries, namely Xinhua TV Hong Kong and Xinhua TV Macau, both of which are investment holding companies with no current operations. As at the date of this announcement, Xinhua TV HK is a wholly-owned subsidiary of the Target Company while Xinhua TV Macau is owned as to 90% by the Target Company and 10% by China Xinhua NNC. Xinhua TV Macau will become a wholly-owned subsidiary of the Target Company at or prior to Completion.

## **Business model of the Target Group**

The Target Group will carry out television advertising business in the Asia-Pacific market (excluding the PRC) as a result of obtaining the Television Broadcasting Right of the information content owned by and/or acquired by Xinhua News Agency from time to time.

The Target Group is presently engaged in the business of television broadcasting and advertising in the Asia-Pacific region (excluding the PRC) and has no subsidiary incorporated in the PRC. According to the legal opinion from the Company's PRC legal advisers: (a) The State Administration of Radio Film and Television (國家廣播電影電視總局) granted an approval to Xinhua News Agency in relation to the establishment of China Xinhua NNC and the operations of television broadcasting and advertising activities overseas; and (b) China Xinhua NNC and the Audio and Visual Department of Xinhua News Agency granted the television broadcasting and advertising right to the Target Company.

The State Administration of Radio Film and Television (國家廣播電影電視總局) is a PRC governmental authority having the function to (i) govern the policies relating to promotion of television broadcasting and film production; and (ii) monitor all the establishment of the infrastructure of television broadcasting and film production. The Audio and Visual Department of Xinhua News Agency is a department of Xinhua News Agency focusing on news production, which is not a PRC governmental authority.

The Vendors confirmed and the Directors reasonably believe that:

- (i) The business of the Target Group is not a restricted business under any relevant laws and regulations in the PRC as the Target Group is principally engaged in the television content broadcasting and advertising broadcasting business overseas. As such, the PRC laws and regulations relating to the television content broadcasting and advertising broadcasting industry do not apply to the Target Group.
- (ii) The grant of the Television Broadcasting Right from China Xinhua NNC to the Target Group has been approved by Xinhua News Agency which has the right to produce, edit and broadcast news programmes and foreign language commercial advertising in the PRC. As such, the Target Group has the right to broadcast news programmes and advertising in the Asia-Pacific region (excluding the PRC) with the grant of the Television Broadcasting Right from China Xinhua NNC. Under such circumstances, the business of the Target Group would not be in breach of any laws and/or regulations of PRC government.
- (iii) There is no limitation, legal restriction and permits required for the Company and the Target Group to perform the business of the Target Group which broadcasts television programmes through co-operation with television broadcasting companies in the Asia-Pacific region (excluding the PRC).

As at the date of this announcement, the Target Group has entered into six agreements and details of which are as follows:

1. A cooperation agreement with Macau Cable TV Limited dated 2 November 2010 in relation to the provision of the broadcasting content to Macau Cable TV Limited at a consideration of HK\$1 million for a period of two years from 1 November 2010 to 30 October 2012.
2. A cooperation agreement with Hong Kong Cable Enterprises Limited dated 13 May 2010 in relation to the lease of the broadcasting right of Hong Kong Cable Enterprises Limited. Pursuant to such agreement, the Target Company agreed to pay a total of HK\$7.5 million for the broadcasting right of Hong Kong Cable Enterprises Limited for a period of three years from 1 July 2010 to 30 June 2013. All advertising income derived from the above would belong to the Target Company.
3. A cooperation agreement with 泰國國際中文電視台有限公司 (Thailand Cable International TV Co Limited) dated 1 August 2011 in relation to the provision of the broadcasting content to 泰國國際中文電視台有限公司 (Thailand Cable International TV Co Limited). Pursuant to such agreement, the Target Company agreed to provide the broadcasting content to 泰國國際中文電視台有限公司 (Thailand Cable International TV Co Limited) at zero cost for a period of six months from 1 August 2011 to 31 January 2012. The profit sharing of all advertising income derived from this agreement will be subject to further negotiation between the Target Company and 泰國國際中文電視台有限公司 (Thailand Cable International TV Co Limited) after the expiry of such period.
4. A cooperation agreement with APT Satellite Company Limited dated 6 August 2010 in relation to the use of the satellite capacity and broadcasting services provided by APT Satellite Company Limited. Pursuant to such agreement, APT Satellite Company Limited agreed to provide (i) Chinese broadcasting services through its satellite from 15 October 2009 to 14 October 2019; and (ii) English broadcasting services through its satellite from 1 May 2010 to 30 April 2020 at the consideration of HK\$25 million and 5% of the shareholding interest of the Target Company.
5. A broadcasting and uplink services agreement with APT Satellite dated 14 December 2010 in relation to the use of the satellite transmission platform and broadcasting services of APT Satellite.
6. A Satellite Transponder Services Agreement with APT Satellite Company Limited dated 14 December 2010 in relation to the use of the transponder capacity of the satellite by the Target Group.

Save for the above agreements entered into by the Target Company, the Target Group has not commenced any operation or generated any revenue.

As at the date of this announcement, China Xinhua NNC has entered into three agreements (other than the Acquisition Agreement and the Supplemental Agreement) and details of which are as follows:

1. A cooperation agreement with Chinese New Zealand Television Limited dated 10 January 2011 in relation to the provision of the broadcasting content to Chinese New Zealand Television Limited for a period of three years from 1 February 2011 to 31 January 2014. All advertising income derived from such agreement would belong to China Xinhua NNC.
2. A cooperation agreement with Mongolia Broadcast Company Limited dated 20 December 2010 in relation to the provision of the broadcasting content to Mongolia Broadcast Company Limited for a period of one year from 25 December 2010 to 31 December 2011. All advertising income derived from such agreement would belong to China Xinhua NNC.
3. A broadcasting service agreement with APT Satellite Company Limited dated 7 October 2010 in relation to the provision of broadcasting services through satellite at the consideration of US\$550,000 from 7 November 2010 to 6 November 2011.

All rights and obligations (including all profit or loss entitlement) under the above three agreements will be assigned by China Xinhua NNC to the Target Company at no cost payable by the Target Company or the Company at or prior to Completion. Upon Completion, the Company will assume the obligations from the Target Company and China Xinhua NNC to pay the broadcasting fees pursuant to the terms of such agreements.

The transactions contemplated under each of the above agreements entered into by the Target Group and those agreements entered into by China Xinhua NNC have been commenced. Save and except the agreements whereby no broadcasting fees are payable by the Target Group or China Xinhua NNC, the broadcasting fees are payable by the Target Group and China Xinhua NNC periodically.

Having considered, among other things, that the above agreements are entered into by the Target Group and China Xinhua NNC (as the case may be) with well-known television broadcasting companies in the Asia-Pacific region, and such agreements are currently effective with the requisite broadcasting fees being paid by the Target Group and China Xinhua NNC respectively, the Directors reasonably believe that all of the agreements are legally binding. As of the date of this announcement, the Directors are not aware of any business disputes among the contracting parties to such agreements.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the counter-parties to the above agreements entered by or to be assigned to the Target Group are not connected persons of the Company. Accordingly, the Directors do not consider the transactions under such agreements will become connected transactions of the Company upon Completion.

The management of the Target Company has not yet carried out any promotional activities for the channels under the Television Broadcasting Right from China Xinhua NNC, nor has a sales and marketing team been established to capture advertising income given that (a) the Target Company is

essentially managed by a quasi-governmental entity rather than a commercial operator; and (b) it is the Target Company's plan to commence sales and marketing activities to generate advertising income after reaching a certain level of viewership and television broadcasting network.

The Target Company has currently secured and will, upon Completion, secure cooperation agreements with broadcasting companies an aggregate of in five countries or territories, namely Hong Kong (since July 2010), Macau (since November 2010), Mongolia (since December 2010), New Zealand (since February 2011) and Thailand (since August 2011). The Target Company intends to secure further broadcasting in the Philippines, Singapore, Australia and Malaysia before the end of 2012. It is expected that, at the time of Completion, the Target Company would be able to broadcast television channels under the Television Broadcasting Right in sufficient number of countries or territories and it would then be an appropriate time to engage in promotional activities to enhance its presence around the Asia-Pacific region and set up a sales and marketing team with an objective of maximising its advertising income.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

According to the unaudited consolidated financial information of the Target Group prepared by the Company based on the management accounts of the Target Group, the net liabilities of the Target Group as at 30 June 2011 was HK\$6,835,934.

The unaudited consolidated financial information of the Target Group was prepared by the Company in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for due diligence purpose is set out below:

	<b>From the period of 22 December 2009 (being the date of incorporation) to 31 December 2010 (unaudited)</b>	<b>For the six months ended 30 June 2011 (unaudited)</b>
Turnover	Nil	Nil
Loss before taxation	HK\$5,087,535	1,758,399
Taxation	—	—
Loss after taxation	HK\$5,087,535	1,758,399

## **REASON FOR THE PROPOSED ACQUISITION**

As stated on page 10 in the Company's first quarterly report for 2011/12 dated 11 August 2011, the Company continues to stay focused on enhancing the competitiveness of its core business and at the same time, explore new business opportunities to broaden its source of income and expand the business



operations in order to maximize profit and return for the Company and the Shareholders. Although the business of the Target Group is new to the Company, the Company expects the Proposed Acquisition to bring in substantial advertising revenue to the Group in the future.

The fixed costs of the Target Company mainly comprise of the expenses payable to China Xinhua NNC for the information content owned by Xinhua News Agency, the satellite transmission and broadcasting expenses to satellite operator(s) and broadcasting content expenses for the media broadcasting providers; whereas the variable costs mainly comprise of the sharing of advertising revenue and sales and marketing expenses in promoting the programmes of Xinhua News Agency. The Directors consider that, given that the operating costs of the Target Company are substantially fixed or incurred as a factor to the advertising revenue, the Directors expects the Proposed Acquisition to bring in substantial advertising revenue to the Group following an increase in viewership, which can be achieved by promotional activities.

In view of the above, the Company is of the view that it is reasonable to expect that the advertising income of the Target Company will be higher than the cost of the operations.

The Directors consider that the Proposed Acquisition offers an unique opportunity for the Group to participate in the broadcasting business with a broadcasting network of television channel having a relatively extensive scale (i.e. news content with an extensive network of reporting team in terms of the number of reporters stationed in over 100 news reporting centers around the world) within a shorter time frame than setting up the same with its own effort. In particular, leveraging on the extensive network of reporters worldwide and resources available to Xinhua News Agency in producing television programmes, the Directors believe that viewership will increase with appropriate promotional effort and therefore the Proposed Acquisition is capable of bringing in substantial advertising revenue to the Company in the future. Such advertising revenue is expected to enlarge and diversify the Group's income stream, which is consistent with the Group's strategy of broadening its source of income, and the Group's acquisition of a minority interest in China New Media (HK) Company Limited, as set out in the Company's announcement dated 28 July 2011.

The Directors noted that (i) the Target Group has no track record with nil turnover and has been loss-making for the preceding two financial years; (ii) the issue price and conversion price of Consideration Shares and Convertible Bonds represent a deep discount to the recent Share price; and (iii) the existing interests of public Shareholders will be diluted as a result of the issuance of the Consideration Shares and upon conversion of the Convertible Bonds. However, the Directors also noted that (i) the business of the Target Group is unique as the contents to which the Target Group is permitted to broadcast is owned and/or acquired by Xinhua News Agency, which is one of the most authoritative news sources in the PRC; (ii) the net asset value per Share is relatively low and the issue price represents over 300% of the Company's audited net asset value per Share as at 31 March 2011; (iii) the recent volatility of the stock market in Hong Kong and around the world, causing the Vendors to request higher discount on the market price of the Share; and (iv) the preliminary valuation of the Target Group, as valued by the Valuer, is approximately HK\$700,000,000. On balance, the Directors considered that the terms of the Acquisition Agreement are fair and reasonable and in the interest of the Shareholders as a whole.



The Company will rely on the proposed Directors nominated by China Xinhua NNC (whose background are set out above), whom the Directors believe have the requisite experience and expertise, to operate the Target Group's business.

### **GEM LISTING RULES IMPLICATIONS**

As one or more of the relevant percentage ratios applicable to the Company exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under GEM Listing Rules, and will be subject to the Shareholders approval requirements under the Chapter 19.07 of the GEM Listing Rules.

In this connection, an EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Proposed Acquisition and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Proposed Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Proposed Acquisition at the EGM.

### **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further information of the Acquisition Agreement and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) notice of the EGM, will be despatched to the Shareholders. Pursuant to Rule 19.60 of the GEM Listing Rules, the Company shall despatch the circular to the Shareholders within 15 Business Days after the publication of this announcement, being 2 November 2011. In case further time is required by the Company to prepare the circular, the Company will notify the public by way of announcement(s) pursuant to Rule 19.36A of the GEM Listing Rules.

### **RESUMPTION OF TRADING**

Trading in the Shares has been suspended with effect from 9:00 a.m. on 6 September 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 12 October 2011.

As the Proposed Acquisition is subject to the fulfillment of a number of conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

## DEFINITIONS

In this announcement, unless the context does not permit or otherwise requires, the following terms shall have the following meanings:

“Acquisition Agreement”	the agreement dated 6 September 2011 made between the Vendors and the Company in relation to the Proposed Acquisition, as supplemented and amended by the parties thereto by way of the Supplemental Agreement
“APT Satellite”	APT Satellite TV Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the APT Satellite Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 1045)
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“China Xinhua NNC”	China Xinhua News Network Co., Limited 中國新華新聞電視網有限公司, a company incorporated in the Hong Kong and a wholly-owned subsidiary of Xinhua News Agency (新華社)
“Chuwei”	Chuwei (BVI) Limited, a Substantial Shareholder and a company incorporated in the BVI which is wholly and beneficially owned by Mr. Cheng
“Company”	Tsun Yip Holdings Limited, a company incorporated in the Cayman Islands with limited liability the issued Shares of which are listed on GEM
“Completion”	completion of the Proposed Acquisition in accordance with the terms of the Acquisition Agreement
“Completion Date”	the date falling the second Business Day after all the conditions precedent to the Acquisition Agreement have been fulfilled or such other date as the Company and the Vendors may agree
“connected persons”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration”	the consideration payable by the Company to the Vendors for the Proposed Acquisition under the Acquisition Agreement

“Consideration Shares”	the new Shares to be allotted and issued by the Company to China Xinhua NNC as part of the consideration for the Proposed Acquisition
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this announcement, means the controlling shareholders of the Company, namely Shunleetat and Mr. Kan
“Conversion Shares”	the new Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds
“Convertible Bonds”	the convertible bonds to be issued by the Company to the Vendors upon Completion pursuant to the Acquisition Agreement
“Director(s)”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder, and the granting of the Specific Mandate
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	5 September 2011, being the last trading day of the Shares before the issue of this announcement
“Long Stop Date”	31 March 2012 or such other date as may be agreed by the Company and the Vendors
“Lotawater”	Lotawater (BVI) Limited, a company incorporated in the BVI which is wholly and beneficially owned by Mr. Chia
“Mr. Cheng”	Mr. Cheng Ka Ming, Martin, an executive Director and a Substantial Shareholder
“Mr. Chia”	Mr. Chia Thien Loong, Eric John, an executive Director and a Substantial Shareholder

“Mr. Kan”	Mr. Kan Kwok Cheung, the founder of the Group, the chairman of the Board, an executive Director and a Controlling Shareholder
“PRC”	The People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms and subject to the conditions of the Acquisition Agreement
“Proud Glory”	Proud Glory Investments Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Dr. Lee Yuk Lun
“Purplelight”	Purplelight (BVI) Limited, a company incorporated in the BVI which is wholly and beneficially owned by Mr. Chia
“Sale Shares”	10,000 ordinary shares of HK\$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shunleetat”	Shunleetat (BVI) Limited, a Controlling Shareholder and a company incorporated in the BVI which is wholly and beneficially owned by Mr. Kan
“Specific Mandate”	a specific mandate for the Directors to issue the Consideration Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this announcement, means the substantial shareholders of the Company, namely Chuwei, Mr. Cheng, Purplelight, Lotawater and Mr. Chia
“Supplemental Agreement”	a supplemental agreement dated 10 October 2011 entered into between the Company and the Vendors
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Company”	Xinhua TV Asia-Pacific Operating Co., Limited, a company incorporated in Hong Kong

“Target Group”	the Target Company, Xinhua TV HK and Xinhua TV Macau
“Television Broadcasting Right”	the broadcasting right of the information content owned and/or acquired by Xinhua News Agency (新華社) on television channels in Asia-Pacific (excluding the PRC)
“Valuer”	Ample Appraisal Limited
“Vendors”	China Xinhua NNC, APT Satellite and Proud Glory, being the vendors under the Acquisition Agreement
“WSD”	Water Supplies Department of the Government of Hong Kong
“Xinhua TV HK”	Xinhua TV Hong Kong Operating Co., Ltd. 新華電視香港台運營有限公司, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Target Company
“Xinhua TV Macau”	Xinhua TV Macau Operating Co., Ltd. 新華電視澳門台運營有限公司, a company incorporated in Macau which will be a wholly-owned subsidiary of the Target Company at or prior to the Completion
“%”	per cent

By the order of the Board  
**Hui Chi Kwong**  
*Executive Director*

Hong Kong, 11 October 2011

*As at the date of this announcement, the Board comprises the following Directors:*

*Executive Directors:*

*Kan Kwok Cheung*

*Cheng Ka Ming, Martin*

*Chia Thien Loong, Eric John*

*Hui Chi Kwong*

*Independent non-executive Directors:*

*Chan Hon Yuen*

*Chu Siu Lun, Ivan*

*Hau Chi Kit*

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

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.tsunyip.hk>.*