THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Tsun Yip Holdings Limited** (進業控股有限公司), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

TSUN YIP HOLDINGS LIMITED
進業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHARE CAPITAL OF XINHUA TV ASIA-PACIFIC OPERATING CO., LIMITED INVOLVING ISSUE OF SHARES AND CONVERTIBLE BONDS; (2) REFRESHMENT OF SHARE OPTION SCHEME LIMIT; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Joint financial advisers to the Vendors

SWS

Shenyin Wanguo Capital (H.K.) Limited

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

Donvex Capital Limited

A letter from the Board is set out on pages 25 to 66 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Tuesday, 6 December 2011 at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 206 to 208 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

19 November 2011

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FORWARD-LOOKING STATEMENTS

This circular contains forward-looking statements and descriptions of goals and objectives. Although these forward-looking statements and stated goals and objectives are based upon assumptions which the Directors believe are reasonable, actual results of operations and achievements may differ materially from the statements, goals, and objectives set forth in this circular. General economic and other conditions are not predictable and can have a material adverse impact on the reliability of projections.

CONTENTS

Page

CONTENTS

Page

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

"Acquisition Agreement"	the agreement dated 6 September 2011 made between the Company and the Vendors in relation to the Proposed Acquisition as supplemented by, as the context may require, the Supplemental Agreement and the Second Supplemental Agreement
"Announcement"	the announcement of the Company dated 11 October 2011 in relation to the Proposed Acquisition
"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)
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	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 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
"Companies Ordinance"	Companies Ordinance (Chapter 32) of the Laws of Hong Kong
"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 Completion have been fulfilled or such other date as the Company and the Vendors may agree
"connected person(s)"	has the meaning ascribed to it 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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this circular, 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 as part of the Consideration
"Director(s)"	director(s) 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, the Specific Mandate and refreshment of the Share Option Scheme Limit
"Enlarged Group"	the Group as enlarged by the Target Group
"GDP"	gross domestic product
"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
"IMF"	the International Monetary Fund
"Latest Practicable Date"	16 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Last Trading Day"	5 September 2011, being the last trading day for the Shares before the date of the 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 circular, 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
"Prospectus"	the prospectus of the Company dated 20 August 2010
"Proud Glory"	Proud Glory Investments Limited, a company incorporated in the BVI 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 HK1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
"Second Supplemental Agreement"	a second supplemental agreement in respect of the Proposed Acquisition dated 26 October 2011 entered into between the Company and the Vendors
"SFO"	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
"Share Option Scheme"	the share option scheme adopted by the Company on 11 August 2010
"Share Option Scheme Limit"	the maximum number of Shares which may be issued upon the exercising of all share options granted or to be granted under the Share Option Scheme and any other share option scheme(s) as may from time to time be adopted by the Company as permitted under the GEM Listing Rules, being 10% of the issued share capital of the Company at the date of passing the relevant resolution approving such limit

"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shunleetat"	Shunleetat (BVI) Limited, a Controlling Shareholder and a company incorporated in the BVI which is wholly and beneficially owned by Mr. Kan
"Specific Mandate"	a specific mandate for the Directors to issue the Consideration Shares and the Convertible Bonds (including the Conversion Shares)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this circular, means the substantial shareholders of the Company, namely Chuwei, Mr. Cheng, Purplelight, Lotawater, Mr. Chia, Shunleetat and Mr. Kan
"Supplemental Agreement"	a supplemental agreement in respect of the Proposed Acquisition dated 10 October 2011 entered into between the Company and the Vendors
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Target Company"	Xinhua TV Asia-Pacific Operating Co., Limited, a company incorporated in Hong Kong
"Target Group"	the Target Company, Xinhua TV HK and Xinhua TV Macau
"Television Broadcasting Business"	the business of broadcasting the Television Programmes on television channels operated by television broadcasting companies in return for advertising and related income
"Television Broadcasting Right"	the right granted by China Xinhua NNC to the Target Company for broadcasting information contents from Xinhua News Agency under China Xinhua News Network Worldwide Channel (中國新華新聞電視網環球頻道) on television channels in the Asia Pacific region (excluding the PRC)
"Television Programmes"	the information contents that the Target Company is permitted to broadcast from time to time pursuant to the Television Broadcasting Right
"US$"	United States dollars, the lawful currency of the United States of America

"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 Completion
"%"	per cent

The Directors believe that the Proposed Acquisition and the business of the Target Group are subject to various risks, business, financial, operational or otherwise. In addition to other information contained in this circular, you should take into account such risks in considering the Proposed Acquisition and the Target Group. If any of the possible events described below occurs, the business or financial conditions, or operations of the Enlarged Group could be adversely affected.

Lack of experience of the existing management of the Company to operate and manage the Target Group's Television Broadcasting Business and reliance on key management to be nominated by China Xinhua NNC

The Enlarged Group's success in the development of Television Broadcasting Business will largely be dependent on its management and other key personnel in successfully operating and managing such business in the regions where the Television Programmes are broadcasted. The existing management and key personnel of the Group lack experience in such business and in this respect, the Television Broadcasting Business of the Enlarged Group will rely significantly on the new Directors nominated by China Xinhua NNC. The Company proposes to offer competitive remuneration package to attract talents in operating and managing the Television Broadcasting Business in order to ensure that the Enlarged Group would have a stable management team to manage the Television Broadcasting Business. However, if the existing management and key personnel of the Group are unable to acquire the necessary skills or the Enlarged Group is otherwise unable to hire or retain experienced officers to manage the Television Broadcasting Business, the prospects, operations and financial performance of the Enlarged Group may be adversely affected.

The Target Group is a start-up business with no track record and there is no assurance that the Television Broadcasting Business will be successfully developed

The Enlarged Group intends to diversify into the Television Broadcasting Business in the Asia Pacific region (excluding the PRC). However, the Target Group has no track record of generating revenue and has been loss-making for the preceding two financial years and the Group itself has no previous experience in running the Television Broadcasting Business. The Company proposes to hire staff who are experienced in the sales and marketing function of the advertising industry in order to enhance the Enlarged Group's capability in generating revenue for the Television Broadcasting Business. Additional marketing and promotional events are also expected to be conducted by the Enlarged Group in promoting the Television Programmes with a view to increasing viewership and thus the advertising revenue. Please refer to "Letter from the Board — Business plan and strategies". However, there is no assurance that the operation of Television Broadcasting Business to be undertaken by the Enlarged Group will generate profit or any targeted result can be achieved within the anticipated time frame or at all or the costs of the Television Broadcasting Business can be recovered. In the event the Television Broadcasting Business to be undertaken by the Enlarged Group is unable to generate profit or achieve targeted result or at all, or the costs of the Television Broadcasting Business cannot be recovered, the Enlarged Group's prospects, results of operations and profitability will be adversely affected.

Failure to secure cooperation agreements with television broadcasting companies

The platforms on which the Television Programmes are broadcasted are television channels owned by television broadcasting companies in the Asia Pacific region (excluding the PRC). The Enlarged Group's ability to broadcast the Television Programmes is dependent upon the Enlarged Group being able to maintain existing and enter into new cooperation agreements with television broadcasting companies whereby the Television Programmes can be broadcasted. The Company proposes to rely on the experience of the new Directors nominated by China Xinhua NNC in negotiating cooperation agreements with television broadcasting companies in the Asia Pacific region (excluding the PRC). In the event that the Enlarged Group fails to maintain the cooperation agreements or enter into new cooperation agreements on favourable terms or at all, the Enlarged Group's prospects, operations and profitability may be adversely affected.

Failure to obtain all necessary licences, approvals, consents and/or authorisations from the relevant governments or regulatory authorities to conduct the Television Broadcasting Business

The laws and regulations governing the broadcasting of Television Programmes in various jurisdictions of the Asia Pacific region (excluding the PRC) may be different. The Enlarged Group may be required to obtain appropriate licences, approvals, consents and/or authorisations from relevant local governments or regulatory authorities to conduct the Television Broadcasting Business. The Company will consult the professional advice from local legal counsel before entering into new markets for the Television Broadcasting Business in order to ensure that any licences, approvals, consents and/or authorisations from the relevant governments or regulatory authorities, if required, are obtained prior to the commencement of the Television Broadcasting Business in such markets. However, there is no assurance that the Enlarged Group will be successful in obtaining the relevant licences, approvals, consents and/or authorisations required for the operations of the Television Broadcasting Business. If the Enlarged Group is unable to obtain such licences, approvals, consents and/or authorisations, the Enlarged Group will not be able to operate the Television Broadcasting Business in such jurisdictions and the Enlarged Group's prospects, results of operations and profitability may be adversely affected.

In addition, in the event that the compliance standards in relation to the licences, approvals, consents and/or authorisations required for the conduct of the Television Broadcasting Business become more stringent or there being any changes in the existing laws and regulations relating to the current operations of the Television Broadcasting Business of the Target Group, the operations and profitability of the Enlarged Group may be adversely affected. Please see "Risk relating to change of regulations or policies by overseas authorities" below.

Risk relating to violation of laws governing advertising services in the regions where the Television Programmes are broadcasted

The legislations regulating contents of advertisements may be different among the regions where the Television Broadcasting Business is to be operated by the Enlarged Group. Although the role of the Enlarged Group will only be providing a media for the placing of advertisements rather than being the advertiser itself with the Television Broadcasting Business, there is a risk to the Enlarged Group being in breach of such legislations if the contents of the advertisements fail to meet the corresponding requirements as specified in the legislations. The Company will seek professional advice from local legal counsel as and when appropriate with a view to understand the specific legislation and regulatory requirements concerning the contents of advertisements to be broadcasted through the Television

Programmes in order to ensure that the Enlarged Group is in compliance with any applicable legislation and regulatory requirements. In the event that the Enlarged Group is in breach of such legislations, administrative fine may be imposed by the relevant authorities and its payment may not provide exemption from potential civil or criminal liability, and the reputation of the Enlarged Group will be adversely affected thereby.

Risk relating to change of regulations or policies by overseas authorities

There is no assurance that (i) there will be no change in government policy in relation to conduct of business in general or in areas specific to the Television Broadcasting Business; and (ii) such change will not have a negative impact on the Enlarged Group. In the event of the implementation of any unfavourable government policy affecting the Television Broadcasting Business, which may result in, among other things, (i) increase in operating cost; and/or (ii) the obligation to comply with more onerous requirements in relation to the conduct of the Television Broadcasting Business in such regions; and/or (iii) reduction of the amount of television advertisement time allowed during certain periods of the day or the availability of such time to be sold by the Enlarged Group, the results of operation and profitability of the Television Broadcasting Business of the Enlarged Group may be adversely affected. In the event that there are any changes in government policies which affect the Enlarged Group's conduct of the Television Broadcasting Business, the Company will seek professional advice from local legal counsel, accountants and/or financial advisers where appropriate in respect of how the Company may comply with such changes with the least disruption caused to the Enlarged Group's business. In the event that such changes would result in any increase in the Enlarged Group's operating cost, the Company would seek to pass such increased costs to the customers or implement appropriate measures to reduce operating costs. However, there is no assurance that Enlarged Group would be able to pass such increased operating costs to the customers or implement effective measures to reduce operating costs.

The Television Broadcasting Right can be terminated and may not be renewed by China Xinhua NNC

The Television Broadcasting Right granted by China Xinhua NNC is subject to termination by China Xinhua NNC if (i) 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 for the Shares; (ii) 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 Securities and Futures Commission to make a mandatory general offer for the Shares pursuant to the Takeovers Code; or (iii) there is a change in control (as defined in the Takeovers Code) in the Company. Moreover, there is no guarantee that the Television Broadcasting Right will be renewed upon its expiry at terms favourable to the Enlarged Group or at all. While the Company will continue to explore new business opportunities in order to diversify the Enlarged Group's sources of revenue and avoid over-reliance on the revenue from the Television Broadcasting Business, in the event that the Television Broadcasting Right is terminated by China Xinhua NNC or is otherwise not renewed upon its expiry at terms favourable to the Enlarged Group or at all, the Enlarged Group would no longer be able to broadcast the Television Programmes at terms favourable to the Enlarged Group or at all and the prospects, operations and financial condition of the Enlarged Group may be materially and adversely affected.

Reliance on Xinhua News Agency for the production of the Television Programmes

Pursuant to the Television Broadcasting Right, the Target Company may only broadcast no more than 60 minutes of the television programmes produced by the Target Company. As such, the Target Company relies significantly on Xinhua News Agency to provide the Television Programmes. Any failure, delay, cessation or disruption by Xinhua News Agency in producing or delivering the Television Programmes may adversely affect the operations and financial condition of the Enlarged Group. The Company will monitor closely the quality of the Television Programmes and seek to reserve certain Television Programmes as backup for future broadcasting if required. However, there is no assurance that any such backup would be sufficient to cover such failure, delay, cessation or disruption effectively (or at all).

The quality of Television Programmes (which is beyond the Company's control) and any self produced information contents may not meet the taste and preferences of the audiences

The Company will closely monitor the trend and mainstream preferences of the audiences and communicate any findings with Xinhua News Agency in order to keep the content and quality of the Television Programmes abreast with the taste and preferences of the audiences. However, there can be no guarantee that the Television Programmes and/or any self produced programmes will be popular or keep evolving in line with the taste and preferences of the audiences and/or advertising customers. In the event that the Television Programmes as provided by Xinhua News Agency (which is beyond the Company's control) and/or any self produced programmes do not align with the taste and preferences of the audiences and/or advertising customers, the viewership of such programmes may deteriorate. Accordingly, the bargaining power of the Enlarged Group for the advertising placements and demand of advertisers for the same may decrease and consequently the results of operations of the Enlarged Group will be adversely affected.

If viewership of the Television Programmes on which we sell advertisement time deteriorates, we may not be able to sell such advertisement time

Our ability to sell the advertisement time and the price at which we can sell such advertisement time depend in part on the viewership of the Television Programmes. The Company expects to launch promotion campaigns with a view to increasing the publicity of the Television Programmes. In addition, as mentioned above, the Company will communicate with Xinhua News Agency in respect of its view of the preferences of the audiences in order to maintain the quality of the Television Programmes and hence the viewership. However, viewership for the Television Programmes may decrease due to a number of reasons, including but not limited to, deterioration of the quality of the Television Programmes, offerings of more attractive programmes targeting the same groups of television viewers by competing television channels, or changes in television viewers' taste and preference. If the viewership of the Television Programmes decreases, we may not be able to sell the related advertisement time, or sell such advertisement time at our anticipated price level, which may materially and adversely affect the financial condition and results of operations of the Enlarged Group.

Competition in the broadcasting and media industry

Based on the Directors' knowledge, the market for television programme broadcasting and related services and marketing related services in the Asia Pacific region (excluding the PRC) is highly fragmented with a large number of players providing a variety of different television programmes and services. The Directors are not aware of any official statistics on the number of entities engaging in the provision of these television programmes and services in the Asia Pacific region (excluding the PRC). The Directors consider that the competition within the market mainly comes from television stations and production houses, including those owned by the television stations and independent contractors which have sufficient resources (in terms of both human resources and financial resources) to produce and distribute television programmes without services from intermediaries.

There is no assurance that the Enlarged Group will be able to compete against its competitors. While the Directors are of the view that the sizable population in the Asia Pacific region (excluding the PRC) provides a vast audience for the Television Programmes and a large consumer market, which will lead to strong demand for the Television Programmes and attract a large number of advertisers to advertise their products, such increase in demand for advertisements will provide business opportunities to the existing market players and also attract new players to enter into the industry and hence intensify the competition.

If the Enlarged Group is unable to compete effectively against the competitors by maintaining the Enlarged Group's competitive advantages or to timely respond to a changing business environment, or if there are any reductions in or reallocations of the customers' advertising expenditures or budgets, or any shift to advertising in other types of media, the Enlarged Group may lose customers and its financial condition and results of operations may be adversely affected. In addition, any increase in competition may adversely affect the Enlarged Group's market share. Any of these events could have a material adverse effect on the Enlarged Group's financial condition, results of operations and future prospects. Whilst competition cannot be eliminated, the Enlarged Group will monitor closely the markets in which the Television Broadcasting Business is operated in order to keep itself up-to-date with the factors affecting the performance of the Television Broadcasting Business, such as changes in market segment and pricing, market trend of television programmes and taste of the audiences. The Enlarged Group will analyse such data and act proactively to keep itself competitive with other competitors in the market.

The results of the Television Broadcasting Business are affected by the seasonal fluctuations in advertisement spending

The Enlarged Group's advertising revenue is subject to seasonal demand for its customers' products and services and, accordingly, their advertising budgets. The Enlarged Group may conduct market researches as and when appropriate with a view to understand the characteristics of seasonal fluctuations in different markets so as to be able to adopt different sales and marketing strategies amid changes in consumer purchasing patterns and business environment. Demand for consumers' products and services is affected by a number of factors beyond the Enlarged Group's control, including economic conditions, industry and market trends, shifts in consumer purchasing patterns and tastes and changes in the business environment. As the customer base of advertisers may span a wide spectrum of industries, the Enlarged Group may not be able to anticipate accurately and timely any future changes in the foregoing factors. If there are any adverse changes in trends in seasonal spending patterns or other factors which result in a decrease in demand for the advertising customers' products and services and consequently the tightening of the customers' advertising budgets, demand for the advertising services may decrease and the prospects, results of operations and financial condition of the Enlarged Group may be materially and adversely affected.

Dependent on the broadcasting of the Television Programmes through satellite

The Television Programmes are broadcasted to the Asia Pacific region (excluding the PRC) through satellite transmission. In the event of any failure, suspension or delay in the function of the satellite which the broadcasting of the Television Programmes relies upon or any failure to renew cooperation agreement with the satellite service provider with terms acceptable to the Enlarged Group or at all, then the viewership of the Television Programmes and the advertising income of the Enlarged Group may be adversely affected.

Changes in political and economic policies may have a negative impact on the operations of the Television Broadcasting Business

Upon Completion, the Enlarged Group's results of operations and prospects will be affected to a significant degree by the economic, political and legal environment in the regions in which the Television Broadcasting Business is operated by the Enlarged Group. The economic, political and legal environment among such regions may differ from each other, including without limitation, the extent of government involvement, allocation of resources, capital reinvestment, level of development, growth rate, and control of foreign exchange. Any changes in the above factors may have a negative impact on the future financial and business performance of the Enlarged Group. The Company will closely monitor the economic, political and legal environment in the regions where the Television Broadcasting Business is operated and seek professional advice from local advisers and consultants where appropriate in order to protect the Enlarged Group's interest in the Television Broadcasting Business.

Foreign exchange

Although there is no assurance that any revenue will be generated through the Television Broadcasting Business, in the event that any such revenue is generated, it is expected that such revenue may be denominated in the currencies of the countries in which such revenue is derived from. In the event of any substantial fluctuation in the exchange rates of these currencies, the financial position of the Enlarged Group may be adversely affected. While the Enlarged Group will monitor the foreign exchange market and take appropriate measures to mitigate the Enlarged Group's exposures to foreign exchange risk (if any), there is no assurance that any such measures would be able to mitigate the foreign exchange risk effectively (or at all) and that such mitigating measures would not result in any loss to the Enlarged Group.

The shareholding percentages of the existing Shareholders in the Company will be substantially diluted immediately following Completion

Pursuant to the Acquisition Agreement, the Company will issue a total of 474,335,664 Consideration Shares to China Xinhua NNC and the Convertible Bonds to the Vendors on Completion. For illustration purpose only, the Consideration Shares and the Conversion Shares represent approximately 75% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares as at the Latest Practicable Date. Under the terms of the Convertible Bonds, conversion of the Convertible Bonds will not be allowed if upon such conversion (i) the holder of the Convertible Bonds 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 would fall below 25% as required under the GEM Listing Rules. Please refer to the paragraph headed "Letter from the Board — Convertible Bonds" for further details of the restrictions on conversion of the Convertible Bonds. As a result, the shareholding percentages of the existing Shareholders in the Company would be substantially diluted.

This section contains information and statistics relating to the television broadcasting industry and related industry sectors, some of which has been derived from official governmental sources. The Directors believe that the source of such information and statistics is an appropriate source for such information and statistic and have taken reasonable care in extracting and reproducing such information and statistics. While the Company has no reason to believe such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading, such information has not been independently verified by the Company and no representation is given as to its accuracy.

ECONOMIC CONDITIONS

Matured recovery in Asia Pacific

According to a recent report on the regional economic outlook published by the IMF, the recovery in Asia Pacific from the recent financial crisis has matured as both exports and domestic demand have fueled rapid economic growth, which reached 8.3% in 2010.

Export has benefited from the global investment cycle as well as strong final demand from emerging economies in both Asia Pacific and other regions. Domestic demand has also been robust, reflecting still expansionary fiscal policies as well as growing private demand.

Private demand has been broad based across both investment and consumption. Investment is being driven by the need in many Asia Pacific countries to overcome capacity constraints and to build infrastructure. Consumption is being propelled by rising employment, wages, and productivity.

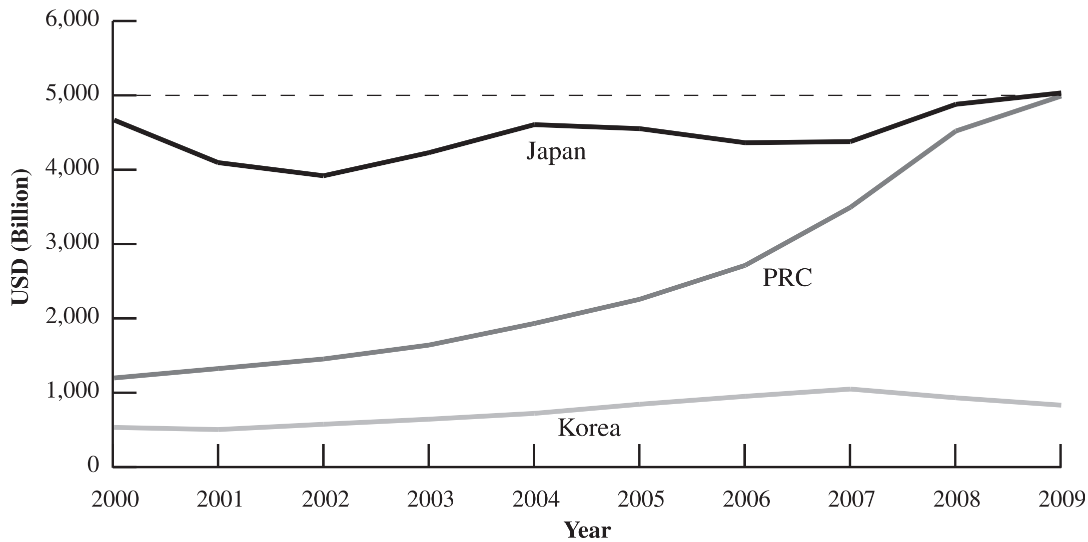
These supported favorable prospects with growth in the Asia Pacific region projected to average nearly 7% in both 2011 and 2012. Growth is expected to be 9.5% and 8% for the PRC and India respectively in the next two years.

Risks to the growth outlook are evenly balanced. The prospects for sustained global growth have strengthened in recent quarters as uncertainties over private domestic demand in advanced economies have lessened. New downside risks have emerged such as the turmoil in the Middle East and North Africa region, which could disrupt global growth and inflation. Meanwhile, fiscal and financial vulnerabilities continue to cloud the outlook for advanced economies, which are important trading partners for Asia Pacific.

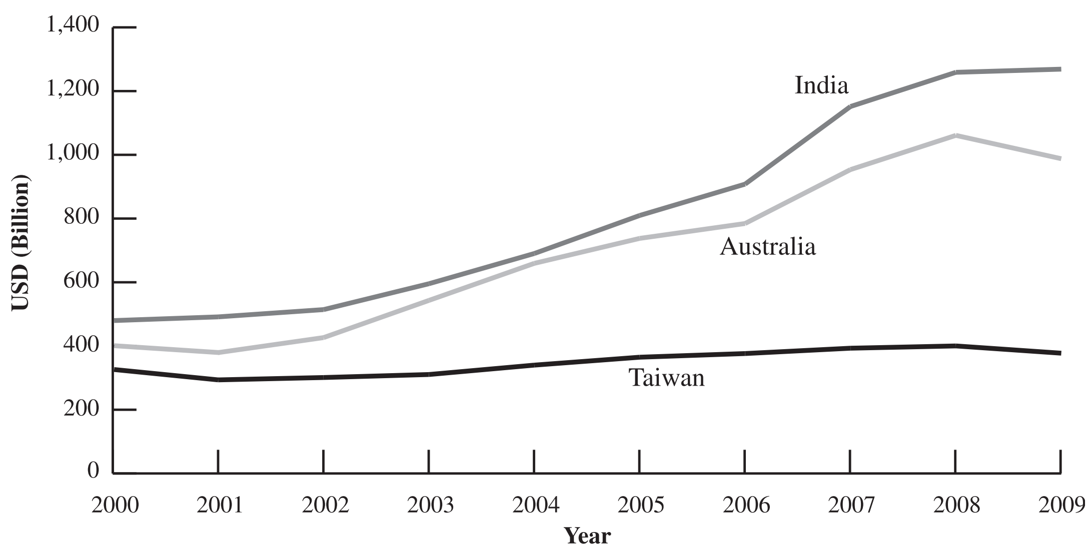
Historical perspective (2000 to 2009) of Asia Pacific economies

Historical data of GDP provided by the IMF, World Economic Outlook Database, April 2011 edition, shows the states of economies of selected countries in the Asia Pacific region from 2000 to 2009 (2009 figures for Korea, New Zealand, and Thailand are IMF estimates) in US$. Countries are put into three groups according to the size of respective economy and illustrated in the following charts. The following chart shows that Japan was the biggest economy in Asia Pacific before 2009 but the PRC caught up by 2009, while economy in Korea experienced a declining period in 2008 and 2009.

GDP (current prices) for Japan, Korea, and the PRC

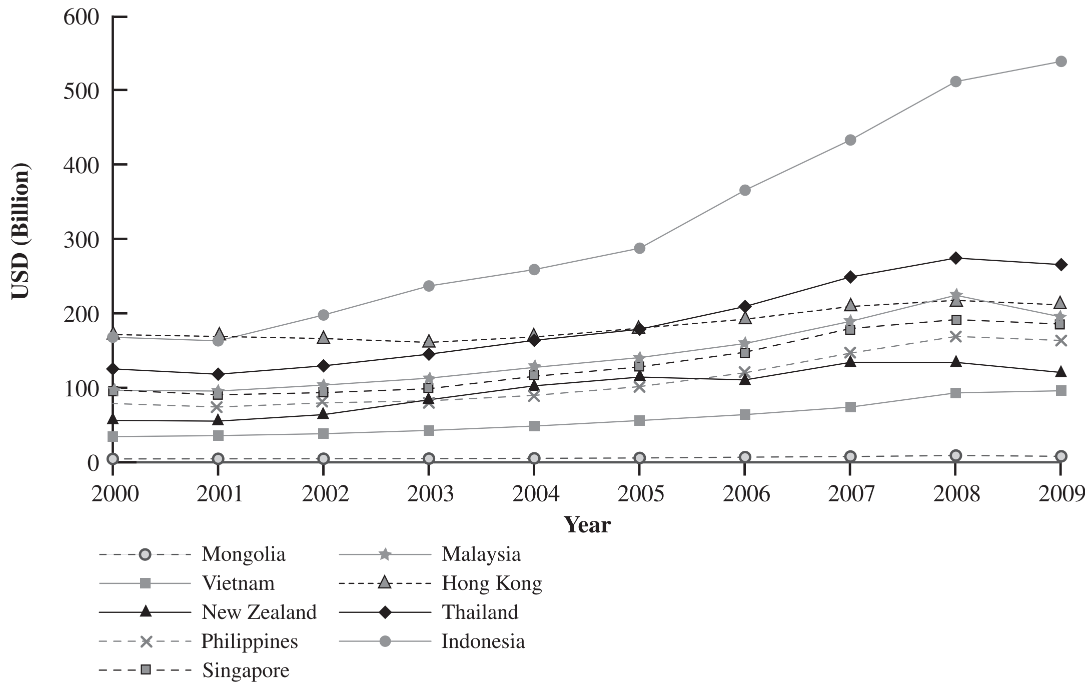


GDP (current prices) for Australia, India, and Taiwan



The above chart shows Taiwan has maintained its GDP level over the last decade, but Australia has a significant bad year in 2009 and growth in India has also slowed down in 2009, similar as to other Asia Pacific countries as shown in the chart below.

GDP (current prices) for other selected Asia Pacific countries



2010 GDP estimates and forecasts towards 2016

Asia Pacific countries, after experiencing a slow down or a set back in 2009, has their economy back on growth track and the outlook is expected to be positive over the next 5 years towards 2016, which is listed in the following table (in billion US$).

Countries	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Australia	1,236	1,448	1,470	1,574	1,552	1,663	1,697
Hong Kong	225	245	265	283	301	320	342
India	1,538	1,704	1,859	2,061	2,280	2,516	2,777
Indonesia	707	823	908	998	1,100	1,212	1,337
Japan	5,459	5,822	5,921	6,058	6,218	6,380	6,540
Korea	1,007	1,126	1,202	1,282	1,376	1,476	1,586
Macau	28	—	—	—	—	—	—
Malaysia	238	248	268	289	312	336	362
Mongolia	6	9	11	15	18	20	24
New Zealand	140	153	158	165	170	176	181
Philippines	189	203	218	233	251	269	289
PRC	5,878	6,516	7,209	8,057	9,016	10,062	11,220
Singapore	223	254	266	279	292	305	319
Taiwan	431	504	545	591	640	692	751
Thailand	319	332	368	398	427	461	498
Vietnam	104	119	129	143	159	176	194

Source: Macau government portal and IMF, World Economic Outlook Database, April 2011.

The real GDP growth rates (in percent) from 2010 to 2016 for these countries can be derived from these estimates and forecasts after adjusting with the respective country deflators and are summarised in the following table.

Countries	2010	2011	2012	2013	2014	2015	2016
Australia	2.75	2.97	3.48	3.54	3.26	3.19	3.04
Hong Kong	6.81	5.41	4.19	4.22	4.22	4.27	4.32
India	10.37	8.24	7.82	8.17	8.14	8.12	8.13
Indonesia	6.11	6.20	6.50	6.70	7.00	7.00	7.00
Japan	3.94	1.40	2.07	1.69	1.51	1.28	1.19
Korea	6.11	4.46	4.18	4.17	4.05	4.04	4.05
Malaysia	7.16	5.50	5.20	5.10	5.10	5.00	5.00
Mongolia	6.14	9.75	7.15	23.10	15.76	8.98	15.59
New Zealand	1.52	0.93	4.05	3.37	2.90	2.63	2.42
Philippines	7.33	4.95	4.97	5.00	5.00	5.00	5.00
PRC	10.30	9.59	9.52	9.48	9.52	9.46	9.53
Singapore	14.47	5.16	4.41	4.30	4.20	4.07	4.01
Taiwan	10.82	5.42	5.17	5.09	4.99	4.94	4.91
Thailand	7.80	3.96	4.53	4.70	4.75	4.85	5.00
Vietnam	6.78	6.26	6.75	7.23	7.44	7.50	7.50

Source: IMF, World Economic Outlook Database, April 2011.

Australia and New Zealand are expecting a healthy annual growth rate of about 2 to 3 percent over the next five years while Japan may have the lowest projected growth rate among the 15 countries listed. Growth rate for the other twelve countries except Mongolia are in the range from 3.96 percent to 9.59 percent. IMF estimates that Mongolia will enjoy a higher growth rate in real GDP in 2013, 2015, and 2016.

BUSINESS ENVIRONMENT

Television industry

Television is better known by the general public for the free service provided by terrestrial broadcasters. The television industry can be generally divided into the following sectors, namely, the terrestrial (usually free to view, broadcast in either analog or digital signal), cable and satellite broadcasters (usually on subscription basis), plus the emerging internet protocol television ("IPTV").

Broadcast television is going through time of change and challenge in recent decades. It is still one of the most popular forms of entertainment and information, but the rapid growth of the internet and interactive media is competing strongly for audiences and revenues. As it is concerning the public and their interests, it is a highly regulated industry across countries and subject to local and national legislations in the country it operates.

Taking the example of Hong Kong, since the enactment of the Broadcasting Ordinance, the Government of HKSAR has introduced a technology neutral regulatory regime for television broadcasting services. Under the regime, the "provision" and the "carriage" of television programme services are separately licensed and regulated under the Broadcasting Ordinance (Cap. 562) and the Telecommunication Ordinance (Cap. 106).

A television programme service licensee may choose to hire the transmission service of any licensed carrier to deliver its television service by any feasible technology (terrestrial broadcasting, hybrid fiber coaxial cable, satellite or broadband) instead of establishing and maintaining a television transmission infrastructure itself.

There are four categories of television programming services, namely domestic free, domestic pay, non-domestic and other licensable television programme services provided in Hong Kong. Hong Kong is considered as one of the suitable locations for uplinking satellite television services to the Asia Pacific region due to the proximity to the PRC and other parts of the region, excellent infrastructure, freedom of speech, and pools of talent.

Global advertising market

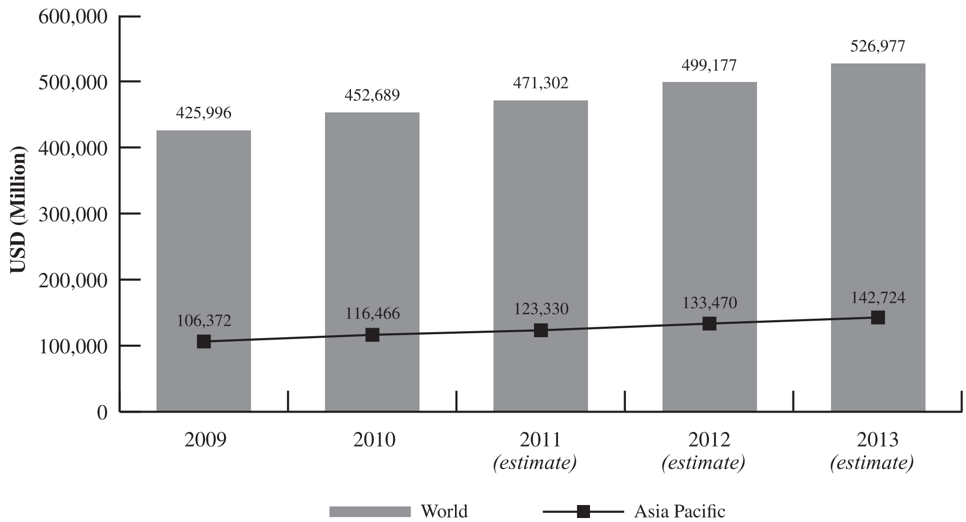
Advertising spending in 2009 suffered the sharpest decline due to the economic downturn in 2008 after enjoying successive years of growth. However, global advertising spending is expected to grow slowly again, from US$426 billion in 2009 to US$471 billion this year, a 4.1% growth over last year and the same as the peak level of expenditure in 2008.

The global advertising expenditure will reach US$527 billion in 2013, according to ZenithOptimedia, a media services agency. Their forecasts are summarised by region and year in the following table.

Regions *(in million US$)*	**2009**	**2010**	**2011** *(estimate)*	**2012** *(estimate)*	**2013** *(estimate)*
North America	157,499	161,556	165,315	171,232	176,919
Western Europe	97,121	102,717	106,059	109,909	113,529
Asia Pacific	106,372	116,466	123,330	133,470	142,724
Central & Eastern Europe	23,928	25,406	27,705	31,463	35,854
Latin America	27,063	31,320	33,409	36,116	39,466
Middle East & North Africa	4,633	5,085	4,469	4,867	5,095
Rest of the World	9,380	10,139	11,015	12,120	13,390
World	425,996	452,689	471,302	499,177	526,977

The following chart visualises the above statistics and estimates of advertising spending in total from 2009 to 2013, which shows a growth of approximately 9.5% for advertising spending in Asia Pacific region in 2010 and estimated a growth rate of approximately 5.9%, 8.2%, and 6.9% in 2011, 2012, and 2013 respectively, which is generally higher than their estimates for the global market.

Global advertising spending (2009 to 2013 statistics & estimates)



Magnaglobal, a strategic global media unit of the Interpublic Group (NYSE:IPG), released their 2011 forecast for the Asia Pacific markets and expected the following annualised growth rates over the next five years to 2016.

Countries	**Growth** *(%)*
Australia	6
Hong Kong	7
India	19
Indonesia	14
Japan	1
Malaysia	10
New Zealand	5
Philippines	10
PRC	17
Singapore	9
South Korea	8
Taiwan	7
Thailand	8

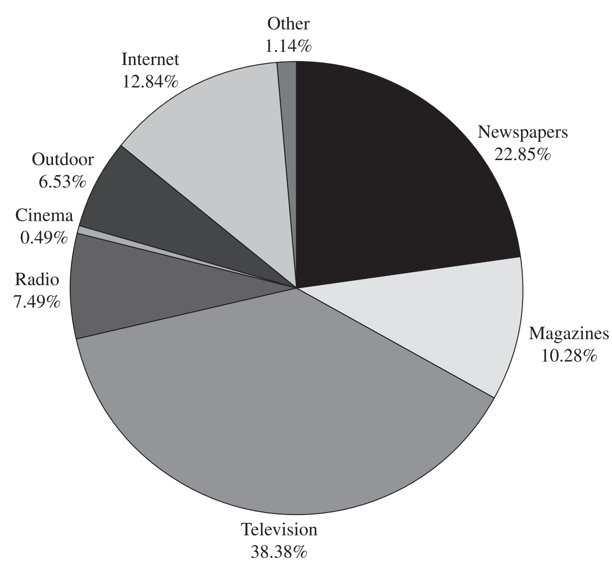
Source: Magnaglobal

ADVERTISING MIX AND ADVERTISING SPENDING COMPARISON ON TELEVISION AND OTHER MEDIA CHANNELS

The internet continues to grow at the fastest rate of any medium, at an average of 14.2% a year between 2010 and 2013. Television is the next fastest growing medium, at approximately 6.2% a year. It is also the largest contributor to global growth, accounting for 49% of new advertising dollars between 2010 and 2013.

Actual advertising spending in 2009 was analysed by medium and illustrated in the chart below, which shows a 38.38% share of advertising spending for the television medium, or US$163,484 million in money term. The share of global advertising market by television continues to rise steadily and reached approximately 39.7% in 2010 and estimated to reach 40.8% in 2013.

Global advertising spending by medium (2009)



Source: Zenith Optimedia

REGIONAL ADVERTISING MARKET

Given that the data from ZenithOptimedia does not show breakdown by Asia Pacific countries, another source, the Asia Television Advertising Coalition ("ATAC"), was also referred to. Although only actual data for 2008 and 2009 along with 2010 forecasts are available from ATAC, such information presents a better picture of the advertising markets in the region.

The following table is compiled from data for the Asia Pacific region according to ATAC and shows the total advertising expenditure recorded for the Asia Pacific region by country with actual data for 2008 and 2009, plus the forecast for 2010.

Total advertising expenditure for Asia Pacific

Countries *(in million US$)*	**2008** *(actual)*	**2009** *(actual)*	**2009 Growth** *(%)*	**2010** *(forecast)*	**2010 Growth** *(%) (forecast)*
Australia	7,896	10,527	33.32	11,280	7.15
Hong Kong	4,722	4,239	–10.23	4,639	9.44
India	4,407	5,165	17.20	5,598	8.38
Indonesia	2,167	3,315	52.98	4,445	34.09
Japan	47,676	43,893	–7.93	43,874	–0.04
Malaysia	1,662	2,079	25.09	2,344	12.75
New Zealand	1,150	1,408	22.43	1,476	4.83
Pakistan	410	459	11.95	455	–0.87
Philippines	1,421	1,752	23.29	2,010	14.73
PRC	35,167	36,864	4.83	42,686	15.79
Singapore	994	1,087	9.36	1,123	3.31
South Korea	5,163	5,871	13.71	6,233	6.17
Taiwan	1,303	1,386	6.37	1,344	–3.03
Thailand	1,997	2,323	16.32	2,595	11.71
Vietnam	585	782	33.68	920	17.65

The television advertising expenditure is then compared with the total advertising expenditure to reveal the television advertising expenditure as a percent share of total advertising expenditure.

Percent share of advertising expenditure for Asia Pacific

	2009			**2010**		
Countries	**Television**	**Total**	**% Share**	**Television**	**Total**	**% Share**
(in million US$)	*(actual)*	*(actual)*	*(%)*	*(forecast)*	*(forecast)*	*(%)*
Australia	3,141	10,527	29.84	3,369	11,280	29.87
Hong Kong	1,468	4,239	34.63	1,615	4,639	34.81
India	1,987	5,165	38.47	2,233	5,598	39.89
Indonesia	2,005	3,315	60.48	2,807	4,445	63.15
Japan	18,958	43,893	43.19	19,976	43,874	45.53
Malaysia	769	2,079	36.99	922	2,344	39.33
New Zealand	413	1,408	29.33	430	1,476	29.13
Pakistan	285	459	62.09	288	455	63.30
Philippines	1,312	1,752	74.89	1,513	2,010	75.27
PRC	23,162	36,864	62.83	26,739	42,686	62.64
Singapore	330	1,087	30.36	335	1,123	29.83
South Korea	2,220	5,871	37.81	2,351	6,233	37.72
Taiwan	571	1,386	41.20	563	1,344	41.89
Thailand	1,291	2,323	55.57	1,485	2,595	57.23
Vietnam	605	782	77.37	720	920	78.26

The analysis shows a stable percent share of total advertising expenditure by the television industry, which is a main source of revenue for the industry, with a very slight growth in the percent share in certain countries, where higher rates are expected for the Indonesia and Malaysia markets.

The population and households statistics compiled from ATAC data are presented below, together with statistics of the number of televised households and those households having access to multiple modes of television broadcasts.

2010 Population and statistics on households with television

Countries	Population	Households	TV households	Multichannel
Australia	21,648,890	8,018,107	7,953,963	2,706,568
Hong Kong	7,122,768	2,320,120	2,308,519	1,942,328
India	1,215,942,590	228,131,818	146,004,364	109,167,234
Indonesia	236,557,531	64,810,282	39,145,411	1,300,000
Japan	127,471,133	53,112,972	52,953,633	12,733,000
Malaysia	28,233,283	6,124,356	5,542,543	2,983,000
New Zealand	4,331,000	1,604,074	1,571,993	800,000
Pakistan	170,243,000	25,035,735	17,024,300	8,586,987
Philippines	94,013,993	18,184,524	13,692,947	2,010,000
PRC	1,341,412,962	394,533,224	378,751,895	183,258,221
Singapore	4,832,604	1,167,296	1,161,459	756,000
South Korea	48,915,572	17,917,792	17,917,792	17,662,000
Taiwan	23,126,317	7,657,721	7,560,000	7,085,430
Thailand	64,728,000	20,880,000	20,358,000	7,700,000
Vietnam	88,257,000	22,064,250	18,975,255	3,305,000
Total	3,476,836,643	871,562,271	730,922,074	361,995,768

Based on the same source of data, the following table is compiled which shows the television advertising expenditure recorded and forecasted for the same period.

Television advertising expenditure for Asia Pacific

Countries *(in million US$)*	**2008** *(actual)*	**2009** *(actual)*	**2009 Growth** *(%)*	**2010** *(forecast)*	**2010 Growth** *(%) (forecast)*
Australia	2,452	3,141	28.10	3,369	7.26
Hong Kong	1,671	1,468	–12.15	1,615	10.01
India	1,632	1,987	21.75	2,233	12.38
Indonesia	1,371	2,005	46.24	2,807	40.00
Japan	20,113	18,958	–5.74	19,976	5.37
Malaysia	583	769	31.90	922	19.90
New Zealand	338	413	22.19	430	4.12
Pakistan	207	285	37.68	288	1.05
Philippines	1,069	1,312	22.73	1,513	15.32
PRC	22,008	23,162	5.24	26,739	15.44
Singapore	314	330	5.10	335	1.52
South Korea	2,067	2,220	7.40	2,351	5.90
Taiwan	523	571	9.18	563	–1.40
Thailand	1,112	1,291	16.10	1,485	15.03
Vietnam	420	605	44.05	720	19.01

Asia Pacific advertisers spent US$55.9 billion in 2008 and US$58.6 billion in 2009, and is forecasted to spend approximately US$65.4 billion in 2010 in order to reach televised households, in particular, those have access to multiple modes of television broadcasts at home, which accounted for almost 50% of those televised households in 2010.

MARKET TREND AND DEVELOPMENT

The primary driver of television advertising in markets around the world relates to advertisers' continued focus on media vehicles which reach a large share of a region's population many times over the duration of a marketing campaign. The increasing availability of multichannel television, whether via pay television or through free to air digital terrestrial television is causing fragmentation in the television advertising market. New forms of internet-delivered television are also perceived to affect the health of the television advertising industry. Online video (television consumed over the internet on computers) is becoming an important media to broadcast popular programmes, but accounts for a relatively small share of video consumption in most countries.

OPPORTUNITIES AND CHALLENGES

As in other regions, the Asia Pacific markets increasingly incorporate internet-based advertising into media budgets. Growth is expected to continue by virtue of the vastness of the markets and the large populations of consumers with various means of accessing the internet. By contrast, online video and related technologies may take on outsized importance in many Asia Pacific markets in the foreseeable future. The region faces a confluence of factors, including low rates of pay television penetration, unentrenched habits with respect to ways in which multichannel television is accessed (certainly in comparison to the United States and Western Europe), easily available and inexpensive consumer electronics devices which can access internet-delivered content, and high levels of media privacy.

COMPETITION LANDSCAPE AND ENTRY BARRIERS

Other forms of entertainment such as movies, computers and video games, can be considered as potential substitutes to the television broadcasting market. A significant increase in popularity of other entertainment forms could possibly impact upon viewing figures and thus advertising revenue. The rise of downloading programmes through the internet may also be starting to have an impact as users may download episodes of popular television programmes on the internet without paying subscription fees. Television is still generally regarded as one of the most effective media of advertising but it is generally more expensive than internet, radio and game advertising.

Rivalry between players in the television broadcasting market is moderate overall. Players do not compete directly for revenues from end-users, but for viewing figures, which in turn determine advertising revenue for commercial players. Individuals incur no switching costs when choosing in between broadcaster's channels which raises competition for viewing numbers. Rivalry is strong between broadcasters to purchase the broadcasting rights for the most popular programs, events and sports events. Players within the market are typically large, owning multiple television channels and they therefore have a high level of assets, with high fixed costs and exit costs. There is a high degree of differentiation between players within the market, with rivalry greater between players broadcasting shows and events of similar genres.

The threat of new entrants with respect to the Asia Pacific television broadcasting market is moderate overall. A significant barrier to the entrance of new players into terrestrial broadcasting is the limited availability of available frequencies and therefore licenses in many countries. The threat of new entrants is significantly higher with respect to cable and satellite broadcasting platforms due to their higher channel capacity. However, viewing figures and therefore advertising revenues are typically considerably lower than those of terrestrial channels.

TSUN YIP HOLDINGS LIMITED
進業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

Executive Directors:
Mr. Kan Kwok Cheung
Mr. Cheng Ka Ming, Martin
Mr. Chia Thien Loong, Eric John
Mr. Hui Chi Kwong

Independent non-executive Directors:
Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit

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Hong Kong

19 November 2011

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHARE CAPITAL OF XINHUA TV ASIA-PACIFIC OPERATING CO., LIMITED INVOLVING ISSUE OF SHARES AND CONVERTIBLE BONDS; (2) REFRESHMENT OF SHARE OPTION SCHEME LIMIT; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 11 October 2011, the Company announced 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 had conditionally agreed to acquire and China Xinhua NNC, Proud Glory and APT Satellite had conditionally agreed to sell the entire issued share capital of the Target Company.

The purpose of this circular is to give you, among other things, (i) further information on the Acquisition Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group and the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the report on the valuation of the Target Group; (v) the valuation report of the property interest of the Enlarged Group; (vi) the information on the proposed refreshment of Share Option Scheme Limit; and (vii) notice of the EGM.

THE ACQUISITION AGREEMENT

Date	:	6 September 2011 (as supplemented and amended by the parties thereof by way of the Supplemental Agreement and the Second 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.

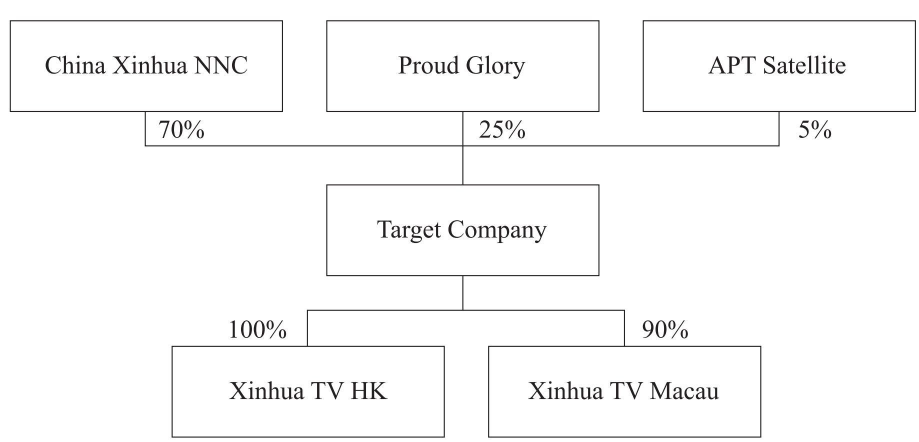
Upon Completion, China Xinhua NNC will become a Substantial Shareholder and therefore a connected person of the Company.

Assets to be acquired

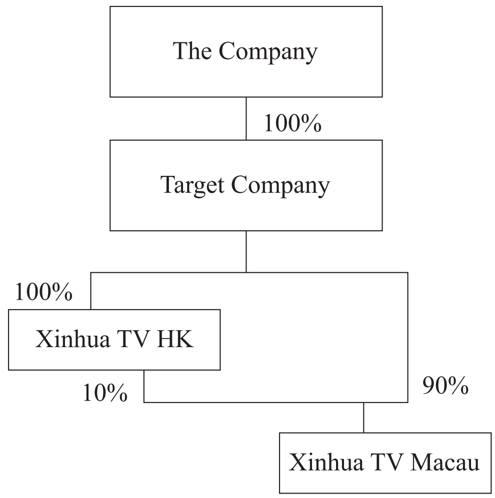
The assets to be acquired are the Sale Shares, representing the entire issued share capital of the Target Company.

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:

(i) as to HK$92,969,790 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

(ii) as to HK$607,030,210 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 set out in the paragraph headed "Convertible Bonds" 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 profitability of the Television Broadcasting Right granted by China Xinhua NNC to the Target Company. The fixed costs of the Target Company mainly comprise the expenses payable to China Xinhua NNC for the Television Broadcasting Right, 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 the sharing of advertising revenue with media broadcasting providers and sales and marketing expenses in promoting the Television Programmes. 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 Television Broadcasting Right 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 costs of the operations; and

(ii) the preliminary valuation on the Target Company, being not less than HK$700 million, as valued by the Valuer, an independent valuer appointed by the Company for the purpose of conducting a valuation on the Target Company. Such valuation was conducted on 5 September 2011 using income-based approach on the basis of the discounted value of Target Company's projected free cash flow for the next ten years. The final valuation report on the Target Company issued by the Valuer is set out in Appendix IV to this circular. According to the final valuation report, the Valuer valued the Target Company at approximately HK$701.6 million as at 31 October 2011. The Directors confirmed that such valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. The letters from (i) Dominic K.F. Chan & Co., being the Company's reporting accountants in relation to the aforesaid valuation; and (ii) BNP Paribas Capital (Asia Pacific) Limited, being the Company's financial adviser in relation to the Proposed Acquisition, with respect to the aforesaid profit forecast as required by Rule 19.66(3) of the Listing Rules are set out in Appendix VI to this circular. The following sets out the principal assumptions upon which the final valuation was based upon:

— expansion into other countries in the region will be progressed as projected and revenue model will remain competitive under the prevailing business condition;

— capital expenditures and operating expenses will match with the expansion plan and revenue generated, and will be put under sound management and control;

— there will be sufficient supply of technical staff in the industry in which the Target Company operates;

— the Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

— 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 Latest Practicable Date; 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 the conversion price for the Convertible Bonds of approximately HK$0.196 represents:

(i) a discount of approximately 79.4% to the closing price of HK$0.95 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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

(vii) 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 is an unique opportunity given that the information contents which the Target Group is permitted to broadcast pursuant to the Television Braodcasting Right are provided by Xinhua News Agency, being 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, both of which represent 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 justifies that a comparatively deeper discount to the market price of the Share is required to factor in the risks involved;

(iv) the market capitalisation of the Company was on average approximately HK$565 million as of the five trading days before the Last Trading Day. Any future disposal by the Vendors of all or a substantial portion of the Shares (if required) may involve significant discount to the then prevailing market price of the Shares, taking into account the total value of the Consideration Shares and the Convertible Bonds (based on the Acquisition Agreement) of HK$700,000,000. As such, it is reasonable for the Vendors to request a deeper discount to the market price; and

(v) the amount of Consideration Shares and Conversion Shares.

The Directors consider that the issue price for the Consideration Shares and the 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 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 having been completed; 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.

On 26 October 2011, the Company and the Vendors entered into the Second Supplemental agreement whereby it was agreed between the Company and the Vendors that Completion would be subject to a further condition precedent that a legal opinion being provided by the Vendors to the Company in respect of the validity and legality of the Television Broadcasting Right and the agreements entered into by the Target Group and China Xinhua NNC referred to in the paragraph headed "Information of the Target Group — broadcasting platform" below. It was also agreed under the Second Supplemental Agreement that the Conversion Shares, when allotted and issued, would rank *pari passu* in all respects with all the Shares then in issue. Please refer to the paragraph headed "Convertible Bonds" below for details.

The due diligence review conducted by the Company on the Target Company as referred to in (i) above includes 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. Save for certain bring-down searches that may be conducted by the Company prior to Completion, the aforesaid due diligence review has been substantially completed by the Company.

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 adviser in respect of, among other things, the background of the Target Company and China Xinhua NNC, including their legal position and proper authorisation 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. Apart from reviewing the audited accounts of the Target Group as at 31 December 2010, as part of the due diligence work performed on the Target Company, the Company has reviewed the unaudited management accounts of the Target Group prepared up to the nine months ended 30 September 2011 (which had not been taken into account by the Directors before entering into the Acquisition Agreement on 6 September 2011 as such unaudited management accounts (up to the nine months ended 30 September 2011) were not available by that time). The Company has also reviewed the statutory records maintained at the registered office of the Target Company. After such review, the Company is reasonably satisfied that proper accounting records have been kept by the Target Group and that the necessary statutory filings have been made and maintained by the Target Group.

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 none of the parties shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of terms of the Acquisition Agreement. As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

Nomination of Directors by the Vendors to the Board

China Xinhua NNC has the right to nominate four persons as Directors with effect from Completion, of which three shall be executive Directors and one shall be non-executive Director. The Company is advised by China Xinhua 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:

Mr. Wu Jin Cai (吳錦才), aged 49, is a professional senior reporter (高級記者) of Xinhua News Agency. Mr. Wu is proposed to be an executive Director. Mr. Wu joined Xinhua News Agency in July 1982 after graduating from University of Nanjing and has about 30 years of experience in the media industry. 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 is the deputy editor in chief of Xinhua News Agency, the officer of Xinhua News Agency Audio and Video News Desk and a director of China Xinhua NNC.

Mr. Wu has been with Xinhua News Agency for about 30 years. He is familiar with the value of programmes produced by Xinhua News Agency and its significant position in the PRC media industry. Mr. Wu is responsible for the formulation of the strategic plans of the Target Group, including the type of programmes to be broadcasted overseas in order to improve the penetration of the programmes produced by Xinhua News Agency in the overseas Chinese community.

Mr. Wu has not held any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. Subject to Completion, the Company proposes to enter into a service contract with Mr. Wu for an initial term of three years and subject to rotation and re-election pursuant to the GEM Listing Rules and the articles of association of the Company. The Company has not determined the remuneration for appointing Mr. Wu as an executive Director and will consider and determine the remuneration based on, among other things, prevailing market rate. As at the Latest Practicable Date, Mr. Wu had no relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and had no interests in the Shares within the meaning of Part XV of the SFO. Save as otherwise disclosed above, there is no information relating to Mr. Wu which should be disclosed pursuant to any of the requirements in Rule 17.50(2)(h) to (w) of the GEM Listing Rules.

Mr. Zou Chen Dong (鄒陳東), aged 43, is a reporter superior (主任記者) of Xinhua News Agency. Mr. Zou is expected to be an executive Director. Mr. Zou 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 in 2001. He was a reporter of Tibet People's Broadcast Television (西藏人民廣播電台) and Tibet Television (西藏電視台) in 1991, a reporter in China Central People's Broadcast Television (中國中央人民廣播電台) in 1994, a reporter in a Tibet correspondent of New China Agency People's Liberation Army in 2001 and the news director of Shanghai Securities News (上海証券報) in 2007. Mr. Zou is a director of China Xinhua NNC. Mr. Zou has about 20 years of experience in the media industry.

Mr. Zou has not held any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. Subject to Completion, the Company proposes to enter into a service contract with Mr. Zou for an initial term of three years and subject to rotation and re-election pursuant to the GEM Listing Rules and the articles of association of the Company. The Company has not determined the remuneration for appointing Mr. Zou as an executive Director and will consider and determine the remuneration based on, among other things, prevailing market rate. As at the Latest Practicable Date, Mr. Zou had no relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and had no interests in the Shares within the meaning of Part XV of the SFO. Save as otherwise disclosed above, there is no information relating to Mr. Zou which should be disclosed pursuant to any of the requirements in Rule 17.50(2)(h) to (w) of the GEM Listing Rules.

Mr. Zou was responsible for the establishment of the Target Group and has the responsibility of developing its overseas broadcasting network. With his participation in the management of the Target Group, the Company believes that he could enhance the experience of the management of the Target Group to expand the overseas broadcasting network. Mr. Zou's experience is particularly beneficial to the Target Group in terms of the negotiation of cooperation agreements with potential overseas television broadcasting companies.

Ms. Wu Xu Hong (吳旭紅), aged 43, is an editorial superior (主任編輯) of Xinhua News Agency. Ms. Wu is proposed to be an executive Director. Ms. Wu obtained a double degree from the Department of Television Broadcasting Engineering and Journalism of the Communication University of China (中國傳媒大學) (formerly known as Beijing Broadcasting Institute (北京廣播學院)) in 1990 and 1995. Ms. Wu joined Xinhua News Agency in 1995. She was the officer in charge of the current affairs department, administration-in-charge officer and a 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 a director of China Xinhua NNC. Ms. Wu has about 16 years of experience in the media industry.

Ms. Wu has not held any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. Subject to Completion, the Company proposes to enter into a service contract with Ms. Wu for an initial term of three years and subject to rotation and re-election pursuant to the GEM Listing Rules and the articles of association of the Company. The Company has not determined the remuneration for appointing Ms. Wu as an executive Director and will consider and determine the remuneration based on, among other things, prevailing market rate. As at the Latest Practicable Date, Ms. Wu had no relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and had no interests in the Shares within the meaning of Part XV of the SFO. Save as otherwise disclosed above, there is no information relating to Ms. Wu which should be disclosed pursuant to any of the requirements in Rule 17.50(2)(h) to (w) of the GEM Listing Rules.

Ms. Wu has accumulated experience in the editorial projects of current affairs. With her participation in the management of the Target Group, the Company believes that she could enhance the experience of the management of the Target Group in promoting the Television Programmes relating to current affairs in the PRC to overseas television broadcasting companies.

Ms. Liang Hui (梁慧), aged 44, is a senior qualified accountant in the PRC. Ms. Liang is proposed to be a non-executive Director. In July 2006, she was appointed to take part in the national senior accountant leader training (Administration Affairs) (國家高級會計師領導培訓(行政事務)) held by the Ministry of Finance. She was the officer in charge of the accounting technology department of (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) of Xinhua News Agency. Ms. Liang, joined Xinhua News Agency in 1992, she is the Commissioner of Financial Assets Management (計財局資金管理處處長) of Xinhua News Agency and financial controller of China Xinhua NNC. Ms. Liang has about 20 years of experience in the accounting and finance sector of the media industry.

Ms. Liang has not held any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. Subject to Completion, the Company proposes to enter into a service contract with Ms. Liang for an initial term of three years and subject to rotation and re-election pursuant to the GEM Listing Rules and the articles of association of the Company. The Company has not determined the remuneration for appointing Ms. Liang as an executive Director and will consider and determine the remuneration based on, among other things, prevailing market rate. As at the Latest Practicable Date, Ms. Liang had no relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and had no interests in the Shares within the meaning of Part XV of the SFO. Save as otherwise disclosed above, there is no information relating to Ms. Liang which should be disclosed pursuant to any of the requirements in Rule 17.50(2) of the GEM Listing Rules.

Whilst Ms. Liang acted as the officer in charge of the accounting technology department of Xinhua News Agency, she accumulated experience in managing and controlling the costs of producing various television programmes. With her participation in the management of the Target Group, the Company believes that she could enhance the Target Group's capabilities in respect of the negotiation of cooperation agreements with potential overseas television broadcasting companies.

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.

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, HK$607,030,210 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:	HK$607,030,210
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 HK$607,030,210 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 (subject to customary adjustments, if any), which represents: (i) a discount of approximately 79.4% to the closing price of HK$0.95 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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

(vii) 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 issuance 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 would fall below 25% as required under the GEM Listing Rules.
Ranking:	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.

The Conversion Shares are to be issued by the Company under the Specific Mandate. It was agreed between the Company and the Vendors under the Second Supplemental Agreement that the Conversion Shares, when allotted and issued, would rank *pari passu* in all respects with all the Shares then in issue. The issue of the Conversion Shares will not result in a change of control of the Company as no conversion of the Convertible Bonds by any holder is allowed to the extent such conversion would, among other things, trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of such holder and persons acting in concert (as defined in the Takeovers Code) with it.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW SHARES

Specific mandate

Pursuant to the Acquisition Agreement, the Company will issue the Consideration Shares to China Xinhua NNC and the Convertible Bonds to the Vendors on Completion and will issue the Conversion Shares upon the conversion of the Convertible Bonds. 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 issue and, as the case may be, allotment of the Consideration Shares and the Convertible Bonds (including the 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 changes in the shareholding structure, the following table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion and assuming that none of the Convertible Bonds have been converted; (iii) upon Completion and assuming that the Convertible Bonds are converted to the extent that the Vendors in aggregate hold 29.99% interest in the Company; and (iv) upon Completion and assuming full conversion of the Convertible Bonds.

	As at the Latest Practicable Date	Approximate %	Upon Completion and assuming that none of the Convertible Bonds have been converted	Approximate %	Upon Completion and assuming that the Convertible Bonds are converted to the extent that the Vendors in aggregate hold 29.99% interest in the Company *(note 4)*	Approximate %	Upon Completion and assuming full conversion of the Convertible Bonds *(note 5)*	Approximate %
Shunleetat *(note 1)*	409,200,000	34.38	409,200,000	24.58	409,200,000	24.07	409,200,000	8.60
Chuwei *(note 2)*	163,680,000	13.75	163,680,000	9.83	163,680,000	9.63	163,680,000	3.44
Purplelight *(note 3)*	78,120,000	6.56	78,120,000	4.69	78,120,000	4.59	78,120,000	1.64
Lotawater *(note 3)*	93,000,000	7.81	93,000,000	5.59	93,000,000	5.47	93,000,000	1.95
Vendors								
China Xinhua NNC	—	—	474,335,664	28.49	509,928,524	29.99	2,500,000,000	52.5
Proud Glory	—	—	—	—	—	—	892,857,143	18.75
APT Satellite	—	—	—	—	—	—	178,571,429	3.75
Public	446,400,000	37.50	446,400,000	26.82	446,400,000	26.25	446,400,000	9.37
Total	1,190,400,000	100.00	1,664,735,664	100.00	1,700,328,524	100.00	4,761,828,572	100.00

Notes:

1. 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 Latest Practicable Date.

2. As at the Latest Practicable Date, Mr. Cheng through his interest in Chuwei, is interested in 163,680,000 Shares.

3. As at the Latest Practicable Date, Mr. Chia through his interests in Lotawater and Purplelight, respectively, is interested in an aggregate of 171,120,000 Shares.

4. This column assumes that only China Xiuhua NNC will convert the Convertible Bonds to the extent that the Vendors in aggregate hold 29.99% interest in the Company.

5. 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 paragraph 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 were 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 28 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 (i) the 17% interest in China New Media (HK) Company Limited is an investment of the Company and the Company only holds such interest as a plan to broaden its business; (ii) 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; (iii) the Company's existing waterworks business will continue upon Completion; and (iv) 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.

As of the Latest Practicable Date, the Board had 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 Latest Practicable Date, the Company intended 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, which includes the implementation of the waterworks relating to the replacement and rehabilitation of water mains in Sai Kung awarded by the WSD.

As at the Latest Practicable Date, the Company had no intention to conduct any material change in the use of proceeds as disclosed in the Prospectus as a result of the Proposed Acquisition.

As disclosed in the Prospectus, the Company would during the six months ending 31 March 2011 obtain waterworks contracts relating to replacement and rehabilitation of water mains with terms of around 2.5 years and estimated aggregate contract value of HK$150 million from WSD and during the six months ending 30 September 2011 acquire equipment and machinery and recruit project management and technical personnel required for implementation of such projects onwards until 31 March 2013, while closely monitor the tender notices published by the relevant government department for other contract works, identify prospective projects and evaluate the viability of taking on additional contract works by the Group. As of the Latest Practicable Date, the Company intended 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 was 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$420 million in April 2011. The Company expects that the site work on the above contract will continue until December 2015. As at the Latest Practicable Date, the Company intended to carry out its existing business through, among other things, acquiring equipment and machinery, recruiting project management and technical personnel required for implementation of 8/WSD/10 and other existing projects onwards until December 2015 while closely monitoring the tender notices published by the relevant government department for other contract works, identifying prospective projects and evaluating the viability of taking on additional contract works by the Group. The Company expects such planned businesses to grow organically and will be funded by way of its internal funding.

As at the Latest Practicable Date, the Company had four executive Directors. The composition of executive Directors since the listing of the Shares on GEM is set out below:

Executive Directors	**Appointment date**
Mr. Kan	already an executive Director since listing of the Shares on GEM
Mr. Cheng	already an executive Director since listing of the Shares on GEM
Mr. Chia	already an executive Director since listing of the Shares on GEM
Mr. Fung Chung Kin	appointed since listing of the Shares on GEM and resigned on 1 January 2011
Mr. Hui Chi Kwong	appointed on 2 June 2011

Taking into account the new Directors to be appointed upon Completion, the Enlarged Group will have a Board comprising seven executive Directors, one non-executive Director and three independent non-executive Directors.

The following personnel joined the Group before listing of the Shares on GEM and were disclosed as the Group's senior management in the Prospectus:

Names	Positions
Mr. Leung Hon Chung	contracts manager
Mr. Lau Wai Chun, Jacky	project manager
Mr. Tam Tsang Ngai	chief financial officer and company secretary
Ms. Kan May Bo, Mabel	administration officer

Apart from Mr. Lau Wai Chun, Jacky who resigned with effect from 1 May 2011, all of the above personnel remained as the Group's senior management as at the Latest Practicable Date and are responsible for the day-to-day operations of the Group. The previous job responsibilities of Mr. Lau Wai Chun, Jacky have been taken up by a staff who joined the Group on 1 August 2008.

Based on the following factors, the Directors consider that the Enlarged Group would be under substantially the same management throughout the two full financial years immediately preceding the date of listing of the Shares on GEM, and as such the Enlarged Group would have satisfied Rule 11.12A(3) of the GEM Listing Rules had it been deemed as a new applicant under the GEM Listing Rules as a result of the Proposed Acquisition:

(i) the four executive Directors as at the Latest Practicable Date would still collectively represent a majority of the executive Directors on the Board after Completion;

(ii) the Group's senior management (namely Mr. Kan, Mr. Cheng, Mr. Chia, Mr. Leung Hon Chung, Mr. Tam Tsang Ngai and Ms. Kan May Bo, Mabel) remains substantially the same since the listing of the Shares on GEM; and

(iii) the role and position of the existing senior management are expected to remain the same after Completion.

As of the Latest Practicable Date, the existing Directors and the other existing senior management of the Group, namely Mr. Leung Hon Chung, Mr. Tam Tsang Ngai and Ms. Kan May Bo, Mabel had no intention to resign from their respective current position or leave the Group. Further, as at the Latest Practicable Date, China Xinhua NNC had no decision as to whether or not any of the proposed Directors nominated by it would 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. As at the Latest Practicable Date, the Vendors had no intention to appoint any other senior management member (other than the four proposed new Directors) to the Enlarged Group after Completion.

INFORMATION OF THE VENDORS

China Xinhua NNC

China Xinhua NNC is a company incorporated in Hong Kong and a wholly-owned subsidiary of Xinhua News Agency. As advised by China Xinhua NNC, its principal business is investment holding and 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 entering into of the three separate agreements with Chinese New Zealand Television Limited on 10 January 2011, Mongolia Broadcast Company Limited on 20 December 2010 and APT Satellite Company Limited on 7 October 2010, respectively (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 a 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 releases news and financial information (in various forms including text, photo, graphic, audio and video) to the world in a number of languages, including Chinese, English, French, Spanish, Russian, Arabic, Portuguese and Japanese. Xinhua News Agency also publishes a number of publications in the PRC including "Reference News" and "Fortnightly Chat", which have the largest circulation in the PRC in terms of daily newspapers and magazines. 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. Xinhua News Agency is a member of various international news organisation and has signed news exchange and cooperation agreements with news organisations from over 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 an indirect 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, representing approximately 75% of the world's population, and provides transponder services, 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 placees of the Company's placing of new Shares as set out in the announcement of the Company dated 21 July 2011.

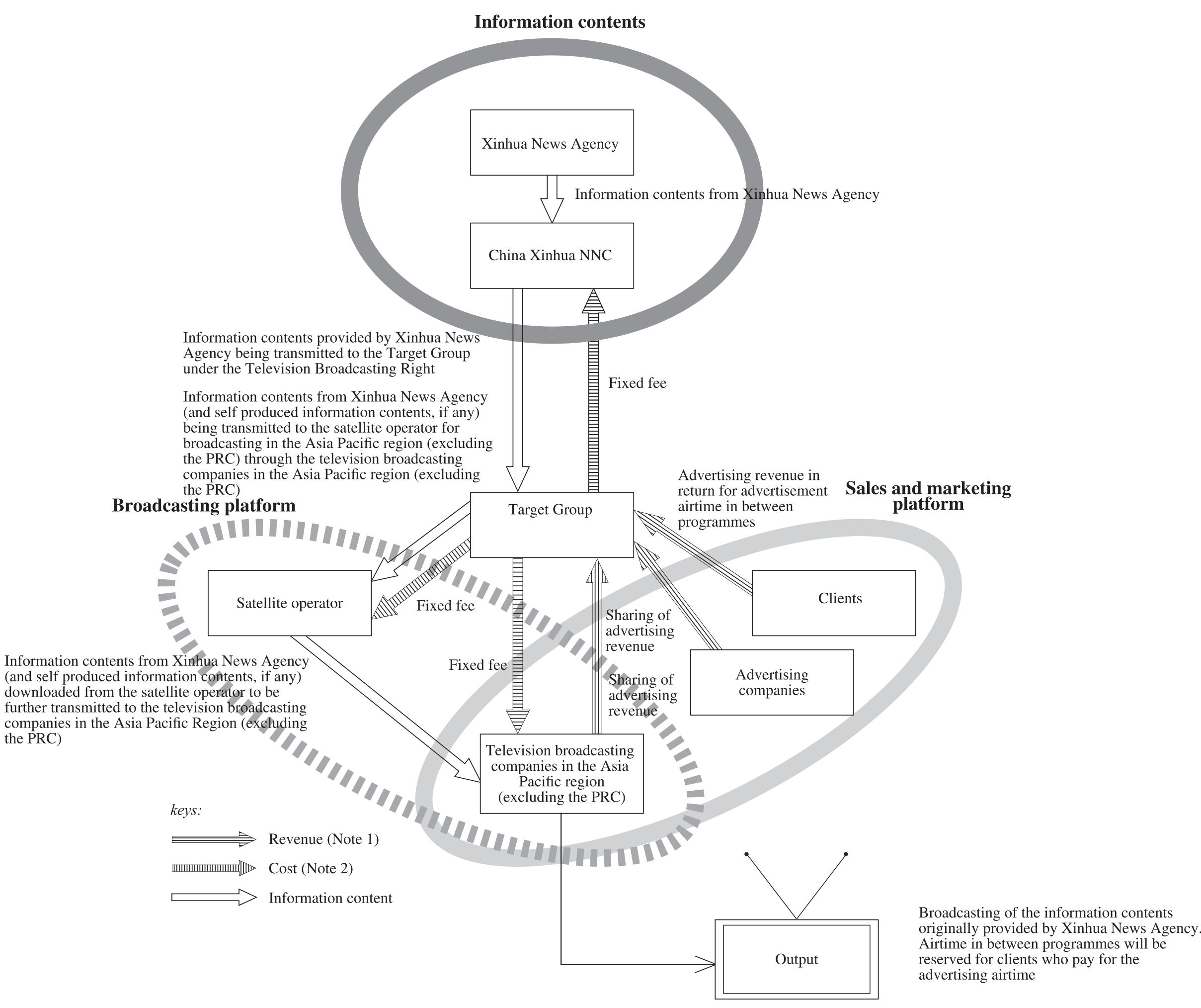
INFORMATION OF THE TARGET GROUP

Business model

The Target Company has two subsidiaries, namely Xinhua TV HK and Xinhua TV Macau, both of which are investment holding companies with no current operations. As at the Latest Practicable Date, Xinhua TV HK was a wholly-owned subsidiary of the Target Company while Xinhua TV Macau was 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.

The major asset of the Target Group is the Television Broadcasting Right. With the Television Broadcasting Right, the Target Group is entitled to offer the information contents from Xinhua News Agency from time to time across television channels in the Asia Pacific region (excluding the PRC) up to 31 August 2021.

The simplified diagram of business model of the Target Group is set out below:



Notes:

1. Revenue of the Target Group are expected to be generated from (i) advertising fees from external clients who pay for the advertising airtime in between programmes; (ii) sharing of the advertising fee and/or fixed fees with the television broadcasting companies from the advertising companies for the advertising airtime in between programmes; and (iii) annual fee received from the television broadcasting companies for the advertising airtime in between programmes.

2. Costs of the Target Group are paid (i) to the satellite operator who provides transmission services of the information contents for onward broadcasting in the Asia Pacific region (excluding the PRC) by the television broadcasting companies; (ii) to the television broadcasting companies for broadcasting the information contents in the Asia Pacific region (excluding the PRC); and (iii) for the operation expenditures of the Target Group.

Information contents

Information contents from Xinhua News Agency

The major information content supplier of the Target Group is Xinhua News Agency. The Audio and Video Department of Xinhua News Agency granted the right to China Xinhua NNC for overseas broadcasting of the information contents from Xinhua News Agency. Accordingly, China Xinhua NNC granted the Television Broadcasting Right to the Target Company. Please see the paragraph headed "Key terms of the Television Broadcasting Right" below for further information of the Television Broadcasting Right.

Xinhua News Agency produces programmes of various topics which include news, business, culture, sports and science and technology.

Xinhua News Agency, headquartered in Beijing, PRC, is a 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. Please refer to the paragraph headed "Information of the Vendors — China Xinhua NNC" above for further information of Xinhua News Agency. The background, experience and extensive network of reporting teams (in terms of the number of reporters worldwide) of Xinhua News Agency who station in over 100 news reporting centres around the world provide the basic support for the production of television contents by Xinhua News Agency.

Self produced information contents

The Directors value the importance of the habits and culture of different jurisdictions. The Directors believe that their knowledge in the local community would facilitate them in promoting the information contents as broadcasted by the Target Group. Apart from the information contents from Xinhua News Agency, the Television Broadcasting Right also allows the Target Company to broadcast information contents produced by itself for not more than 60 minutes per day. It is expected the Target Group will broadcast such self produced information contents in the future as and when appropriate. The primary objective for broadcasting self produced information contents is to build up and enhance local viewership with information contents of local interest in languages commonly used locally (such as Cantonese in Hong Kong and Macau).

Self produced information contents can also enhance the media revenue stream by tailor-making certain information contents related and/or relevant to particular advertising clients by having their sponsorship for broadcasting and/or advertisements. It is expected that such production will be mainly financed by the external sponsorship. As the amount of self produced information contents will be comparatively small, the Company believes that it may not be cost effective to maintain the whole production team by the Target Group; instead, it will be more flexible and cost effective to have such production outsourced to external professional production teams. Such external professional production teams will be selected by reference to their qualifications and experience in similar productions.

It is also expected that such self produced information contents may focus on local related matters to complement the information contents supplied by Xinhua News Agency which mainly focus on the PRC. Subject to the potential sponsorship, the local related matters may range from local current affairs (such as local celebration events, local special events (e.g. conventions, trade fairs, opening ceremonies etc)) to local food related matters (such as food fairs, food festivals, introduction of famous food chain stores from overseas, traditional food etc).

As of the Latest Practicable Date, the Target Group did not have any in-house television production capabilities.

Key terms of the Television Broadcasting Right

China Xinhua NNC granted the Television Broadcasting Right to the Target Company on 5 September 2011 and the first annual fee of HK$1 million will become payable on 1 April 2012.

Pursuant to the terms of the Television Broadcasting Right, China Xinhua NNC and the Target Company agreed to commence the negotiation for renewing the Television Broadcasting Right three months prior to the expiration of the existing Television Broadcasting Right on 31 August 2021.

The terms of the Television Broadcasting Right do not contain any provisions for compensation in the event that China Xinhua NNC exercises its right to terminate the Television Broadcasting Right under certain triggering events.

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 Television 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 channel;

(iii) commercial advertising will be allowed when broadcasting the Television Programmes of Xinhua News Agency;

(iv) the Target Company may broadcast Television Programmes produced by the Target Company itself for no more than 60 minutes per day, provided that such Television 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.

In respect of paragraph (ii) above, the overseas distribution channels of Xinhua News Agency refers to the arrangements between Xinhua News Agency and more than 80 foreign news agencies or political news departments for the exchange of news and news pictures. As at the Latest Practicable Date, news disseminated by Xinhua News Agency across the world were in a number of languages, including Chinese, English, French, Russian, Spanish, Arabic and Portuguese.

In respect of paragraph (iv) above, as advised by China Xinhua NNC, the programmes produced by the Target Company may require editing to fit in the advertising time slot intervals and therefore the pre-approval process is necessary.

As advised by China Xinhua NNC, it is expected that the frequency and quantity of Television Programmes to be offered under the Television Broadcasting Right will depend on, among other things, the demand of various television broadcasting companies and the preference of the audiences.

The headquarters of Xinhua News Agency is located in Beijing, with its first overseas affiliate established in London in 1947. As at the Latest Practicable Date, news were disseminated by Xinhua News Agency in Asia, Middle East, Latin America, Africa.

As China Xinhua NNC will become a connected person of the Company upon Completion, the provision of the information contents by China Xinhua NNC and the fees payable by the Target Company to China Xinhua NNC under the Television Broadcasting Right will become continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. The Company will comply with the reporting, annual review and disclosure requirements pursuant to Rule 20.41 of the GEM Listing Rules. Upon variation or renewal of the Television Broadcasting Right, the Company will comply in full all the then applicable requirements (including, if required, independent Shareholders' approval) under Chapter 20 of the GEM Listing Rules.

Broadcasting platform

Broadcasting arrangement with television broadcasting companies

As stated below, as of the Latest Practicable Date, there were five agreements entered into between the Target Company or China Xinhua NNC (as the case may be) and television broadcasting companies granting the broadcasting right of the Television Programmes 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 Television Programmes.

As at the Latest Practicable Date, the Target Company had entered into three agreements relating to the broadcasting arrangement with television broadcasting companies:

(i) the cooperation agreement with Macau Cable TV Limited ("Macau Cable") dated 2 November 2010 in relation to the broadcasting of the Chinese programmes of CNC Channel (新華社電視台) on the television channel of Macau Cable at a consideration of HK$1 million per annum payable by the Target Company to Macau Cable TV for a period of two years from 1 November 2010 to 30 October 2012. As of the Latest Practicable Date, the paid broadcasting fees amounted to HK$1,000,000 and the unpaid broadcasting fees amounted to HK$1,000,000 which HK$500,000 each will become due and payable in December 2011 and June 2012 respectively. Pursuant to this agreement, Macau Cable TV agreed to broadcast such programmes in Macau through its Channel 21. Free promotion of such programmes shall be provided to the Target Company by Macau Cable TV by way of advertisement in the information channel of Macau Cable TV Limited and its publications such as television guide;

(ii) the cooperation agreement with Hong Kong Cable Enterprises Limited ("Hong Kong Cable") dated 13 May 2010 in relation to the broadcasting of the Chinese programmes of CNC Channel (新華社電視台) on the television channel of Hong Kong Cable in Hong Kong. Pursuant to such agreement, the Target Company agreed to pay a total of HK$7,500,000 for the broadcasting of such programmes for a period of three years from 1 July 2010 to 30 June 2013. As of the Latest Practicable Date, the paid broadcasting fees amounted to HK$3,750,000 and the unpaid broadcasting fees amounted to HK$3,750,000, of which HK$1,250,000 will become due and payable in December 2011, June 2012 and December 2012 respectively. Pursuant to this agreement, the Target Company is obliged to provide no less than eight hours of contents to Hong Kong Cable for broadcasting purposes on a daily basis. Subject to the applicable laws, the Target Company has the sole discretion in providing the contents and advertisements to Hong Kong Cable for broadcasting purposes. Hong Kong Cable agreed that during the term of the agreement, the Target Company may place advertisement at the television channels of Hong Kong Cable for promoting the programmes and the production of which shall be at the cost and expense of the Target Company. Hong Kong Cable also agreed to provide advertising space at its monthly magazine and website for the promotion of the programmes at no additional cost, provided that the Target Company shall be responsible for the costs associated with the production of such promotional materials; and

(iii) the cooperation agreement with Thailand Cable International TV Co Limited ("Thailand Cable") dated 1 August 2011 in relation to the broadcasting of the Chinese programmes of CNC Channel (新華社電視台) on the television channel of Thailand Cable in Thailand. Pursuant to such agreement, Thailand Cable agreed to broadcast such programmes 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 Thailand Cable after the expiry of such period. In the event that the parties fail to reach an agreement in respect of the sharing of advertising income then either party may terminate the agreement. Thailand Cable agreed to broadcast the programmes for not less than two hours but no more than four hours on a daily basis. Thailand Cable may insert advertisement into the programmes broadcasted, provided that such advertisement shall be in compliance with the laws of Thailand and the PRC.

Save for the above agreements entered into by the Target Company, the Target Group had not commenced any operation or generated any revenue as at the Latest Practicable Date.

As at the Latest Practicable Date, China Xinhua NNC had entered into two agreements relating to the broadcasting arrangement with television channels:

(i) the cooperation agreement with Chinese New Zealand Television Limited ("Chinese New Zealand TV") dated 10 January 2011 in relation to the broadcasting of the Chinese and English programmes of CNC Channel (新華社電視台) on the television channels of Chinese New Zealand TV in New Zealand for a period of three years from 1 February 2011 to 31 January 2014 with no fees payable by China Xinhua NNC. However, Chinese New Zealand TV agreed to charge a monthly fee of NZD1,000 as expenses due to the increase in labour costs in providing the services to China Xinhua NNC. Such expenses are payable on an annual basis. As of the Latest Practicable Date, the paid expenses amounted to HK$80,040 and unpaid expenses amounted to HK$160,080, of which HK$80,040 each will become due and payable within 30 days upon receipt of invoice in 2012 and 2013, respectively. It is the responsibility of Chinese New Zealand TV to obtain the necessary approval (if any) from in order to enable the programmes to be broadcasted in New Zealand legally. China Xinhua NNC agreed, at its own cost, to arrange for the satellite signal to be transmitted to the facilities of Chinese New Zealand TV in New Zealand and to provide Chinese New Zealand TV with the necessary equipment for the receipt of the satellite signal. Chinese New Zealand TV agreed to broadcast no less than a total number of six hours of such programmes on a daily basis, of which no less than one hour will be broadcasted during 7:00 p.m. to 10:00 p.m.. The cooperation agreement between China Xinhua NNC and Chinese New Zealand TV does not contain specific provisions in respect of the sharing of advertising income generated from the broadcasting of such programmes. Both China Xinhua NNC and Chinese New Zealand TV are entitled to insert advertisements in between the programmes broadcasted. No advertising fee is payable to Chinese New Zealand TV in respect of advertisements for the promotion of charity and Xinhua News Agency. In respect of any advertisements which are commercial in nature, any advertising fees payable by China Xinhua NNC to Chinese New Zealand TV would be subject to further negotiations and agreement between the parties; and

(ii) the cooperation agreement with Mongolia Broadcast Company Limited ("Mongolia Broadcast") dated 20 December 2010 in relation to the provision of the broadcasting of English programmes of CNC Channel (新華社電視台) on the television channel of Mongolia Broadcast in Mongolia for a period of one year from 25 December 2010 to 31 December 2011 with no fees payable by China Xinhua NNC. It is the responsibility of Mongolia Broadcast to obtain the necessary approval (if any) from in order to enable such programmes to be broadcasted in Mongolia legally. China Xinhua NNC agreed, at its own cost, to arrange for the satellite signal to be transmitted to the facilities of Mongolia Broadcast in Ulan Bator, Mongolia and to provide Mongolia Broadcast with the necessary equipment for the receipt of the satellite signal, for the CNC English Channel. The agreement does not contain specific provisions in respect of the sharing of advertising income generated from the broadcasting of such programmes. Nevertheless, China Xinhua NNC and Mongolia Broadcast agreed that, pending any agreement in respect of the sharing of advertising income, Mongolia Broadcast may insert advertisement into the programmes broadcasted. No advertising fee is payable to Mongolia Broadcast in respect of advertisements for the promotion of charity and Xinhua News Agency. In respect of any advertisements which are commercial in nature, then any advertising fees payable by China Xinhua NNC to Mongolia Broadcast would be subject to further negotiations and agreement between the parties.

All rights and obligations (including all profit or loss entitlement) under the above two 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 or China Xinhua NNC, as the case may be, periodically.

As advised by the Vendors and China Xinhua NNC (as the case may be), the terms regarding the profit sharing of advertising income under each of the above cooperation agreements are not specified or are still subject to further negotiation as the cooperation arrangements are still under the trial run period for the purpose of gathering the local viewership preference.

The total committed fees for the Television Broadcasting Right and under the terms of the above cooperation agreements entered into by the Target Group upon Completion is approximately HK$44.65 million which will be charged to profit and loss accounts. As at the Latest Practicable Date, the total costs payable by the Target Group was approximately HK$45.14 million. Upon Completion, the Company expects that such fee commitments and other fundings required for the new media business will be financed by (i) operating cash inflow from the existing waterworks business; (ii) proceeds from the placing exercise conducted by the Company on 21 July 2011; and (iii) other banking facilities, debt or equity funding exercise, as and when appropriate.

Having considered, among other things, that the above agreements are entered into by the Target Group or China Xinhua NNC (as the case may be) with well-known television broadcasting companies in the Asia Pacific region (excluding the PRC), and such agreements are currently effective with the requisite broadcasting fees (if any) being paid by the Target Group or China Xinhua NNC, respectively. The Directors reasonably believe that all of the agreements are legally binding. Pursuant to the Second Supplemental Agreement, the Vendors have agreed to provide the Company with a legal opinion in respect of the validity and legality of the above agreements on or before Completion. As of the Latest Practicable Date, the Directors were not aware of any business disputes among the contracting parties to such agreements.

The Company expects that negotiations for renewal of the cooperation agreements with the respective counterparties will commence prior to the respective expiry dates. As advised by the Target Company and China Xinhua NNC, Thailand Cable and Mongolia Broadcast has informally indicated their willingness to extend the term of the respective cooperative agreements upon expiration. The terms of renewal are expected to be dependent upon various factors at the time of the negotiation including, among other things, the economic conditions, the popularity of the Television Programmes and the financial conditions of the Enlarged Group. However, to the best of the Directors' knowledge, as of the Latest Practicable Date, the Target Company had not entered into any definitive agreements in respect of the renewal of any of the cooperation agreements. Subject to Completion, the Company will review from time to time on the appropriate time at which definitive agreements for the renewal of any of the cooperation agreements should be entered into.

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 Target Company has secured and will, upon Completion, secure cooperation agreements with television broadcasting companies 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 cooperation arrangements 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 in 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.

Broadcasting arrangement with satellite operator

Given that the signal for the broadcasting of the Television Programmes is transmitted through satellites, the following three agreements relating to the broadcasting arrangements with satellite operator have been entered into by the Target Company for the broadcasting of the Television Programmes:

(i) the cooperation agreement between Target Company and APT Satellite Company Limited ("APT") dated 6 August 2010 in relation to the use of the satellite capacity and broadcasting services provided by APT. Pursuant to such agreement, APT agreed to provide satellite broadcasting services for the Chinese and English programmes of CNC World Channel (中國電視網環球頻道) via APSTAR 6 owned and operated by APT. The broadcasting period for the Chinese and English programmes of CNC World Channel (中國電視網環球頻道) pursuant to the agreement are from 15 October 2009 to 14 October 2019 and 1 May 2010 to 30 April 2020, respectively. The total consideration payable by the Target Company to APT for the broadcasting services during a period of 10 years is HK$25,000,000. Such consideration payments are incorporated in the broadcasting and uplink services agreement between the Target Company and APT Satellite dated 14 December 2010 and the Satellite transponder services agreement between the Target Company and APT dated 14 December

2010 as more particularly described below. In addition, APT would be entitled to 5% shareholding in the Target Company at the time of execution of the cooperation agreement. On 5 September 2011, China Xinhua NNC transferred 500 shares in the Target Company, representing 5% of the then shareholding in the Target Company, to APT Satellite (being one of the Vendors), a wholly-owned subsidiary of APT;

(ii) the broadcasting and uplink services agreement between the Target Company and APT Satellite dated 14 December 2010 in relation to the use of the satellite transmission platform and broadcasting services of APT for the period between 1 January 2010 and 30 April 2020 at a total consideration of approximately HK$7.84 million. As of the Latest Practicable Date, the paid fee amounted to approximately HK$1.50 million and the unpaid fee amounted to approximately HK$6.34 million, of which HK$392,000 each will become due and payable on or before the tenth working day in January and July of each calendar year up to 2019 and final payment of approximately HK$0.19 million will become due and payable on or before the tenth working day in January 2020. Pursuant to the agreement, APT agreed to provide broadcasting and uplink services to Xinhua throughout the said period; and

(iii) the satellite transponder services agreement between the Target Company and APT dated 14 December 2010 in relation to the use of the transponder capacity of the satellite by the Target Company for the period between 1 January 2010 and 30 April 2020 at a total consideration of approximately HK$17.16 million. As of the Latest Practicable Date, the paid fee amounted to approximately HK$3.27 million and unpaid fee amounted to approximately HK$13.89 million, of which HK$858,000 each will become due and payable on or before the tenth working day in January and July of each calendar year up to 2019 and final payment of HK$414,700 will become due and payable on or before the tenth working day in January 2020. Pursuant to the agreement, APT agreed to provide transponder capacity on APSTAR 6 for broadcasting and transmission of TV channels.

China Xinhua NNC entered into a broadcasting service agreement between China Xinhua NNC with APT on 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. As advised by the Vendors, their agreement is not related to the business of the Target Group and accordingly, such agreement will not be assigned to the Target Company.

Sales and marketing platform

As advised by the Vendors, as at the Latest Practicable Date, the management of the Target Group had not yet carried out any promotional activities for the Television Programmes, nor had a sales and marketing team been established to capture advertising income given that (i) the Target Group is originally essentially managed by a quasi-governmental entity rather than a purely commercial operator; and (ii) it is the Target Group's plan to commence sales and marketing activities to generate advertising income after reaching a certain level of viewership and television broadcasting network.

Leveraging on the information contents provided by 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 cooperative agreements with different media service providers (namely, television broadcasting companies) in the Asia Pacific region (excluding the PRC), the Television Programmes are expected to enjoy an increasing rate of penetration through different media service providers, including television channels. As such, the increase in penetration rate of the Television Programmes are expected to attract advertisers to consider purchasing advertising air-time from the Target Group.

In order to improve the penetration of the Television Programmes, the Target Company will cooperate with overseas television broadcasting companies who are interested in broadcasting information contents containing news, current affairs and documentary programmes from the PRC perspective. As at the Latest Practicable Date, the Target Group had developed business relationships with television broadcasting companies in Macau, Hong Kong and Thailand, whilst China Xinhua NNC had developed business relationships with television broadcasting companies in Mongolia and New Zealand. As disclosed above, the cooperation agreements between China Xinhua NNC and the respective television broadcasting companies in Mongolia and New Zealand will be assigned to the Target Company at or prior to Completion.

As advised by the Vendors, the Target Company has been focusing on the development of relationship with various television broadcasting companies since its establishment. As the Target Company has already developed some business relationship with different television broadcasting companies, it plans to recruit sales and marketing staff for its operation. On this basis, the Directors expects that the Target Company will generate advertising revenue and incur expenses in 2012.

Sales and marketing channels and strategies

The Target Group intends to generate its income mainly from:

(i) *sharing of the advertising revenue with television broadcasting companies*

By broadcasting the Television Programmes, the television broadcasting companies may generate advertising fees by selling advertising slots to their own advertising clients. As such, the Target Group is expected to receive revenue from sharing of such advertising fee with the television broadcasting companies and/or receiving annual fee from the television broadcasting companies. As at the Latest Practicable Date, no such agreement had been reached with the television broadcasting companies for sharing of advertising fee with or receiving annual fee from such television broadcasting companies. The Target Group expects to commence such negotiations with respective television broadcasting companies after the Completion, subject to the formation of the sales and marketing team.

(ii) *sharing of advertising revenue with advertising companies*

The Target Group may engage advertising companies to sell advertising slots in return for sharing of advertising fee and/or fixed fee. The Target Group expects to commence negotiations with advertising companies for the aforesaid arrangement after the Completion, subject to the formation of the sales and marketing team.

(iii) *advertising revenue from clients directly*

The Target Group may directly sell advertising slots to the advertising clients in return for advertising fees. The Target Group expects to commence such sales and marketing work after the Completion and subject to the formation of the sales and marketing team.

Xinhua News Agency is a well-established and popular brandname in the PRC. By leveraging on the brand name of Xinhua News Agency, the Target Company could save brand development and marketing costs in promoting the Television Programmes to potential television broadcasting companies, advertising companies and advertising clients.

Pricing policy

The pricing policy set by the Target Group is dependent upon (among other things):

(i) the proportionate sharing of advertising revenue to be received by it from the television broadcasting companies and advertising companies;

(ii) the advertising revenue to be received by it from the advertising client;

(iii) the annual fee to be paid to the television broadcasting companies with which the Target Group has entered into cooperation agreements for the broadcasting of the Television Programmes;

(iv) the fee to be paid to the satellite operator;

(v) the fee to be paid to China Xinhua NNC under the Television Broadcasting Right;

(vi) the estimated number of potential viewers during the advertising time slots; and

(vii) the relevant charge rates with comparable television programmes.

Human Resources

The Directors regard the Target Company as a significant development of the Group and as such all of the executive Directors are expected to be responsible for the overall supervision and management of the Television Broadcasting Business upon Completion. The Directors are aware that, as of the Latest Practicable Date, the Directors and the senior management of the Company did not possess the relevant experience and expertise in managing and operating the Television Broadcasting Business. By leveraging on the popularity of Xinhua News Agency's brand name and by offering competitive remuneration package, the Company expects to attract talents with relevant knowledge and experience to join the Enlarged Group for the Television Broadcasting Business. The Company has commenced the recruitment process by interviewing candidates who are experienced in the media and advertising industry and, subject to completion of the Proposed Acquisition, proposes to hire appropriate individuals in the industry as senior management of the Enlarged Group to operate and manage the Target Group's business. The Company expects that, with the assistance of the new Directors appointed by China Xinhua NNC with effect from Completion and new employees to be hired by the Enlarged Group, it will be in a position to provide on-going training to the existing management of the Company such that they can acquire the knowledge and experience in the operations and management of the new business.

As at the Latest Practicable Date, the Target Company or China Xinhua NNC (as the case may be) had entered into five broadcasting agreements with television broadcasting companies in five countries or cities, namely, Hong Kong, Macau, Thailand, New Zealand and Monogolia. It is the current intention of the Target Group to expand its business into other countries or cities in the future. The Target Group may set up representative offices in different overseas markets. Depending on the market size of the locations, it is expected that such representative offices will recruit and/or maintain minimal staff only and will adjust the number of staff as and when appropriate. Most of the administrative and/or core functions will be maintained by the head office in Hong Kong.

Expected number of employees of the Target Group

Given that the Target Group does not require to produce the information contents itself, the Directors believe that, upon Completion, it would be sufficient for the Target Group to operate the Television Broadcasting Business through its headquarters in Hong Kong for the purpose of coordinating the broadcasting of the Television Programmes with overseas television broadcasting companies without the imminent need to establish overseas offices or acquire production capabilities.

In order to enhance the penetration rate of the Television Programmes, the Target Group has the following recruitment plan for the markets where the Television Programmes are broadcasted:

(i) Hong Kong

The Target Group expects to employ five sales representatives by 2012 for the Hong Kong market with the responsibility of generating advertising revenue for the Hong Kong market. Two of the sales representatives are expected to be key sales representatives covering large corporations in the PRC such as state-owned enterprises and governmental bodies, and will be responsible for client relationship management and new business development; whereas the remaining three sales representatives are expected to generate sales from local corporations.

(ii) Macau and New Zealand

The Target Group expects to employ three sales representatives by 2012 for the Macau and New Zealand markets with the responsibility of generating advertising revenue for these markets. In each of these markets, one sales representative is expected to be the key sales representative covering large corporations in the PRC such as state-owned enterprises and governmental bodies, and will be responsible for client relationship management and new business development; whereas the remaining two sales representatives are expected to generate sales from local corporations.

(iii) Thailand

The Target Group expects to employ two sales representatives by 2012 for the Thailand market with the responsibility of generating advertising revenue for Thailand market. One sale representative is expected to be the key sales representative covering large corporations in the PRC such as state-owned enterprises and governmental bodies, and will be responsible for client relationship management and new business development; whereas the other sales representative is expected to generate sales from local corporations.

It is expected that the major functions of such representative offices (if any) will be (i) acting as a communication channel between the Target Group and overseas television broadcasting channels; (ii) gathering the intelligence of viewers' preference of the local market; (iii) monitoring the outsourced self production of local information content; and (iv) liaising with potential and existing local customers and/or local advertising partners.

Summary of the current and future involvement, roles and responsibilities of China Xinhua NNC and the Target Group in the operation

The summary of the current and future involvement, roles and responsibilities of China Xinhua NNC and the Target Group in the operation of the Target Group are as follow:

	Present	Upon and after the Completion
China Xinhua NNC		
Involvement	Entering into the Television Broadcasting Right for the provision of Television Programmes to the Target Group	Remain the same
	Entering into agreements with television broadcasting companies and satellite operator for broadcasting arrangements with television broadcasting companies and satellite operator, respectively	Cease such involvement upon assignment of these agreements to the Target Company
Roles and responsibilities	Acting as the communication channel between Xinhua News Agency and the Target Group	Remain the same
Target Group		
Involvement	Entering into the Television Broadcasting Right to source the information contents from Xinhua News Agency	Remain the same
	Entering into agreements with television broadcasting companies and satellite operator for broadcasting arrangements with television broadcasting companies and satellite operator, respectively	Remain the same
Roles and responsibilities	Acting as the flagship of the media business of the Vendors	Acting as the flagship of the media business of the Enlarged Group
		Promotion and marketing activities for media business

Competitive strengths of the Target Group

Drawing on the strength of Xinhua News Agency, the Hong Kong-based Target Company is uniquely positioned to provide a variety of high quality, memorial documentary and special event programmes mainly relating to the PRC that are not otherwise consistently available to the general television audience in the world. As an information contents provider to the television broadcasting companies, the Target Company provides programmes to the large and growing Chinese-speaking communities outside the PRC. The Company believes that its competitive strengths include:

Diverse, comprehensive and memorial programmes

The information contents of the Television Programmes includes news of the PRC, in-depth report, coverage of live events and memorial documentaries. The Target Group believes that the Television Programmes from Xinhua News Agency are of high quality and informative and thus have a broad appeal overseas. In addition, by employing western programme packaging techniques and effective promotion efforts through the cooperation with different television broadcasting companies and advertising companies, the Target Group is confident that it will establish the recognised image for the Television Programmes that is unique to overseas Chinese-speaking communities outside the PRC.

High level of public awareness and recognition and strength of Xinhua News Agency

Xinhua News Agency is widely recognised in the PRC. Such high recognition of the name of Xinhua News Agency suggests that there is a significant potential for increasing market penetration and advertising revenue. Furthermore, the Target Group also plans to capitalise on such brand recognition by cooperating with more overseas television broadcasting companies.

Xinhua News Agency, an internationally recognised multimedia company, engages in the production and distribution of high quality news on the PRC, in-depth report, coverage of live events and memorial documentaries programmes. Leveraging on the strength of Xinhua News Agency, the Target Group is in a position to provide Television Programmes catered for a diversed viewer group. It also plans to optimise programme scheduling so as to be more attuned to viewer habits and increase viewer retention by cooperating with overseas media companies. It is expected that the growing popularity of the Television Programmes overseas will attract the demand for advertising time and advertising income.

Business plan and strategies

Being a licenced contractor under the categories of ''waterworks'', ''roads and drainage'' and ''site formation'', the Group is eligible, in the capacity of a main contractor, to tender for projects of these three categories in the public sector in Hong Kong. Over years of participation in waterworks engineering services, the Group has built up its reputation in the waterworks engineering industry and maintained good relationship with other main contractors. The Group aims at leveraging its competitive edge in the waterworks engineering industry to become one of the leading waterworks engineering services providers to the public sector in Hong Kong which commits to strive for excellence in service quality and timeliness. With established operating history and track record in the waterworks engineering industry, the Group intends to focus on the provision of waterworks engineering services and undertake more waterworks contracts in the capacity of a main contractor in the near future. The Group will continue to foster its reputation and increase its market share in the waterworks engineering industry.

In respect of the Enlarged Group, by virtue of, the Proposed Acquisition, the Enlarged Group will participate in the media business with a broadcasting network of television broadcasting companies. It is also anticipated that the Proposed Acquisition would enable the Enlarged Group to diversify its income stream, which is consistent with the Group's strategy of broadening its source of income.

The Target Group will aim to foster its reputation and increase its market share in the media business by pursuing the following business plan and strategies:

Leverage on the business relationship and network of Xinhua News Agency

The sole information contents supplier of the Target Group is Xinhua News Agency. The background, experience and extensive network of reporting teams (in terms of the number of reporters worldwide) of Xinhua News Agency who station in over 100 news reporting centres around the world provide the basic support for the production of information contents by Xinhua News Agency. Leveraging on the extensive network of reporters worldwide and resources available to Xinhua News Agency in producing information contents, 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 Enlarged Group in the future.

Expanding its local and overseas markets

The Target Group intends to develop an overseas broadcasting network by cooperating with overseas television broadcasting companies and local advertising companies and/or business partners. In relation to the cooperation with overseas television broadcasting companies, the Target Group intends to select more information contents relating to the PRC market and economy to attract overseas audiences and allow existing viewers to keep abreast of the latest happening and situation of the PRC market. In respect of advertising companies, the Target Group intends to cooperate with local business partners to leverage on their knowledge and network in the local advertising business to facilitate them in penetrating into the overseas market in a cost effective way.

Self produced information contents

Apart from the information contents from Xinhua News Agency, the Directors consider that the Target Group may produce a relatively small amount of information contents itself in the future as and when appropriate. It is expected that such production will be subject to the availability of potential sponsorship and, for cost reason, will mainly be outsourced to external professional production teams. It is also expected that this self produced information contents may focus on local related matters to compliment the information contents supplied by Xinhua News Agency from a PRC perspective. Subject to the potential sponsorship, the local related matters may range from local current affairs to local food related matters. With such additional information contents and with appropriate promotional effort, the Directors believe that viewership will eventually increase in medium to long term. In order to minimise the capital requirement for self production of information contents, it is expected that such production will mainly be outsourced to external professional production teams. Barring unforeseeable circumstances, it is expected that the Target Group will commence its production of information contents in or around 2012.

Legal and regulatory considerations

PRC

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 Company's PRC legal advisers: (i) 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 (ii) China Xinhua NNC and the Audio and Visual Department of Xinhua News Agency granted the television broadcasting and advertising right to the Target Company.

As advised by China Xinhua NNC: (i) 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 govern the policies relating to promotion of television broadcasting and film production and monitor all the establishment of the infrastructure of television broadcasting and film production; and (ii) the Audio and Visual Department of Xinhua News Agency is a department (not being a PRC governmental authority) of Xinhua News Agency focusing on news production.

As confirmed by the Company's PRC legal advisers:

(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 outside of the PRC. 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 advertisement in the Asia Pacific region (excluding the PRC) by virtue of 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 the PRC; and

(iii) on the basis of the aforesaid, there is no limitation, legal restriction and permits required in the PRC for the Company and the Target Group to perform the business of the Target Group which broadcasts television programmes through cooperation with television broadcasting companies in the Asia Pacific region (excluding the PRC).

Hong Kong

As advised by the legal advisers of the Vendors, from a regulatory perspective, the operations of the Target Company merely involves authorising television broadcasting company in Hong Kong to receive the information contents of the Television Programmes from Xinhua News Agency and broadcast the Television Programmes in Hong Kong, which do not constitute the provision of television programme services. As such the Target Company is not required to obtain a licence for the provision of television programme services from the Broadcasting Authority pursuant to the Broadcasting Ordinance (Cap. 562, Laws of Hong Kong).

Further, as advised by the legal advisers of the Vendors, the operations of the Target Company do not constitute the provision of telecommunication services and no licences are required to be obtained from the Telecommunications Authority pursuant to the Telecommunications Ordinance (Cap. 106, Laws of Hong Kong).

Macau

As advised by legal advisers of the Company in Macau, the television broadcasting activities are governed by the "Legal System of Broadcasting Activity" (視聽廣播業之法律制度) (the "Macau Broadcasting Regulations") in Macau. The operations of Macau Cable, being the licencee under a licence agreement with the Macau government in respect of the broadcasting of paid television in Macau (the "Licence Agreement"), are subject to both the terms of the Licence Agreement and the Macau Broadcasting Regulations.

The Target Company, by broadcasting the Chinese programmes of CNC Channel (新華社電視台) on the television channel of Macau Cable, is not subject to the terms of the Licence Agreement and the Macau Broadcasting Regulations from the perspective of the broadcasting licensing requirements in Macau and duties towards the broadcasting supervision authority in Macau. In addition, pursuant to article 54 of the Licence Agreement, Macau Cable, rather than the information contents provider, is the party responsible to the Macau government for the contents broadcasted on its television channels.

Since the Chinese programmes of CNC Channel (新華社電視台) are broadcasted on the television channel of Macau Cable pursuant to the cooperation agreement between the Target Company and Macau Cable, as advised by the Company's legal advisers in Macau, the Target Company is not required to obtain any permits, licences, rights or concessions to operate the Television Broadcasting Business in Macau.

Thailand

As advised by the Thailand legal advisers of the Company, as a content provider (as opposed to a television broadcasting company), the Target Company is not subject to any local broadcasting regulations in Thailand. Only broadcasting operators are subject to the regulation by the National Broadcasting and Telecommunications Commission on areas such as limitations on ownership by foreign citizen or entities, cross ownership of different media, licence to operate the broadcasting business and fees which a television broadcasting company may charge its audiences.

New Zealand

New Zealand has a relatively deregulated television broadcasting industry. As advised by the New Zealand legal advisers: (i) there are no relevant controls or constraints on foreign entities broadcasting television programmes and advertisements in New Zealand; (ii) there are also no relevant controls or constraints on foreign entities providing broadcasting content to a broadcaster to screen in New Zealand; and (iii) there are also no permits, licences, rights or concessions required of the Target Company to operate the Television Broadcasting Business in New Zealand.

Mongolia

As advised by the Mongolian legal advisers of the Company, the relevant laws and regulations governing the broadcasting of television programmes and advertising contents are only imposed upon television broadcasters (as opposed to the information content provider). As such, the Target Company is not subject to any local television broadcasting and advertising regulations in Mongolia, and no permits, licenses rights, concessions are required for the Target Company to operate the Television Broadcasting Business.

Conclusion

Based on the confirmation and advices above, the Directors confirm that there is no specific licensing and permit requirements in the relevant jurisdictions for the provision of Television Programmes to the television broadcasting companies under the respective cooperative agreements entered into by the Target Company or China Xinhua NNC (as the case may be). The Company will seek foreign legal advice regarding the licensing and permit requirements (if any) in other jurisdictions where the Target Group operates its business in the future as and when appropriate.

Financial information of the Target Group

Based on the audited consolidated financial information of the Target Group, the net liabilities of the Target Group as at 30 June 2011 was approximately HK$6.8 million. Please refer to the accountants' report of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix II to this circular.

REASONS 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 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 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 Television 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 centres 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 took into account that (i) the business of the Target Group is unique as the Television Programmes 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 valuation of the Target Company, as valued by the Valuer, is around HK$700 million. On balance, the Directors considered that the terms of the Acquisition Agreement to be fair and reasonable and in the interest of the Shareholders as a whole.

Although the Company has not conducted any feasibility study regarding the Television Broadcasting Business to be conducted by the Enlarged Group, the Directors, through the due diligence conducted and discussions with the management of the Target Group, together with the reviewing of the valuation report prepared by the Valuer during the valuation process, are satisfied that the business model of the Target Group is commercially feasible.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

During the three months ended 30 June 2011, the Group has obtained one new waterworks contract. The Group will continue with its existing principal business of the Group in 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, which includes the implementation of the waterworks relating to the replacement and rehabilitation of water mains in Sai Kung awarded by the WSD.

In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by WSD will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme is scheduled to commence in 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Aimed at maximising profit and return for the Group and the shareholders of the Company, the Group 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. Towards this strategy, on 28 July 2011, a wholly-owned subsidiary of the Company has entered into an agreement to conditionally agree for an acquisition of 17% of total issued share capital of China New Media (HK) Company Limited, which is principally engaged in outdoor advertising in Hong Kong, specialising in advertising spaces in lifts and outer walls of buildings. The completion of such acquisition took place on 11 August 2011.

It is further anticipated that upon Completion, the Proposed Acquisition would enable the Enlarged Group to participate in the broadcasting business with a broadcasting network of television channel having a relatively extensive scale. 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 Enlarged Group in the future. Such advertising revenue is expected to enlarge and diversify the Enlarged Group's income stream, which is consistent with its strategy of broadening its source of income. The Directors are of the view that the Proposed Acquisition will enhance the operation base and the future income base of the Enlarged Group and the Directors also believe that the Proposed Acquisition will diversify the Enlarged Group's business portfolio, thereby providing significant growth potential for the Enlarged Group.

The cost structure of the Target Company is relatively simple. As the Target Company is granted the Television Broadcasting Right from China Xinhua NNC by paying annual fee, no other costs would be incurred in producing the Television Programmes other than the self produced information contents (if any). The other major costs relate to, among other things, the fees payable under the cooperation agreements with television broadcasting companies and the broadcasting arrangements with satellite operators, as more particularly described above.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and its results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma consolidated financial information of the Enlarged Group illustrating the financial impact of the Proposed Acquisition on the results, assets and liabilities of the Group is set out in Appendix III to this circular.

The profit attributable to owners of the Company amounted to approximately HK$9.7 million for the year ended 31 March 2011. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming Completion took place on 1 April 2010 and the Television Broadcasting Right was granted on 1 April 2010, the Enlarged Group's loss attributable to owners of the Company would have been amounted to approximately HK$80.9 million for the year ended 31 March 2011. Such loss was mainly due to the amortisation charges on the Television Broadcasting Right of approximately HK$65.7 million and finance costs on the Convertible Bonds of approximately HK$32.1 million.

In preparation of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix II, the Television Broadcasting Right is subject to amortisation charges over its estimated useful life of 10 years of its contracting period. The finance costs on the Convertible Bonds are estimated based on the effective interest rate of 5.4%. The annual expenses for both the amortisation charges on the Television Broadcasting Right of approximately HK$65.7 million and finance costs on the Convertible Bonds of approximately HK$32.1 million are recurring in nature and are expected to have continuing effect on the Enlarged Group's consolidated statement of comprehensive income up to the respective expiry date of the Television Broadcasting Right (i.e. ten years from date of grant) and the Convertible Bonds (i.e. three years from the date of issuance).

Upon Completion, the respective fair value of the Television Broadcasting Right and the Convertible Bonds will be re-assessed and the amortisation charges on the Television Broadcasting Right will be determined based on the consumption pattern in which the Television Broadcasting Right's future economic benefits are expected. As such, the amortisation charges on the Television Broadcasting Right and finance costs on the Convertible Bonds in the future may be different from those estimated amounts stated in the unaudited pro forma financial information of the Enlarged Group. The accounting treatment and the exact amounts to be accounted for the Enlarged Group's results are subject to be reviewed by the Enlarged Group's auditor upon Completion.

As at 31 March 2011, the audited consolidated total assets and total liabilities of the Group amounted to approximately HK$74.2 million and HK$28.4 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming Completion had taken place on 31 March 2011, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would be increased to approximately HK$892.3 million and HK$748.9 million, respectively.

Since the values of the assets and liabilities of the Target Company may be different at the Completion Date from the values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of the assets and liabilities of the Target Company to be recorded in the financial statements of the Group may be different from the estimated amounts shown in the unaudited pro forma financial information of the Enlarged Group.

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 Latest Practicable Date, no Shareholder had 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.

REFRESHMENT OF SHARE OPTION SCHEME LIMIT

Further to the Proposed Acquisition, the Company also proposes to refresh the Share Option Scheme Limit for the purpose of future grant of share options to the eligible participants under the Share Option Scheme. The Board believes that it is in the interest of the Company and the Shareholders as a whole to refresh the Share Option Scheme Limit immediately following the approval of the Acquisition Agreement and the transactions contemplated thereunder to allow further share options to be granted under the Share Option Scheme so as to provide incentives to and recognise the contribution of the eligible participants under the Share Option Scheme. In particular, the Directors believe that granting of share options, among other things, is a means to provide incentives to retain the existing employees and senior management (including existing Directors) for the existing business and to attract and retain talents for the Enlarged Group.

The Board proposes to refresh the Share Option Scheme Limit at the EGM so that the Company can grant further share options up to 10% of the total number of Shares in issue on the date of the EGM. Based on the total number of Shares in issue as at the Latest Practicable Date and assuming the number of Shares in issue remains unchanged on the date of the EGM, the new Share Option Scheme Limit, if refreshed, will be 119,040,000 Shares.

Subject to the approval of the Shareholders at the EGM and such other requirements prescribed under the GEM Listing Rules, the Share Option Scheme Limit will be refreshed so that the total number of Shares which may be issued upon the exercising of all share options to be granted pursuant to the Share Option Scheme and all other share option scheme(s) as may from time to time be adopted by the Company under the Share Option Scheme Limit as refreshed shall not exceed 10% of the Shares in issue at the date of approval of such refreshed limit. Share options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised), will not be counted for the purpose of calculating the Share Option Scheme Limit as refreshed. However, the aggregate number of Shares that may be issued upon the exercising of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time must not exceed 30% of the Shares in issue from time to time.

As disclosed in the Company's announcement dated 12 August 2011, the Company granted a total of 45,000,000 share options under the Share Option Scheme to certain eligible persons (including the Directors, chief executive and Substantial Shareholders) (together, the "Grantees") on 12 August 2011. Among such share options granted, a total of 30,880,000 share options were granted to the Directors, chief executive, Substantial Shareholders and their respective associates, namely Mr. Kan (as to 9,900,000 share options), Mr. Cheng (as to 9,900,000 share options), Mr. Chia and his spouse (as to 9,900,000 and 180,000 share options, respectively) and Mr. Hui Chi Kwok (as to 1,000,000 share options). The Company announced on 18 October 2011, among other things, that given the change in circumstances as a result of the Proposed Acquisition, the Grantees and the Company discussed and agreed to cancel the aforesaid 45,000,000 share options on 18 October 2011. According to the Share Option Scheme, any share options cancelled cannot be re-granted to the same eligible person. On this basis, after deducting the aforesaid 45,000,000 share options as cancelled, the Company was allowed to grant share options under the Share Option Scheme to subscribe for up to 54,200,000 Shares as at the Latest Practicable Date. Pending the conclusion of the EGM, the Company may grant other share options in accordance to the Share Option Scheme. As at the Latest Practicable Date, the Company had not granted any share options under the Share Option Scheme save as otherwise disclosed above and did not have any outstanding share options granted, or warrants or convertible securities to subscribe for the Shares.

As at the Latest Practicable Date, the Company had an aggregate of 1,190,400,000 Shares. If the Share Option Scheme Limit is refreshed at the EGM, on the basis of 1,190,400,000 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased by the Company prior to the EGM, the Company will be allowed to grant further share options to subscribe for up to 119,040,000 Shares. Share options previously granted under the Share Option Scheme (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the 10% refreshed limit.

The refreshment of the Share Option Scheme Limit is conditional upon:

(i) the Shareholders passing an ordinary resolution to approve the refreshment of the Share Option Scheme Limit at the EGM; and

(ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercising of any share options granted under the refreshed limit which shall not exceed 10% of the issued share capital of the Company at the date of approval of such refreshment.

Application will be made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue at the date of the EGM) that may fall to be issued upon the exercising of any share options that may be granted under the Share Option Scheme and any other share option scheme(s) of the Company.

EGM

Set out on pages 206 to 208 of this circular is a notice of the EGM to be held at 10:00 a.m. on Tuesday, 6 December 2011 at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at which resolutions will be proposed to approve, among other things, the Acquisition Agreement and the transactions contemplated therein, the appointment of the persons nominated by China Xinhua NNC as Directors, and the refreshment of Share Option Scheme Limit. The resolutions for appointment of the persons nominated by China Xinhua NNC as Directors are conditional on the resolution for approving the Acquisition Agreement, while the resolution for refreshment of the Share Option Limit is not conditional upon the resolution for approving the Acquisition Agreement. To the best of the Directors' knowledge, no Shareholder is required to abstain from voting in this respect.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder and the proposed refreshment of the Share Option Scheme Limit are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, the Specific Mandate and the refreshment of the Share Option Scheme Limit as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Tsun Yip Holdings Limited
Kan Kwok Cheung
Chairman and Executive Director

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 March 2011 has been set out on pages 40 to 83 of the annual report for 2010/11 of the Company which was posted on 27 June 2011 on the Stock Exchange's website (*http://www.hkexnews.hk*). Please also see below quick link to the annual report for 2010/11:

http://www.hkexnews.hk/listedco/listconews/gem/20110627/GLN20110627025.pdf

The audited consolidated financial statements of the Group for the two years ended 31 March 2009 and 2010 have been set out in appendix I of the Prospectus which was posted on 20 August 2010 on the Stock Exchange's website (*http://www.hkexnews.hk*). Please also see below quick link to the Prospectus:

http://www.hkexnews.hk/listedco/listconews/gem/20100820/GLN20100820019.pdf

2. UNAUDITED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS OF THE GROUP

The unaudited consolidated first quarterly financial statements of the Group for the three months ended 30 June 2011 has been set out on pages 2 to 7 of the first quarterly report for 2011/12 of the Company which was posted on 12 August 2011 on the Stock Exchange's website (*http://www.hkexnews.hk*). Please also see below quick link to the quarterly report for 2011/12:

http://www.hkexnews.hk/listedco/listconews/gem/20110812/GLN20110812107.pdf

3. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP

The unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2011 has been set out on pages 2 to 22 of the interim report for 2011/12 of the Company which was posted on 10 November 2011 on the Stock Exchange's website *(http://hkexnews.hk)*. Please also see below quick link to the interim report 2011/2012:

http://www.hkexnews.hk/listedco/listconews/gem/20111110/GLN20111110091.pdf

4. INDEBTEDNESS STATEMENT

Borrowings

As at 30 September 2011, being the latest practicable date for ascertaining the indebtedness statement of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following outstanding bank borrowings and other borrowings:

1. outstanding bank loans of approximately HK$4.9 million, comprising revolving term loan of approximately HK$3.0 million and term loan of approximately HK$1.9 million. The revolving term loan and term loan were secured, interest-bearing and repayable on 31 October 2011 and 21 November 2012, respectively;

2. outstanding promissory note with principal amount of approximately HK$45.0 million which was unsecured, interest-bearing and will be matured on 11 August 2014;

3. the obligations under finance leases amounted to approximately HK$3.1 million; and

4. the loan from a former shareholder amounted to approximately HK$2.0 million which was unsecured, interest-free and repayable within 12 months.

Security and guarantees

As at 30 September 2011, the bank borrowings together with the banking facilities were secured by bank deposits of HK$2.0 million and cross guarantee within the Enlarged Group. As at 30 September 2011, 13 motor vehicles of the Enlarged Group under hire purchase with an aggregate outstanding principal amount of approximately HK$3.1 million were secured by personal guarantees from Mr. Kan.

Contingent liabilities

As at 30 September 2011, the Enlarged Group has executed financial guarantees to a bank for credit facilities granted to a subsidiary of HK$10.0 million. Save as aforesaid, the Enlarged Group did not have any material contingent liabilities.

Commitments

As at 30 September 2011, the Enlarged Group had an outstanding commitment of approximately HK$1.3 million in respect of acquisition of property, plant and equipment. Save as the aforesaid, the Enlarged Group did not have any material commitments.

Disclaimers

Save as the aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at 30 September 2011, the Enlarged Group did not have outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL STATEMENT

The Directors are satisfied after due and careful enquiry that after taking into account the expected completion of the Proposed Acquisition and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for (i) the two years ended 31 March 2009 and 2010 (which includes information extracted and summarised from the Prospectus); (ii) the year ended 31 March 2011 (which includes information extracted and summarised from the annual report for 2010/11 of the Company); (iii) the three months ended 30 June 2011 (which includes information extracted and summarised from the first quarterly report for 2011/12 of the Company); and (iv) the six months ended 30 September 2011 (which includes information extracted and summarised from the interim report for 2011/12 of the Company).

For the two years ended 31 March 2009 and 2010 (which includes information extracted and summarised from the Prospectus)

Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. During two years ended 31 March 2009 and 2010, the Group generated a substantial part of its revenue in the capacity of a subcontractor. For each of the two years ended 31 March 2009 and 2010, revenue generated from contracts in which the Group acted as a subcontractor represented approximately 73.9% and approximately 88.5% of the Group's total revenue, respectively. Revenue generated from the Group providing services in the capacity of a main contractor only accounted for a lesser part of the Group's total revenue, representing approximately 26.1% and approximately 11.5% of the Group's total revenue during the two years ended 31 March 2009 and 2010, respectively.

Financial Review

Revenue

The Group's revenue for the two years ended 31 March 2009 and 2010 was approximately HK$87.7 million and approximately HK$148.8 million respectively. For the year ended 31 March 2009, the Group's revenue was mainly attributable to the revenue generated from the contract for replacement and rehabilitation of water mains (Stage 2) — Tai Po and Fanling (contract numbered 21/WSD/06) of approximately HK$55.1 million and the contract for replacement and rehabilitation of water mains stage 2 — mains in Ngau Tam Mei (contract numbered 13/WSD/06) of approximately HK$15.6 million, representing approximately 62.8% and approximately 17.8% of the Group's revenue for the year, respectively.

The revenue for the year ended 31 March 2010 of approximately HK$148.8 million represented an increase of approximately 69.7% over the revenue for the year ended 31 March 2009. For the year ended 31 March 2010, the Group recorded revenue from the two aforesaid contracts in a total of approximately HK$72.8 million from the two contracts carried forward from the preceding year. The increase in revenue for the year ended 31 March 2010 was largely attributable to the new contract for the replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands (contract numbered 18/WSD/08), which generated revenue of approximately HK$53.0 million, representing approximately 35.6% of the

Group's revenue for the year. The contract for Waterworks District W — New Territories (contract numbered 1/WSD/09(W)), which commenced in September 2009, also contributed approximately HK$14.1 million to the Group's revenue for the year ended 31 March 2010.

During the two years ended 31 March 2009 and 2010, the Group's revenue was mainly generated from the undertaking of waterworks projects of WSD in the capacity as a main contractor or subcontractor. For the two years ended 31 March 2009 and 2010, the Group recorded revenue from undertaking of waterworks projects of WSD as a main contractor or a subcontractor of approximately HK$84.5 million and approximately HK$148.5 million respectively, representing approximately 96.4% and 99.8% of the total revenue for the respective year.

During the two years ended 31 March 2009 and 2010, the Group carried out the work projects in the capacity as a main contractor or a subcontractor. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	Year ended 31 March			
	2009	**% of total**	**2010**	**% of total**
	HK$'000		*HK$'000*	
Main contractor	22,929	26.1	17,154	11.5
Subcontractor	64,767	73.9	131,690	88.5
Total	87,696	100.0	148,844	100.0

For the year ended 31 March 2009, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The subcontracting revenue amounted to approximately HK$64.8 million, representing approximately 73.9% of the total revenue for the year.

For the year ended 31 March 2010, the Group continued to generate the majority of the revenue from undertaking waterworks contracts as a subcontractor. The subcontracting revenue for the year was approximately HK$131.7 million, representing approximately 88.5% of the total revenue for the year and an increase of approximately 103.3% from the preceding year of approximately HK$64.8 million. The higher subcontracting revenue in the year ended 31 March 2010 was mainly attributable to the additional revenue generated from the contracts for the replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands (contract numbered 18/WSD/08) and the maintenance contract for Waterworks District W-New Territories (contract numbered 1/WSD/09(W)). These two contracts generated a total revenue of approximately HK$67.1 million to the Group for the year ended 31 March 2010.

Cost of Services

The following table sets out a breakdown of the Group's cost of services during the two years ended 31 March 2009 and 2010:

	Year ended 31 March			
	2009	**% of total**	**2010**	**% of total**
	HK$'000		*HK$'000*	
Costs of materials	14,695	20.8	30,331	24.9
Costs of subcontracting	24,643	34.9	40,123	32.9
Direct labour	15,891	22.5	22,899	18.8
Other direct costs	15,388	21.8	28,519	23.4
Total	70,617	100.0	121,872	100.0

The cost of services has increased by approximately 72.6% from approximately HK$70.6 million for the year ended 31 March 2009 to approximately HK$121.9 million for the year ended 31 March 2010. The increase in cost of services was generally in line with the growth of the Group's business.

The Group's cost of services mainly includes costs of subcontracting, costs of materials, direct labour and other direct costs. The costs of subcontracting represent charges and fees paid to the subcontractors and services providers of the Group which provide labour, materials and services necessary for the completion of the projects undertaken by the Group. In the event that the materials are purchased by the Group on behalf of the subcontractors, material costs will be deducted from the costs of subcontracting accordingly. The other direct costs refer to a great variety of items including but not limited to the consumables for the projects, interest for advance payment from customers and contract administration fee paid to main contractor(s), depreciation expenses of machinery and motor vehicles, fuel and other expenses such as repair and maintenance costs relating to motor vehicles.

Gross Profit

The Group's gross profit during the two years ended 31 March 2009 and 2010 is as follows:

	Year ended 31 March	
	2009	**2010**
	HK$'000	*HK$'000*
Gross Profit	17,079	26,972
Gross Profit margin *(%)*	19.5	18.1

Gross profit increased by approximately 57.9% from approximately HK$17.1 million for the year ended 31 March 2009 to approximately HK$27.0 million for the year ended 31 March 2010. The increase in gross profit was mainly attributable to the higher revenue for the year ended 31 March 2010 as compared with that for the year ended 31 March 2009, and was in line with the growth in revenue.

The gross profit margin on the other hand has decreased slightly from approximately 19.5% for the year ended 31 March 2009 to approximately 18.1% for the year ended 31 March 2010. There were no significant factors to the knowledge of the Directors that had caused such slight decrease in the gross profit margin.

Other Income

For the two years ended 31 March 2009 and 2010, the Group recorded other income of approximately HK$2.5 million and approximately HK$811,000 respectively. The other income of the Group for the year ended 31 March 2009 represented the write-off of long outstanding trade payables of approximately HK$2.5 million. For the year ended 31 March 2010, the other income represented write-off of long outstanding trade payables of approximately HK$802,000 and sundry income of approximately HK$9,000.

Administrative Expenses

Administrative expenses of the Group amounted to approximately HK$5.4 million and approximately HK$6.8 million for the two years ended 31 March 2009 and 2010 respectively, representing approximately 6.2% and approximately 4.5% of the revenue for the respective year.

Administrative expenses refer to expenses incurred on a regular basis to support the Group's normal course of business, including principally audit fees, legal and professional fees, staff costs, directors' remuneration and depreciation expenses. Staff costs and directors' remuneration were the two major items under the administrative expenses during the two years ended 31 March 2009 and 2010. Staff costs, which mainly relate to the salaries of accounting and administrative staff (other than Directors) in the head office of the Group, amounted to approximately HK$653,000 and approximately HK$1.3 million for the two years ended 31 March 2009 and 31 March 2010 respectively. To meet the operation needs and accommodate the increase in administrative work for the development of Group's business, during the year ended 31 March 2010, the Group had increased the manpower and recruited additional staff at the head office, which explained the increase in staff cost during the year. Directors' remuneration amounted to approximately HK$1.6 million for the year ended 31 March 2009 and approximately HK$2.7 million for the year ended 31 March 2010. The increase in directors' remuneration was mainly due to the appointment of two Directors during the year ended 31 March 2010. A loss on disposal of property, plant and equipment of approximately HK$598,000 was resulted from the disposal of machinery in the year ended 31 March 2009 while the Group recorded a loss on disposal of property, plant and equipment of approximately HK$40,000 in the year ended 31 March 2010. The Company disposes of the machinery according to its working conditions. Save for the above, there were no significant fluctuations in other major items under the administrative expenses.

Finance Costs

Finance costs represented the interest on finance leases and interest on bank loans and overdrafts of the Group. For the two years ended 31 March 2009 and 2010, finance costs amounted to approximately HK$455,000 and approximately HK$634,000 respectively. The interest on finance lease were approximately HK$390,000 and approximately HK$396,000 for each of the two years ended 31 March 2009 and 2010 respectively. For the year ended 31 March 2009, the interests on bank overdrafts were approximately HK$65,000 and the Group did not record any interest on bank loans, as the Group only used bank overdraft facilities to support its working capital uses. During the year ended 31 March 2010, the Group obtained three loan facilities in the total amount of HK$12.0 million which were granted by a bank in Hong Kong pursuant to a scheme launched by the Government with an aim to assist small to medium-sized enterprises to secure loans from participating lending institution to meet general business needs to tide over the liquidity problem during the global financial crisis in late 2008. As a result, the Group recorded bank loan interests of approximately HK$218,000 attributable to the drawdown of such loans of HK$6.0 million on top of the interest on bank overdrafts of approximately HK$20,000 during the year ended 31 March 2010.

Net Profit

The net profit of the Group for the two years ended 31 March 2009 and 2010 was approximately HK$11.4 million and approximately HK$16.8 million respectively. The net profit margin has decreased from approximately 13.0% for the year ended 31 March 2009 to approximately 11.3% for the year ended 31 March 2010. The increase in net profit was resulted from the increase in revenue for the year ended 31 March 2010, while the decrease in net profit margin for the year ended 31 March 2010 was mainly because the net profit for the year ended 31 March 2009 was attributable to a higher amount of other income from write-off of long outstanding payables.

Segmental Information

The Group is principally engaged in the waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. No separate analysis of reportable segment profit before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations through internally generated cash flows and bank borrowings. Depending on the terms of the relevant contracts, the Group can receive advances from customers for general working capital of the project(s) in respect of the contract(s) undertaken by the Group as a subcontractor. In addition to the internally generated cash flows from the projects and the advances from customers which are main contractors, one of the main source of funds is bank borrowing.

During the year ended 31 March 2010, the Group borrowed loans of HK$6.0 million from a bank, of which approximately HK$1.5 million was repaid. The bank loans were interest-bearing and were drawn down from the loan facilities granted by a bank. The interest rate in respect of a non-revolving loan of HK$4.0 million was 1% per annum over the best lending rate offered by the bank. One of the bank loans in the amount of HK$2.0 million, also a non-revolving loan, was borrowed at a flat rate of 3.75% per annum. As at 31 March 2010, the bank loans due within one year amounted to approximately HK$4.5 million. The weighted average interest rate of the borrowings for the year was approximately 5.1%.

The Group leased a number of motor vehicles and machinery for use in its projects. As at 31 March 2009 and 2010, the outstanding amounts of the finance lease creditors amounted to approximately HK$4.6 million and approximately HK$3.9 million, respectively. The outstanding balance as at 31 March 2010 was mainly related to new finance lease of approximately HK$3.2 million from the hire purchase of the motor vehicles.

Save for the bank overdrafts and the bank borrowings, there was no other material external financing for the Group during the two years ended 31 March 2009 and 2010.

As at 31 March 2009, the net current assets of the Group were approximately HK$17.7 million. As at 31 March 2010, the net current assets of the Group were approximately HK$11.5 million. Due to the settlement of the trade and other receivables and an increase in cash and cash equivalents, the amount of total current assets increased as at 31 March 2010 and was a bit higher than the total current assets as at 31 March 2009. The decrease in net current assets was primarily due to higher current liabilities as at 31 March 2010, mainly attributable to higher trade and other payables and current tax liabilities as a result of more business activities as compared with that for the year ended 31 March 2009.

The current ratio, which was defined as the total current assets divided by total current liabilities, has decreased from approximately 1.6 as at 31 March 2009 to approximately 1.3 as at 31 March 2010. The Directors believe that the Group's current ratio is healthy.

Cash Flows

Operating Activities

For the year ended 31 March 2009, the cash inflow from operating activities was mainly generated from the payment by the customers for the Group's undertaking of the projects. The Group recorded profit before income tax of approximately HK$13.7 million and operating profit before changes in working capital of approximately HK$16.2 million. During the year, the increase in inventories and trade and other receivables, outweighed by the increase in trade and other payables, accounted for a cash outflow of approximately HK$12.1 million. It resulted in net cash inflow from operating activities of approximately HK$4.1 million for the year.

For the year ended 31 March 2010, the Group recorded net cash inflow from operating activities of approximately HK$27.2 million. The higher cash inflow as compared with the preceding year was mainly due to cash generated from larger amount of work done by the Group for the year. The Group recorded profit before income tax of approximately HK$20.4 million and operating profit before changes in working capital of approximately HK$24.3 million. During the year, the growth of the Group's business had led to the increase in trade payables to subcontractors and the salaries payable to the employees of the Group, resulting in a higher trade and other payables. The increase in trade and other payables caused a net working capital inflow of approximately HK$2.8 million, which was partly offset by cash used in the purchase of inventories.

Investing Activities

Net cash used in investing activities was approximately HK$390,000 for the year ended 31 March 2009, which was related to the purchases of property, plant and equipment of approximately HK$1.0 million, partially offset by the proceeds from the sale of property, plant and equipment of approximately HK$654,000.

Net cash used in investing activities was approximately HK$5.2 million for the year ended 31 March 2010 which was related to the purchases of property, plant and equipment of approximately HK$5.5 million, partially offset by the proceeds from sale of property, plant and equipment of approximately HK$0.2 million. During the year ended 31 March 2010, the Group acquired new machinery, equipment and motor vehicles for replacement of the old ones and for use in the new projects.

Financing Activities

Net cash used in financing activities was approximately HK$3.8 million for the year ended 31 March 2009. This was mainly attributable to the repayment of finance lease of approximately HK$3.3 million.

Net cash used in financing activities was approximately HK$10.0 million for the year ended 31 March 2010. The cash outflow mainly represented the dividend paid to the then owner of the Company of approximately HK$9.9 million and repayment of finance lease of approximately HK$4.0 million.

Instead of relying on the bank overdrafts to meet its financial needs, the Group borrowed bank loans during the year ended 31 March 2010. The cash inflow represented the drawdown of bank loans of HK$6.0 million, of which approximately HK$1.5 million has been repaid before 31 March 2010.

Gearing Ratio

The gearing ratio, which is based on the amount of total bank borrowings and obligations under finance lease and advance received from customers divided by total assets, was approximately 29.6% and approximately 29.1% as at 31 March 2009 and 2010 respectively. For the year ended 31 March 2009, there are no bank borrowing other than the bank overdraft of approximately HK$1.8 million as at 31 March 2009. The advance received from customers was approximately HK$9.6 million and the obligation under finance lease was approximately HK$4.6 million as at 31 March 2009. The total assets of the Group was approximately HK$53.9 million and HK$61.7 million as at 31 March 2009 and 31 March 2010 respectively. As at 31 March 2010, the Group had total bank borrowings of approximately HK$4.5 million, advance received from customers of approximately HK$9.6 million and obligation under finance lease of approximately HK$3.9 million. The slight decrease in gearing ratio of the Group as at 31 March 2010 was mainly due to the drawdown of the bank loans and an increase in total assets.

Foreign Exchange Exposure

The Group is principally engaged in the undertaking of engineering projects in Hong Kong. As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal.

Capital Commitments

As at 31 March 2009 and 2010, the Group did not have any capital commitments.

Charges on the Group's Assets

As at 31 March 2009, the Group did not have any pledged asset to secure bank loans and facilities. As at 31 March 2010, the bank loans together with the banking facilities are secured by personal guarantees executed by Mr. Kan and a cross guarantee from a subsidiary. The Group's motor vehicles and machinery with net book value at 31 March 2009 and 2010 amounted to approximately HK$5.0 million and HK$0.5 million and approximately HK$5.5 million and HK$0.3 million, respectively, were held under finance lease.

Contingent Liabilities

As at 31 March 2009 and 2010, the Group did not have any material contingent liabilities.

Information on Employees

As at 31 March 2009 and 2010, the Group had 100 and 161 full-time employees in Hong Kong respectively and about 89% of them are director labour. Total staff costs (including remuneration of the Directors) for the two years ended 31 March 2009 and 2010 amounted to approximately HK$18.1 million and HK$26.9 million, representing an increase of approximately 48.6% over the previous year. The increase was mainly due to the increase of staff to support the expansion of the Group's business.

Significant Investment Held

Except for investment in subsidiaries, during the two years ended 31 March 2009 and 2010, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the two years ended 31 March 2009 and 2010, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

For the year ended 31 March 2011 (which includes information extracted and summarised from the annual report for 2010/11 of the Company)

Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. During the year ended 31 March 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the year ended 31 March 2011, the Group has been undertaking two main contracts and four subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

Contract number	Particulars of contract	Client	Contract period under main contract	
Main contracts				
3/WSD/09	Water supply to Ta Tit Yan, Tai Po — construction of water tank, pump house and mainlaying	WSD	Jun 2009–Oct 2010	**Total contract value** HK$676.4 million **Total amount of works certified** *(Note)* HK$389.7 million
9/WSD/09	Replacement and rehabilitation of water mains stage 3 — mains in Sai Kung	WSD	May 2010–Nov 2012	
Subcontracts				
21/WSD/06	Replacement and rehabilitation of water mains stage 2 — mains in Tai Po and Fanling	Ming Hing Civil Contractors Limited	Aug 2007–Apr 2012	
18/WSD/08	Replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands	Ming Hing Civil Contractors Limited	Mar 2009–Sep 2013	
1/WSD/09(W)	Term contract for Waterworks District W — New Territories West	Ming Hing Civil Contractors Limited	Sep 2009–Aug 2012	
16/WSD/09	Salt water supply for Northwest New Territories, mainlaying in Yuen Long	China Geo–China Harbour Joint Venture	Feb 2010–Mar 2014	

Note: Amount of works certified is based on the certificates of payment received from client.

Among the above six contracts, one main contract (contract numbered 9/WSD/09) and one subcontract (contract numbered 16/WSD/09) were newly awarded during the year ended 31 March 2011.

Contract numbered 3/WSD/09 was completed during the year and has entered into the maintenance period for a period of 12 months.

During the year ended 31 March 2011, the two subcontracts with contracts numbered 18/WSD/08 and 21/WSD/06 were the main contributors to the Group's revenue, which generated approximately HK$77.4 million and HK$64.5 million revenue, representing approximately 42.0% and 35.0% of the Group's total revenue respectively.

After the year ended 31 March 2011, the Group has successfully obtained a new subcontract for replacement and rehabilitation of water mains, stage 4 phase 1 - mains in Tuen Mun, Yuen Long, North District and Tai Po (contract numbered 8/WSD/10), with contract sum of approximately HK$433.1 million, from Hsin Chong Construction Company Limited. The works of this subcontract started on April 2011 and are estimated to be completed in December 2015.

Financial Review

Revenue

For the year ended 31 March 2011, the Group reported a turnover of approximately HK$184.3 million (2010: HK$148.8 million), representing an increase of approximately 23.8% as compared with that for the previous year.

The higher turnover was mainly due to the increase in works from the contract for replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlaying islands (contract numbered 18/WSD/08) and the commencement of new contract for replacement and rehabilitation of water mains stage 3 — mains in Sai Kung (contract numbered 9/WSD/09).

During the year ended 31 March 2011, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2011		2010	
	HK$'000	*%*	*HK$'000*	*%*
Main contractor	27,467	14.9	17,154	11.5
Subcontractor	156,840	85.1	131,690	88.5
Total	184,307	100.0	148,844	100.0

Cost of Services

The Group's cost of services increased by approximately 33.0% to approximately HK$162.1 million for the year ended 31 March 2011 (2010: HK$121.9 million) as compared with that for the previous year. Cost of services mainly includes raw materials, direct labour and subcontracting fee for services provided by the subcontractors. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2011		2010	
	HK$'000	*%*	*HK$'000*	*%*
Raw materials	37,640	23.2	30,331	24.9
Direct labour	31,489	19.4	22,899	18.8
Subcontracting fee	57,208	35.3	40,123	32.9
Other direct costs	35,770	22.1	28,519	23.4
Total	162,107	100.0	121,872	100.0

Gross Profit

The gross profit of the Group for the year ended 31 March 2011 decreased by approximately 17.7% to approximately HK$22.2 million (2010: HK$27.0 million) as compared with that for the previous year. The gross profit margin of the Group decreased to approximately 12.0% for the year ended 31 March 2011 (2010: 18.1%). The decrease in gross profit and gross profit margin was largely a consequence of certain projects reaching a work stage with relatively thinner gross profit margin.

Other Income

The Group's other income for the year ended 31 March 2011 amounted to approximately HK$544,000 (2010: HK$811,000). The main contributor of other income for the year ended 31 March 2011 was the compensation received from a supplier for late delivery of raw materials, while for the previous year, the main contributor was the write-off of long outstanding trade payables.

Administrative Expenses

The Group's administrative expenses for the year ended 31 March 2011 increased by approximately 59.0% to approximately HK$10.7 million (2010: HK$6.8 million) as compared with that for the previous year. The administrative expenses mainly consisted of auditor's remuneration, legal and professional fees, staff costs (including Directors' remuneration) and depreciation expenses. The increase in the administrative expenses was mainly attributable to the increase in staff costs to support the expansion of the Group's business and the increase in legal and professional fees for services provided by the professional parties after the listing of the Group in 2010 (the "Listing").

Finance Costs

The Group's finance costs for the year ended 31 March 2011 decreased by approximately 46.2% to approximately HK$341,000 (2010: HK$634,000) as compared with that for the previous year. The decrease was mainly attributable to the decrease in the interest expenses for finance leases since some finance leases were fully paid off while no new finance lease was entered into during the year ended 31 March 2011 and the decrease in interest expenses for bank loans/overdrafts since all the bank loans that were granted in the previous year had been cancelled in July 2010 and no bank overdrafts had been drawn during the year ended 31 March 2011.

Net Profit

The Group recorded a net profit attributable to owners of the Company of approximately HK$9.7 million for the year ended 31 March 2011 (2010: HK$16.8 million), representing a decrease of approximately 42.1% as compared with that for the previous year. The decrease in net profit was mainly resulted from the decrease in gross profit margin and the increase in staff costs (including Directors' remuneration), legal and professional fees in administrative expenses.

Earnings per Share

The basic earnings per share was approximately HK1.09 cents (2010: HK2.26 cents).

Segmental Information

The Group is principally engaged in the waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. No separate analysis of reportable segment profit before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Capital Structure

The Shares were listed on GEM on 30 August 2010. Except for the share subdivision, there has been no change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

Total equity attributable to owners of the Company amounted to approximately HK$45.8 million at 31 March 2011 (31 March 2010: HK$22.3 million). The increase was mainly attributable to the funds raised from the Placing which amounted to HK$31,744,000 before share issue costs.

Liquidity and Financial Resources

During the year ended 31 March 2011, the Group generally financed its operations through internally generated cash flows, borrowings from bank or Shareholder and net proceeds from the Placing.

At 31 March 2011, the Group had net current assets of approximately HK$34.9 million (31 March 2010: HK$11.5 million), including cash balance of approximately HK$16.2 million (31 March 2010: HK$10.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.31 at 31 March 2011 (31 March 2010: 1.31). The improvement in the current ratio was mainly due to the funds raised from the placing.

Cash Flows

Operating Activities

For the year ended 31 March 2011, the cash inflow from operating activities was mainly generated from the payment by the customers for the Group's undertaking of the projects. The Group recorded profit before income tax of approximately HK$11.7 million and operating profit before changes in working capital of approximately HK$17.2 million. During the year, the increase in inventories, decrease in trade and other payables and payment of income tax, outweighed by decrease in trade and other receivables, accounted for a cash outflow of approximately HK$13.5 million. It resulted in net cash inflow from operating activities of approximately HK$3.7 million for the year.

The lower cash inflow as compared with the preceding year was mainly due to a consequence of certain projects reaching a work stage with relatively thinner gross profit margin and increase in certain expenses, including legal and professional fee and consultancy fee after the Listing.

Investing Activities

Net cash used in investing activities was approximately HK$4.6 million for the year ended 31 March 2011 in respect of the purchases of property, plant and equipment. During the year ended 31 March 2011, the Group acquired new machinery, equipment and motor vehicles for replacement of the old ones and for use in the new projects.

Financing Activities

Net cash generated from financing activities was approximately HK$6.8 million for the year ended 31 March 2011. This was mainly attributable to the funds raised from the placing upon Listing with net proceeds of approximately HK$21.0 million and the drawdown of bank loans of HK$3.0 million. The cash inflow was partially offset by dividends paid to the owner of the Company and their then shareholders prior to the reorganisation of HK$7.1 million and repayment of bank loans and finance leases of approximately HK$7.7 million.

Gearing Ratio

The gearing ratio, which is based on the amount of total bank borrowings and obligations under finance lease and advance received from customers divided by total assets, was 9.2% at 31 March 2011 (31 March 2010: 29.1%). The decrease was resulted from the full repayment of all the bank loans that granted in previous year, the full repayment of loan from a Shareholder, and the receipt of net proceeds from the placing.

Foreign Exchange Exposure

The Group is principally engaged in the undertaking of engineering projects in Hong Kong. As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

Capital Commitment

At 31 March 2011, the Group did not have any significant capital commitments (31 March 2010: Nil).

Charges on the Group's Assets

At 31 March 2011, the Company pledged HK$2.0 million time deposit for a HK$10.0 million bank facility. The outstanding amount of the loan was approximately HK$2.7 million at 31 March 2011. The Group's motor vehicles with the net book value at 31 March 2011 amounted to approximately HK$1.7 million (31 March 2010: HK$5.5 million for motor vehicles and HK$0.3 million for machinery) were held under finance lease.

Contingent Liabilities

At 31 March 2011, the Group did not have any material contingent liabilities (31 March 2010: Nil).

Information on Employees

At 31 March 2011, the Group had 166 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including remuneration of the Directors) for the year ended 31 March 2011 amounted to approximately HK$38.3 million (2010: HK$26.9 million), representing an increase of approximately 42.5% over that for the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

Significant Investment Held

Except for investment in subsidiaries, during the year ended 31 March 2011, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Prospects

During the year ended 31 March 2011, the Group has obtained two new waterworks contracts. In addition, a new waterworks contract with contract sum of approximately HK$433.1 million has been awarded after the year ended 31 March 2011. It is expected that this new contract will contribute significantly to the Group's turnover in the next four years.

In the coming years, it is believed that the R&R Programme launched by WSD will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme is scheduled to commence in 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Going forward, the Group will continue to improve its quality of service and enhance management capabilities and competitiveness to bid for more rewarding engineering contracts in Hong Kong and to further scale up the Group's business.

For the three months ended 30 June 2011 (which includes information extracted and summarised from the first quarterly report for 2011/12 of the Company)

Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. During the three months ended 30 June 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the three months ended 30 June 2011, the Group has been undertaking one main contract and five subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

	Contract number	Particulars of contract
Main contracts	9/WSD/09	Replacement and rehabilitation of water mains, stage 3 — mains in Sai Kung
Subcontracts	21/WSD/06	Replacement and rehabilitation of water mains, stage 2 — mains in Tai Po and Fanling
	18/WSD/08	Replacement and rehabilitation of water mains, stage 3 — mains on Hong Kong Island South and outlying islands
	1/WSD/09(W)	Term contract for Waterworks District W — New Territories West
	16/WSD/09	Salt water supply for Northwest New Territories — mainlaying in Yuen Long
	8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po

Among the above six contracts, one subcontract (contract numbered 8/WSD/10) was newly awarded during the three months ended 30 June 2011.

During the three months ended 30 June 2011, the two contracts with contracts numbered 18/WSD/08 and 9/WSD/09 were the main contributors to the Group's revenue, which generated approximately HK$12.7 million and HK$11.0 million revenue, constituting approximately 35.7% and 30.9% of the Group's total revenue respectively.

Financial Review

Revenue

For the three months ended 30 June 2011, the Group reported a turnover of approximately HK$35.5 million (2010: HK$45.4 million), representing a decrease of approximately 21.9% as compared with that for the same period of the previous year. The lower turnover was mainly due to the decrease in works from the replacement and rehabilitation of water mains stage 3 - mains on Hong Kong Island South and outlaying islands (contract numbered 18/WSD/08) and the term contract for Waterworks District W - New Territories West (contract numbered 1/WSD/09(W)).

During the three months ended 30 June 2011, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The subcontracting revenue amounted to approximately HK$24.5 million (2010: HK$41.4 million), representing approximately 68.9% of the total revenue for the period (2010: 91.2%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK$11.0 million (2010: HK$4.0 million), representing approximately 31.1% of the total revenue for the period (2010: 8.8%).

Cost of Services

The Group's cost of services decreased by approximately 16.4% to approximately HK$31.7 million for the three months ended 30 June 2011 (2010: HK$37.9 million) as compared with that for the same period of previous year. Cost of services mainly includes raw materials, direct labour and subcontracting fee for services provided by the subcontractors.

Gross Profit

The gross profit of the Group for the three months ended 30 June 2011 decreased by approximately 49.3% to approximately HK$3.8 million (2010: HK$7.5 million) as compared with that for the same period of previous year. The gross profit margin of the Group decreased to approximately 10.8% for the three months ended 30 June 2011 (2010: 16.6%). The decrease in gross profit and gross profit margin was largely as a consequence of the increase in direct labour cost and certain projects reaching a work stage with relatively thinner gross profit margin.

Other Income

The Group's other income for the three months ended 30 June 2011 amounted to approximately HK$2,000 (2010: HK$15,000).

Administrative Expenses

The Group's administrative expenses for the three months ended 30 June 2011 increased by approximately 34.5% to approximately HK$3.1 million (2010: HK$2.3 million) as compared with that for the same period of previous year. The administrative expenses mainly consisted of auditor's remuneration, legal and professional fees, staff costs (including Directors' remuneration) and depreciation expenses. The increase in the administrative expenses was mainly attributable to the increase in consultancy fees and legal and professional fees for services provided by the professional parties after the Listing.

Finance Costs

The Group's finance costs for the three months ended 30 June 2011 decreased by approximately 65.6% to approximately HK$55,000 (2010: HK$160,000) as compared with that for the same period of previous year. The decrease was mainly attributable to the decrease in the outstanding amounts of finance leases and bank loans/overdrafts.

Net Profit

The Group recorded a net profit attributable to owners of the Company of approximately HK$0.1 million (2010: HK$4.4 million) for the three months ended 30 June 2011, representing a decrease of approximately 96.8% as compared with that for the same period of the previous year. The decrease in net profit was mainly resulted from the decrease in gross profit margin and the increase in consultancy fees and legal and professional fees in administrative expenses.

Earnings per Share

The basic earnings per share was approximately HK0.01 cent (2010: HK0.59 cent).

Segmental Information

The Group is principally engaged in the waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. No separate analysis of reportable segment profit before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Capital Structure

The Shares were listed on GEM on 30 August 2010. Except for the share subdivision, there has been no change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$45.9 million at 30 June 2011 (30 June 2010: HK$22.7 million).

Liquidity and Financial Resources

During the three months ended 30 June 2011, the Group generally financed its operations through internally generated cash flows, borrowings from bank or Shareholder and net proceeds from the Placing.

As at 30 June 2011, the Group had net current assets of approximately HK$34.3 million (30 June 2010: HK$12.2 million), including cash balance of approximately HK$15.9 million (30 June 2010: HK$1.8 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 at 30 June 2011 (30 June 2010: 1.3). The improvement in the current ratio was mainly due to the funds raised from the placing.

Cash Flows

Operating Activities

For the three months ended 30 June 2011, the cash inflow from operating activities was mainly generated from the payment by the customers for the Group's undertaking of the projects. The Group recorded profit before income tax of approximately HK$0.7 million (three months ended 30 June 2010: HK$5.1 million) and operating profit before changes in working capital of approximately HK$2.1 million (three months ended 30 June 2010: HK$6.4 million). During the three months ended 30 June 2011, the increase in inventories and trade and other receivables outweighed by increase in trade and other payables accounted for a cash outflow of approximately HK$4.4 million (three months ended 30 June 2010: HK$8.9 million). It resulted in net cash outflow in operating activities of approximately HK$2.3 million (three months ended 30 June 2010: HK$2.5 million) for the three months ended 30 June 2011.

The net cash outflow for the three months ended 30 June 2011 was mainly due to a consequence of certain projects reaching a work stage with relatively thinner gross profit margin and less cash generated by the Group.

Investing Activities

Net cash used in investing activities was approximately HK$1.1 million (three months ended 30 June 2010: HK$0.5 million) for the three months ended 30 June 2011 in respect of the purchases of property, plant and equipment. During the three months ended 30 June 2011, the Group acquired new machinery, equipment and motor vehicles for replacement of the old ones and for use in the new projects.

Financing Activities

Net cash used in financing activities was approximately HK$0.8 million (three months ended 30 June 2010: HK$5.5 million) for the three months ended 30 June 2011. The cash outflow mainly represented the repayment of bank loan and finance lease of approximately HK$0.8 million (three months ended 30 June 2010: repayment of bank loans and finance lease of approximately HK$1.4 million and dividend paid of HK$4.0 million).

Gearing Ratio

The gearing ratio, which is based on the amount of total bank borrowings and obligations under finance lease and advance received from customers divided by total assets, was 11.95% at 30 June 2011 (30 June 2010: 23.97%). The decrease was resulted from the full repayment of all the bank loans that granted in previous year, the full repayment of loan from a Shareholder, and the receipt of net proceeds from the placing.

Foreign Exchange Exposure

The Group is principally engaged in the undertaking of engineering projects in Hong Kong. As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

Capital Commitment

At 30 June 2011, the Group did not have any significant capital commitments (30 June 2010: Nil).

Charges on the Group's Assets

As at 30 June 2011, the Company pledged HK$2.0 million time deposit for a HK$10.0 million bank facility. The outstanding amount of the loan was approximately HK$2.2 million at 30 June 2011. The Group's motor vehicles with the net book value at 30 June 2011 amounted to approximately HK$4.3 million (30 June 2010: HK$4.8 million for motor vehicles and HK$0.3 million for machinery) were held under finance lease.

Contingent Liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities (30 June 2010: Nil).

Information on Employees

As at 30 June 2011, the Group had 182 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including remuneration of the Directors) for the three months ended 30 June 2011 amounted to approximately HK$9.66 million, representing an increase of approximately 9.89% over that as at 30 June 2010. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

Significant Investment Held

Except for investment in subsidiaries, during the three months ended 30 June 2011, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the three months ended 30 June 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

For the six months ended 30 September 2011 (which includes information extracted and summarised from the interim report for 2011/12 of the Company)

Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. During the six months ended 30 September 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the six months ended 30 September 2011, the Group has been undertaking one main contract and five subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

	Contract number	**Particulars of contract**
Main contracts	9/WSD/09	Replacement and rehabilitation of water mains stage 3 — mains in Sai Kung (the "New Project")
Subcontracts	21/WSD/06	Replacement and rehabilitation of water mains stage 2 — mains in Tai Po and Fanling
	18/WSD/08	Replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands
	1/WSD/09(W)	Term contract for Waterworks District W — New Territories West
	16/WSD/09	Salt water supply for Northwest New Territories — mainlaying in Yuen Long
	8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po (the "New Subcontract")

Among the above six contracts, one subcontract (contract numbered 8/WSD/10) was newly awarded during the six months ended 30 September 2011.

During the six months ended 30 September 2011, the two contracts with contracts numbered 9/WSD/09 and 18/WSD/08 were the main contributors to the Group's revenue, which generated approximately HK$27.0 million and HK$26.7 million revenue, constituting approximately 31.3% and 31.0% of the Group's total revenue respectively.

Financial Review

Revenue

For the six months ended 30 September 2011, the Group reported a turnover of approximately HK$86.1 million (2010: HK$96.3 million), representing a decrease of approximately 10.6% as compared with that for the same period of the previous year. The lower turnover was mainly due to the decrease in works from the replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlaying islands (contract numbered 18/WSD/08) and the replacement and rehabilitation of water mains stage 2 — mains in Tai Po and Fanling (contract numbered 21/WSD/06).

During the six months ended 30 September 2011, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The subcontracting revenue amounted to approximately HK$59.0 million (2010: HK$86.9 million), representing approximately 68.5% of the total revenue for the period (2010: 90.2%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK$27.1 million (2010: HK$9.4 million), representing approximately 31.5% of the total revenue for the period (2010: 9.8%).

Cost of Services

The Group's cost of services decreased by approximately 7.9% to approximately HK$77.3 million for the six months ended 30 September 2011 (2010: HK$84.0 million) as compared with that for the same period of previous year. Cost of services mainly include raw materials, direct labour and subcontracting fee for services provided by the subcontractors.

Gross Profit

The gross profit of the Group for the six months ended 30 September 2011 decreased by approximately 28.6% to approximately HK$8.8 million (2010: HK$12.3 million) as compared with that for the same period of previous year. The gross profit margin of the Group decreased slightly to approximately 10.2% for the six months ended 30 September 2011 (2010: 12.8%). The decrease in gross profit and gross profit margin was largely as a consequence of the increase in direct labour cost and certain projects reaching a work stage with relatively thinner gross profit margin.

Other Income

The Group's other income for the six months ended 30 September 2011 amounted to approximately HK$179,000 (2010: HK$20,000).

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2011 increased by approximately 111.4% to approximately HK$9.9 million (2010: HK$4.7 million) as compared with that for the same period of previous year. The administrative expenses mainly consisted of auditor's remuneration, legal and professional fees, staff costs (including Directors' remuneration) and depreciation expenses. The increase in the administrative expenses was mainly attributable to the increase in consultancy fees and legal and professional fees for services provided by the professional parties after the Listing and business development expenses for exploration of potential new business opportunities.

Finance Costs

The Group's finance costs for the six months ended 30 September 2011 increased by approximately 92.0% to approximately HK$478,000 (2010: HK$249,000) as compared with that for the same period of previous year. The increase was mainly attributable to the incurrence of interest expenses for the promissory note.

Net Loss

The Group recorded a net loss attributable to owners of the Company of approximately HK$2.5 million (2010: net profit HK$6.3 million) for the six months ended 30 September 2011. The net loss was mainly resulted from the decrease in gross profit margin, the increase in legal and professional fees and consultancy fees in administrative expense, the incurrence of share-based payment expenses upon grant of share options and finance costs on promissory note.

Loss per Share

The basic loss per Share was approximately HK0.23 cent (2010: earning per Share of HK0.80 cent).

Segmental Information

The Group is principally engaged in the waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. No separate analysis of reportable segment loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Capital Raising Exercise

On 8 July 2011, the Company entered into a placing agreement with the Emperor Securities Limited pursuant to which the Company agreed to place a maximum of 198,400,000 new Shares to not less than six placees at a price of HK$0.173 per placing Share (the "Placing of 198,400,000 New Shares").

The Placing of 198,400,000 New Shares was completed on 21 July 2011 and raised gross proceeds of approximately HK$34.3 million.

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 30 August 2010. The capital of the Group comprises only ordinary shares.

Total equity attributable to equity holders of the Company amounted to approximately HK$77.5 million as at 30 September 2011 (31 March 2011: HK$45.8 million). The increase was mainly attributable to the funds raised from the Placing of 198,400,000 New Shares which amounted to approximately HK$34.3 million before share issue costs.

Liquidity and Financial Resources

During the six months ended 30 September 2011, the Group generally financed its operations through internally generated cash flows, borrowings from bank and net proceeds from the placing upon the Listing. The Placing of 198,400,000 New Shares was intended for the general working capital and further business development of the Group.

As at 30 September 2011, the Group had net current assets of approximately HK$37.3 million (31 March 2011: HK$34.9 million), including cash balance of approximately HK$23.4 million (31 March 2011: HK$16.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.07 as at 30 September 2011 (31 March 2011: 2.31), which was maintained at a healthy level.

Cash Flows

Operating Activities

For the six months ended 30 September 2011, the cash inflow from operating activities was mainly generated from the payment by the customers for the Group's undertaking of the projects. The Group recorded loss before income tax of approximately HK$1.4 million (profit before income tax for six months ended 30 September 2010: HK$7.4 million) and operating profit before changes in working capital of approximately HK$3.1 million (six months ended 30 September 2010: HK$10.0 million). During six months ended 30 September 2011, the increase in trade and other payables, outweighed by increase in inventories and trade and other receivables, accounted for a cash inflow of approximately HK$1.3 million (cash outflow for six months ended 30 September 2010: HK$1.7 million). It resulted in net cash inflow from operating activities of approximately HK$4.4 million (six months ended 30 September 2010: HK$8.3 million) for the six months ended 30 September 2011.

The lower cash inflow as compared with that for the same period of previous year was mainly due to a consequence of certain projects reaching a work stage with relatively thinner gross profit margin and increase of certain expenses in respect of exploration of potential new business opportunities.

Investing Activities

Net cash used in investing activities was approximately HK$31.9 million (six months ended 30 September 2010: HK$1.6 million) for the six months ended 30 September 2011 in respect of the purchases of property, plant and equipment of approximately HK$6.3 million (six months ended 30 September 2010: HK$1.6 million) and investment in 17% issued share capital of China New Media (HK) Company Limited of approximately HK$25.6 million (six months ended 30 September 2010: Nil).

Financing Activities

Net cash generated from financing activities was approximately HK$34.6 million (six months ended 30 September 2010: 10.6 million) for the six months ended 30 September 2011. This was mainly attributable to the funds raised from the placing with net proceeds of approximately HK$33.3 million (six months ended 30 September 2010: HK$21.0 million) and drawdown of bank loans of HK$3.0 million (six months ended 30 September 2010: Nil). The cash inflow was partially offset by repayment of bank loans and finance leases of approximately HK$1.6 million (six months ended 30 September 2010: repayment of bank loans and finance lease of approximately HK$6.0 million and dividend paid of HK$4.0 million).

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note, bank borrowings, obligations under finance lease and advance received from customers divided by total assets, was 33.0% as at 30 September 2011 (31 March 2011: 9.2%). The increase was attributable to the issuance of promissory note and the increase in finance lease obligation and new bank loans raised.

Foreign Exchange Exposure

The Group is principally engaged in the undertaking of engineering projects in Hong Kong. As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

Capital Commitment

As at 30 September 2011, the Group had an outstanding commitment of approximately HK$1.3 million in respect of acquisition of property, plant and equipment. Save as the aforesaid, the Group did not have any significant capital commitments (31 March 2011: Nil).

Charges on Group's Assets

As at 30 September 2011, the Group pledged a time deposit of HK$2.0 million for a bank facility of HK$10.0 million. The outstanding amount of the loan was approximately HK$4.9 million at 30 September 2011. The Group's motor vehicles with net book value of approximately HK$3.9 million (31 March 2011: HK$1.7 million) was held under finance lease as at 30 September 2011.

Contingent Liabilities

As at 30 September 2011, the Group did not have any material contingent liabilities (31 March 2011: Nil).

Information on Employees

As at 30 September 2011, the Group had 201 full-time employees in Hong Kong and over 89% of them are direct labour. Total staff costs (including Directors' remuneration) for the six months ended 30 September 2011 amounted to approximately HK$22.2 million (2010: HK$18.0

million), representing an increase of approximately 23.2% over that for the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business and the grant of share options.

Remuneration is determined with reference to the nature of job, performance, qualifications and experience of individual employees, as well as the result of the Group and the market trend. The Group carries out staff performance appraisal once a year and the assessment result is used for salary reviews and promotion decisions. The Group recognises the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

The Share Option Scheme was adopted and approved by Shareholders on 11 August 2010. 45,000,000 share options have been granted pursuant to the Share Option Scheme on 12 August 2011.

Significant Investment Held

On 28 July 2011, a wholly-owned subsidiary of the Company entered into an agreement for an acquisition of 17% issued share capital of China New Media (HK) Company Limited for a consideration of approximately HK$70.0 million upon fulfillment of certain conditions. Completion of the acquisition took place on 11 August 2011. Details of this acquisition are set out in the Company's announcement dated 28 July 2011.

Except for investment in subsidiaries and the acquisition as disclosed above, during the six months ended 30 September 2011, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and the announcement of the Company dated 11 October 2011 regarding the Proposed Acquisition, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 September 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Prospects

During the six months ended 30 September 2011, the Group has obtained one new waterworks contract. On 7 October 2011, a subsidiary of the Group, Tsun Yip Civil Construction Company Limited ("TYCivil"), received a confirmation letter from the Works Branch of the Hong Kong SAR Government that it has been included in the List of Approved Contractors for Public Works (Waterworks) ("Approved List") under Group C on a probation status. As a result, TYCivil is eligible to tender for waterworks contracts with value exceeding HK$75 million ("Group C"), subject to two conditions: (1) the total number of Group C contract already held and being procured does not exceed two Group C contracts and (2) the total value of works in Group C contract(s) already held and being procured does not exceed HK$220 million in aggregate. The inclusion of TYCivil in the Approved List under Group C enables the Group to take up contracts of a larger scale and capture more potential business opportunities.

In the coming years, it is believed that the R&R Programme launched by WSD will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme is scheduled to commence in 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Aimed at maximising profit and return for the Group and the shareholders of the Company, the Group will continue to stay focusing on the provision of waterworks engineering services and enhancing its competitiveness and at the same time, explore new business opportunity to broaden its source of income and expand the business operations.

Towards the strategy of maximising profit and return, on 28 July 2011, a wholly-owned subsidiary of the Company has entered into a conditional agreement to acquire 17% of the issued share capital of China New Media (HK) Company Limited, which is principally engaged in outdoor advertising in Hong Kong, specialising in advertising spaces in lifts and outer walls of buildings. Completion of this acquisition took place on 11 August 2011. In addition, on 6 September 2011, the Company has entered into a conditional agreement for the Proposed Acquisition. The Target Company is principally engaged in the Television Broadcasting Business in the Asia Pacific market (excluding the PRC) and has been granted the Television Broadcasting Right from China Xinhua NNC.

1. ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report, prepared for inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

19 November 2011

The Board of Directors
Tsun Yip Holdings Limited
Flat 314, 3/F
Fuk Shing Commercial Building
28 On Lok Mun Street
Fanling, New Territories
HONG KONG

Dear Sirs,

We set out below our report on the financial information regarding Xinhua TV Asia-Pacific Operating Co., Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group"), for the period from 22 December 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 (the "Relevant Periods") (the "Financial Information"), and the comparative consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the six months ended 30 June 2010 (the "Unaudited Comparative Financial Information"), prepared on the basis of presentation set out in Note 2, for inclusion in the circular of Tsun Yip Holdings Limited (the "Company") dated 19 November 2011 (the "Circular") in connection with the acquisition agreement dated 6 September 2011 (the "Acquisition Agreement"), a supplemental agreement dated 10 October 2011 (the "Supplemental Agreement") and a second supplemental agreement dated 26 October 2011 (the "Second Supplemental Agreement") entered into between the Company, and (i) China Xinhua News Network Co., Limited (the "China Xinhua NNC"), (ii) Proud Glory Investments Limited (the "Proud Glory"), (iii) APT Satellite TV Development Limited (the "APT Satellite") (collectively refer to as the "Vendors") pursuant to which the Company would acquire the entire issued share capital of the Target Company at a total consideration of HK$700,000,000 (collectively referred to as the "Proposed Acquisition").

The Consideration shall be satisfied (i) as to HK$92,969,790 by allotting and issuing a total of 474,335,664 new ordinary shares of HK$0.001 each in the share capital of the Company (the "Consideration Shares") upon the completion of the Proposed Acquisition (the "Completion"); and (ii) as to HK$607,030,210 by issuing convertible notes to the Vendors upon the Completion. The Financial Information comprises the consolidated statements of financial position of the Target Group as at 31

December 2009, 31 December 2010 and 30 June 2011 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Relevant Periods and a summary of significant accounting policies and other explanatory information.

The Target Company is principally engaged in the business of television broadcasting and advertising in the Asia Pacific region (excluding The People's Republic of China (the "PRC")) and incorporated in Hong Kong with limited liability on 22 December 2009. As at 30 June 2011, the Target Company has no major assets or operating business other than its equity interests in Xinhua TV Hong Kong Operating Co., Ltd. (the "Xinhua TV HK") and Xinhua TV Macau Operating Co., Ltd. (the "Xinhua TV Macau").

Particulars of the principal subsidiaries comprising the Target Group at the date of this report are set out below:

Company name	**Place of incorporation/ registration**	**Nominal value of issued and fully paid-up share/ registered paid-up capital**	**Percentage of equity interest attributable to the Target Company**	**Principal activity**
Directly held:				
Xinhua TV HK *(Note i)*	Hong Kong	HK$10,000	100%	Dormant
Xinhua TV Macau *(Note ii)*	Macau	MOP25,000	90%	Dormant

Note:

(i) The statutory financial statements of Xinhua TV HK for the period from 14 May 2010 (date of incorporation) to 31 December 2010 were audited by K.K. Chan & Company, certified public accountants registered in Hong Kong.

(ii) The statutory financial statements of Xinhua TV Macau for the period from 20 May 2010 (date of incorporation) to 31 December 2010 were audited by Keng Ou CPAs, certified public accountants registered in Macau.

The Target Company adopts 31 December as its financial year end date. The statutory financial statements of the Target Company for the period from 22 December 2009 (date of incorporation) to 31 December 2010 were audited by K.K.Chan & Company, certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Target Company have prepared the Financial Information for the Relevant Periods based on the unaudited financial statements of the Target Group in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Financial Information for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Circular, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 2. The directors of the Target Company are responsible for the preparation of the Financial Information and the Unaudited Comparative Financial Information that give a true and fair view in accordance with HKFRSs and the GEM Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information and the Unaudited Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE REPORTING ACCOUNTANTS

For the Financial Information for the Relevant Periods, it is our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Target Group for the Relevant Periods, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information for which the directors of the Target Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Target Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Relevant Periods, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 2, gives a true and fair view of the state of affairs of the Target Group as at 31 December 2009, 31 December 2010 and 30 June 2011 and of the consolidated results and cash flows of the Target Group for the Relevant Periods.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 which are in conformity with HKFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	For the period from 22 December 2009 to 31 December 2009 HK$'000	For the year ended 31 December 2010 HK$'000	For the six months ended 30 June 2010 HK$'000 (Unaudited)	For the six months ended 30 June 2011 HK$'000
Revenue	7	—	—	—	—
Cost of services		—	(3,691)	(1,250)	(3,000)
Gross loss		—	(3,691)	(1,250)	(3,000)
Other income	7	—	6	—	—
Administrative expenses		—	(153)	(27)	(8)
Loss from operations	8	—	(3,838)	(1,277)	(3,008)
Finance costs		—	—	—	—
Loss before income tax		—	(3,838)	(1,277)	(3,008)
Income tax	10	—	—	—	—
Loss for the period/year		—	(3,838)	(1,277)	(3,008)
Other comprehensive income, net of income tax		—	—	—	—
Total comprehensive loss for the period/year		—	(3,838)	(1,277)	(3,008)
Loss for the period/year attributable to:					
Owners of the Target Company		—	(3,837)	(1,277)	(3,007)
Non-controlling interests		—	(1)	—	(1)
		—	(3,838)	(1,277)	(3,008)
Total comprehensive loss for the period/year attributable to:					
Owners of the Target Company		—	(3,837)	(1,277)	(3,007)
Non-controlling interests		—	(1)	—	(1)
		—	(3,838)	(1,277)	(3,008)
Loss per share for the period/year attributable to owners of the Target Company					
— Basic and diluted (HK dollars)	12	—	(383.7)	(127.7)	(300.7)

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Financial Position

	Notes	As at 31 December 2009 HK$'000	As at 31 December 2010 HK$'000	As at 30 June 2011 HK$'000
Current assets				
Prepayments		—	2,833	1,583
Amount due from an intermediate holding company	13	—	3	3
Amount due from a shareholder	14	10	—	—
Cash and cash equivalents	15	—	365	1,215
		10	3,201	2,801
Current liabilities				
Amount due to an intermediate holding company	16	—	5,017	7,625
Loan from a former shareholder	17	—	2,009	2,009
		—	7,026	9,634
Net current assets/(liabilities)		10	(3,825)	(6,833)
Total assets less current liabilities		10	(3,825)	(6,833)
Net assets/(liabilities)		10	(3,825)	(6,833)
Capital and reserves				
Share capital	18	10	10	10
Accumulated losses		—	(3,837)	(6,844)
Equity attributable to owners of the Target Company		10	(3,827)	(6,834)
Non-controlling interests		—	2	1
		10	(3,825)	(6,833)

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Changes in Equity

	Attributable to owners of the Target Company				
	Share capital	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total equity**
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
At 22 December 2009 (date of incorporation)	—	—	—	—	—
Issue of shares	10	—	10	—	10
Loss and total comprehensive loss for the period	—	—	—	—	—
At 31 December 2009 and 1 January 2010	10	—	10	—	10
Non-controlling interests arising from incorporation of a subsidiary	—	—	—	3	3
Loss and total comprehensive loss the year	—	(3,837)	(3,837)	(1)	(3,838)
At 31 December 2010 and 1 January 2011	10	(3,837)	(3,827)	2	(3,825)
Loss and total comprehensive loss for the period	—	(3,007)	(3,007)	(1)	(3,008)
At 30 June 2011	10	(6,844)	(6,834)	1	(6,833)
At 1 January 2010	10	—	10	—	10
Non-controlling interests arising from incorporation of a subsidiary	—	—	—	3	3
Loss and total comprehensive loss the period	—	(1,277)	(1,277)	—	(1,277)
At 30 June 2010 (unaudited)	10	(1,277)	(1,267)	3	(1,264)

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Cash Flows

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cash flows from operating activities				
Loss before income tax	—	(3,838)	(1,277)	(3,008)
Adjustment for:				
Interest income	—	(6)	—	—
Operating cash flows before movements in working capital	—	(3,844)	(1,277)	(3,008)
(Increase)/decrease in prepayments	—	(2,833)	—	1,250
(Increase)/decrease in amount due from a shareholder	(10)	10	10	—
Net cash used in operating activities	(10)	(6,667)	(1,267)	(1,758)
Cash flows from investing activities				
Interest received	—	6	—	—
Net cash generated from investing activities	—	6	—	—
Cash flows from financing activities				
Loan from a former shareholder	—	2,009	2,009	—
Increase in amount due to an intermediate holding company	—	5,017	5,000	2,608
Proceeds from issue of shares	10	—	—	—
Net cash generated from financing activities	10	7,026	7,009	2,608
Net increase in cash and cash equivalents	—	365	5,742	850
Cash and cash equivalents at the beginning of the period/year	—	—	—	365
Cash and cash equivalents at the end of the period/year	—	365	5,742	1,215
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents	—	365	5,742	1,215

The accompanying notes form an integral part of the Financial Information.

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The registered office and principal place of business of the Target Company is at No. 381, Queen's Road East, Wanchai, Hong Kong. The Target Company was incorporated in Hong Kong with limited liability. The Target Company is principally engaged in the business of television broadcasting and advertising in the Asia Pacific region (excluding the PRC).

The Financial Information is presented in Hong Kong Dollars, which is the functional currency of the Target Company and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA, and accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) and the GEM Listing Rules as applicable to Accountants' Reports including in the listing documents of circulars. The policies of the Target Group are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention accounting.

The HKICPA has issued a number of new and revised HKFRSs during the Relevant Periods. For the purpose of preparing this Financial Information, the Target Group has adopted all these new and revised HKFRSs to the Relevant Periods.

The presentation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Target Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

The Target Group is not yet in a position to determine whether these standards, amendments and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards, amendments and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recover of Underlying Assets[2]
HKAS 19 (Amendments)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosure — Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments — Classification and Measurement[3]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Target Group's financial assets.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Target Company anticipate that HKFRS 9 that will be adopted in the Target Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Target Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Target Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Target Group's disclosures regarding transfers of trade receivables previously effected. However, if the Target Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

(a) Basis of preparation

The measurement basis used in the preparation of the Financial Information is the historical cost convention.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

During the year ended 31 December 2010 and the six months ended 30 June 2011, the Target Group incurred a net loss of approximately HK$3,838,000 and HK$3,008,000 respectively. As at 31 December 2010 and 30 June 2011, the Target Group's total liabilities exceeded its total assets by approximately HK$3,825,000 and HK$6,833,000 respectively and the Target Group's current liabilities exceeded its current assets by approximately HK$3,825,000 and HK$6,833,000 as at 31 December 2010 and 30 June 2011 respectively. A substantial shareholder of the Target Company, China Xinhua News Network Co., Limited has agreed to provide continuing financial support to the Target Group. As such, the directors of the Target Company are satisfied that the Target Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries). Control is achieved where the Target Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Target Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and loss of the subsidiaries are attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquire and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Target Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Target Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Target Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Target Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Target Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Target Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(d) Subsidiary

A subsidiary is an entity whose financial and operating policies the Target Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiary are included in the Target Company's statement of comprehensive income to the extent of dividends received and receivable. The Target Company's investment in subsidiary that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

(e) Impairment

At the end of each reporting period, the directors of the Target Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase under that standard.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair through profit or loss are recognised immediately in the consolidated statements of comprehensive income.

Financial assets

The Target Group's financial assets are classified into loans and receivables (including cash and cash equivalents). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss then there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities (other than derivative financial instruments)

The Target Group's financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Target Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Group's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the consolidated statement of financial position.

(h) Revenue recognition

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(i) Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated statement of comprehensive income items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Provisions

Provisions are recognised when the Target Group has a present obligation as a result of a past event, and it is probable that the Target Group will be required to settle that obligation. Provisions are measured at the best estimate of the directors of the Target Company of the expenditure required to settle the obligation as at the end of the reporting period, and are discounted to present value where the effect is material.

(k) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Target Group. Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(l) Related party transactions

A party is considered to be related to the Target Group if:

(1) A person or entity is preparing the financial statements of the Target Group;

(2) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

(3) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (2).

(vii) A person identified in (2)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(m) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Target Group's accounting policies which are described in Note 2, the management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Income taxes

The Target Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loan and receivables (including cash and cash equivalents)			
— amount due from an intermediate holding company	—	3	3
— amount due from a shareholder	10	—	—
— cash and cash equivalents	—	365	1,215
	10	368	1,218
Financial liabilities			
Amortised cost			
— amount due to an intermediate holding company	—	5,017	7,625
— loan from a former shareholder	—	2,009	2,009
	—	7,026	9,634

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include amount due from an intermediate holding company, amount due from a shareholder, cash and cash equivalents, amount due to an intermediate holding company and loan from a former shareholder. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Group's financial instruments are currency risk, credit risk and liquidity risk. The directors of the Target Company review and agree policies for managing each of these risks and they are summarised below.

During the Relevant Periods, there has been no change to the types of the Target Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

The Target Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars. Most of the Target Group's monetary assets and liabilities are also denominated in Hong Kong Dollars. Therefore, the Target Group has no significant currency risk exposure.

Credit risk

The Target Group has no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Target Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Target Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the Relevant Periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

As at 31 December 2009

	Weighted average interest rate	**Carrying amount**	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an intermediate holding company	—	—	—	—	—	—
Loan from a former shareholder	—	—	—	—	—	—
		—	—	—	—	—

As at 31 December 2010

	Weighted average interest rate	**Carrying amount**	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an intermediate holding company	—	5,017	5,017	—	—	5,017
Loan from a former shareholder	—	2,009	—	2,009	—	2,009
		7,026	5,017	2,009	—	7,026

As at 30 June 2011

	Weighted average interest rate	**Carrying amount**	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an intermediate holding company	—	7,625	7,625	—	—	7,625
Loan from a former shareholder	—	2,009	—	2,009	—	2,009
		9,634	7,625	2,009	—	9,634

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors consider that the carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statements of financial position

The Target Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Target Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the Relevant Periods.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Target Group's capital management is to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Target Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group's objectives, policies or processes for managing capital remain unchanged during the Relevant Periods.

The capital structure of the Target Group consists of debts, which includes loan from a former shareholder, cash and cash equivalents and equity attributable to owners of the Target Company, comprising share capital and accumulated losses. The Target Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the end of the Relevant Periods was as follows:

	As at 31 December 2009	**As at 31 December 2010**	**As at 30 June 2011**
	HK$'000	*HK$'000*	*HK$'000*
Debt	—	2,009	2,009
Less: Cash and cash equivalents	—	(365)	(1,215)
Net debt	—	1,644	794
Equity attributable to owners of the Target Company	10	(3,827)	(6,834)
Net debt and equity	10	(2,183)	(6,040)
Net debt to equity ratio	Nil	N/A	N/A

6. OPERATING SEGMENTS

The Target Group has adopted HKFRS 8 Operating Segments with effect from 22 December 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Target Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance.

The Target Group currently does not have any operations. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Target Group does not have separately reportable segments.

7. REVENUE AND OTHER INCOME

The Target Group did not generate any revenue during the Relevant Periods.

An analysis for the Target Group's other income for the period/year are as follows:

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Other income:				
Bank interest income	—	6	—	—

8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Net exchange loss	—	2	—	—
Auditors' remuneration	—	14	—	—
Service charge in respect of television broadcasting rights, the use of the satellite capacity and broadcasting services (included in cost of services)	—	3,691	1,250	3,000
Staff cost excluding directors' remuneration *(Note 9)*:				
— Wages and salaries	—	—	—	—
— Pension scheme contributions	—	—	—	—

9. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

	For the period from 22 December 2009 to 31 December 2009 *HK$'000*	For the year ended 31 December 2010 *HK$'000*	For the six months ended 30 June 2010 *HK$'000* *(Unaudited)*	For the six months ended 30 June 2011 *HK$'000*
Wu Jin Cai (appointed on 22 December 2009)	—	—	—	—
Wu Xu Hong (appointed on 22 December 2009)	—	—	—	—
Guo Wen Qi (appointed on 22 December 2009 and resigned on 27 July 2010)	—	—	—	—
Zou Chen Dong (appointed on 27 July 2010)	—	—	—	—
	—	—	—	—

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Target Group, for the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010, the six months ended 30 June 2010 and the six months ended 30 June 2011, none were directors of the Target Company whose emoluments are included in the disclosures in Note 9(a) above respectively. The emoluments of the remaining individuals were as follows:

	For the period from 22 December 2009 to 31 December 2009	**For the year ended 31 December 2010**	**For the six months ended 30 June 2010**	**For the six months ended 30 June 2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Basic salaries and allowances	—	—	—	—
Pension scheme contributions	—	—	—	—
	—	—	—	—

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Target Group to the directors, highest paid employees as an inducement to join, or upon joining the Target Group, or as compensation for loss of office. None of the directors has waived emoluments during the Relevant Periods.

10. INCOME TAX

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Current tax:				
Provision for the period/ year	—	—	—	—

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions which members of the Target Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Target Company and Xinhua TV HK had no assessable profits arising in Hong Kong during the Relevant Periods.

No provision for Macau profits tax has been made as Xinhua TV Macau had no assessable profits arising in Macau during the Relevant Periods.

A reconciliation of the income tax expense applicable to loss before income tax using the statutory rate for the location in which the Target Group is domiciled is presented below:

Period from 22 December 2009 to 31 December 2009

	Macau		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before income tax	—		—		—	
Tax at statutory tax rate	—	—	—	—	—	—
Tax effect of expenses not deductible for tax purpose	—	—	—	—	—	—
Income tax expense for the period	—	—	—	—	—	—

Year ended 31 December 2010

	Macau		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before income tax	(5)		(3,833)		(3,838)	
Tax at statutory tax rate	(1)	(12.0)	(632)	(16.5)	(633)	(16.5)
Tax effect of expenses not deductible for tax purpose	1	12.0	633	16.5	634	16.5
Tax effect of income not taxable for tax purpose	—	—	(1)	—	(1)	—
Income tax expense for the year	—	—	—	—	—	—

Six months ended 30 June 2010 (unaudited)

	Macau		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before income tax	—		(1,277)		(1,277)	
Tax at statutory tax rate	—	—	(211)	(16.5)	(211)	(16.5)
Tax effect of expenses not taxable for tax purpose	—	—	211	16.5	211	16.5
Income tax expense for the period	—	—	—	—	—	—

Six months ended 30 June 2011

	Macau		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before income tax	(5)		(3,003)		(3,008)	
Tax at statutory tax rate	(1)	(12.0)	(495)	(16.5)	(496)	(16.5)
Tax effect of expenses not deductible for tax purpose	1	12.0	495	16.5	496	16.5
Income tax expense for the period	—	—	—	—	—	—

As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group did not have any unused estimated tax losses available for offset against future taxable profits. No deferred tax has been provided as the Target Group did not have any significant temporary difference which gave rise to a deferred tax.

11. DIVIDEND

No dividend has been paid or declared by the Target Company since the date of its incorporation.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE TARGET COMPANY

The calculation of the basic and diluted loss per share attributable to owners of the Target Company is based on the following data:

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Loss				
Loss for the period/year attributable to the owners of the Target Company for the purpose of basic loss per share	—	(3,837)	(1,277)	(3,007)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	10,000	10,000	10,000	10,000

Basic and diluted loss per share for the Relevant Periods has been presented in a single line because no potential dilutive ordinary shares were outstanding during the Relevant Periods.

13. AMOUNT DUE FROM AN INTERMEDIATE HOLDING COMPANY

	As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*
China Xinhua News Network Co., Limited	—	3	3

The maximum amount outstanding during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 is as follow:

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*
China Xinhua News Network Co., Limited	—	3	3

The amount due from an intermediate holding company is unsecured, interest-free and recoverable on demand.

14. AMOUNT DUE FROM A SHAREHOLDER

	As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*
Xinhua Audio and Video Centre	10	—	—

The maximum amount outstanding during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 is as follow:

	For the period from 22 December 2009 to 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*
Xinhua Audio and Video Centre	10	10	—

The amount due from a shareholder was unsecured, interest-free and recoverable on demand.

15. CASH AND CASH EQUIVALENTS

	As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	—	365	1,215

Majority of cash at bank and in hand are denominated in Hong Kong dollars. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due to an intermediate holding company was unsecured, interest-free and repayable on demand.

17. LOAN FROM A FORMER SHAREHOLDER

The loan from a former shareholder was unsecured, interest-free and repayable within twelve months.

18. SHARE CAPITAL

	Number of shares	Share capital
		HK$
Authorised:		
Ordinary shares at HK$1 each		
At 22 December 2009 (date of incorporation), 31 December 2009, 31 December 2010 and 30 June 2011	10,000	10,000
Issued and fully paid:		
At 22 December 2009 (date of incorporation)	—	—
Issue of ordinary shares	10,000	10,000
At 31 December 2009, 31 December 2010 and 30 June 2011	10,000	10,000

19. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 9, 13, 14, 16 and 17 to the Financial Information, which in the opinion of the directors of the Target Company, there was no other material related party transaction during the Relevant Periods.

During the Relevant Periods, no compensation of any kind was paid to the Target Company's directors who was key management personnel of the Target Company.

20. COMMITMENTS

(a) Service charges

As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group had committed service charges in respect of television broadcasting rights, the use of the satellite capacity and broadcasting services with lease terms ranging from 3 to 10 years which fall due as follows:

	As at 31 December 2009	**As at 31 December 2010**	**As at 30 June 2011**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	—	3,167	3,167
In the second to fifth years, inclusive	—	14,583	12,833
More than five years	—	7,890	6,640
	—	25,640	22,640

(b) Capital commitments

As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group had no outstanding commitments payable under non-cancellable capital commitments.

21. SUBSEQUENT EVENTS

Pursuant to an agreement signed between the Target Company and China Xinhua News Network Co., Limited ("China Xinhua NNC") on 5 September 2011, China Xinhua NNC granted broadcasting rights of its TV programmes to the Target Company and its subsidiaries in Asia Pacific region, excluding the PRC for a term of 10 years starting from 1 September 2011 to 31 August 2021, for a consideration of HK$1,000,000 per year from 5 September 2011 to 31 December 2016, and HK$3,000,000 per year from 1 January 2017 to 31 August 2021.

22. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2011 and no dividends or other distributions have been declared by the Target Company in respect of any period subsequent to 30 June 2011.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Company was established on 22 December 2009 and no material transactions were made during the period from 22 December 2009 to 31 December 2009. The following is the management discussion and analysis on the Target Group for the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Business Review

The Target Group is granted with the Television Broadcasting Right of the information contents owned by and/or acquired by Xinhua News Agency from 1 September 2011 to 31 August 2021 on an exclusive basis. The Target Group intends to generate its income mainly from sharing the advertising revenue with media broadcasting providers and receiving a fixed fee by granting the broadcasting right of the programmes of Xinhua News Agency from the media broadcasting providers.

During the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011, the Target Group has entered into six agreements, mainly provision of the broadcasting contents to media service providers, the use of satellite capacity, satellite transmission platform and transponder capacity and broadcasting services. Details of the agreements are mentioned above. Save for the agreements entered, the Target Group has not commenced any operation during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Financial Review

Revenue

The Target Group did not derive any revenue during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Cost of services

Cost of services mainly include transmission costs, comprising satellite transmission fee and carriage fee payable to satellite operator and broadcasting fee payable to media broadcasting providers. The cost of services decreased from approximately HK$3.7 million to approximately HK$3.0 million by approximately 18.7% for the six months ended 30 June 2011 as compared with that for the year ended 31 December 2010. The transmission costs were only incurred for six months in period ended 30 June 2011 and resulted in decrease in cost of services.

Other Income

The other income was mainly derived from interest income from bank deposits.

Administrative Expenses

The administrative expenses mainly consisted of meeting expenses and legal and professional fees. The Target Group's administrative expenses amounted to approximately HK$153,000 and approximately HK$8,000 for the year ended 31 December 2010 and six months ended 30 June 2011 respectively, representing a decrease of approximately 94.8%.

Finance Costs

The Target Group has not incurred any finance costs during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Net Loss

The Target Group recorded a net loss of approximately HK$3.8 million and HK$3.0 million for the year ended 31 December 2010 and six months ended 30 June 2011 respectively, representing a decrease of approximately 21.6%. The decrease in net loss was mainly resulted from the decrease in cost of services and administrative expenses.

Segmental Information

The Target Group is principally engaged in the business of television broadcasting and advertising in the Asia Pacific region (excluding the PRC). During the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011, no separate analysis of reportable segment loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Prepayment

Prepayment represented prepaid satellite transmission fee and carriage fee and broadcasting fee in accordance to the payment schedule.

Amount due to an intermediate holding company and loan from a former shareholder

Amount due to an intermediate holding company, which was unsecured, interest-free and repayable on demand, represented advances from China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司) for daily operations. Loan from a former shareholder represented advances from Xinhua Audio and Video Centre (新華音像中心). The balance was unsecured, interest-free and repayable within twelve months.

Capital Structure

The capital of the Target Company comprises only ordinary shares. No share capital movement has been made after the Target Company's incorporation. Total equity attributable to owners of the Target Group amounted to approximately HK$0.01 million in surplus, HK$3.8 million in deficit and HK$6.8 million in deficit respectively.

As at 31 December 2009, the Target Group did not have any borrowings. As at 31 December 2010 and 30 June 2011, except loan from a former shareholder, the Target Group did not have any borrowings. Loan from a former shareholder which was interest-free and repayable within twelve months, was denominated in Hong Kong Dollars.

Liquidity and Financial Resources

During the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011, the Target Group generated its operations through fund advances from China Xinhua News Network Co. Limited (中國新華新聞電視網有限公司), an intermediate holding company of the Target Group and Xinhua Audio and Video Centre (新華音像中心), a former shareholder. As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group had net assets of approximately HK$0.01 million, net liabilities of approximately HK$3.8 million and HK$6.8 million respectively. The financial position of the Target Group deteriorated across the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 as the Target Group has not yet derived any revenue and cost of services have been already incurred.

Cash Flows

Operating activities

For the year ended 31 December 2010, the Target Group recorded loss before income tax of approximately HK$3.8 million and operating loss before changes in working capital of approximately HK$3.8 million. The net cash outflow from operating activities of approximately HK$6.7 million for the year was mainly attributable to prepayment of satellite transmission fee and carriage fee and broadcasting fee in accordance with payment schedule.

For the six months ended 30 June 2011, the Target Group recorded loss before income tax of approximately HK$3.0 million and operating loss before changes in working capital of approximately HK$3.0 million. The net cash outflow from operating activities of approximately HK$1.8 million for the six months ended 30 June 2011 was mainly attributable to decrease in prepayment of satellite transmission fee and carriage fee and broadcasting fee.

Investing activities

The Target Group did not have any material investing activities for the year ended 31 December 2010 and six months ended 30 June 2011.

Financing activities

Net cash generated from financing activities was approximately HK$7.0 million for the year ended 31 December 2010. This was mainly attributable to the loan from a former shareholder and fund advances from an intermediate holding company for working capital.

Net cash generated from financing activities was approximately HK$2.6 million for the six months ended 30 June 2011. This was mainly attributable to increase in fund advances from an intermediate holding company during the period.

Except loan from a former shareholder and fund advances from an intermediate holding company, the Target Group did not have any other borrowings for the year ended 31 December 2010 and six months ended 30 June 2011.

Gearing Ratio

The gearing ratio of the Target Group is based on the amount of total borrowings, which includes loan from a former shareholder, divided by total assets. The gearing ratios of the Target Group were nil, 62.8% and 71.7% as at 31 December 2009, 31 December 2010 and 30 June 2011 respectively. The gearing ratio increased because the Target Group has not generate any revenue and certain costs, including cost of services and administrative expenses have been incurred and paid.

Foreign Currency Exposure

The transactions of the Target Group were mainly denominated in Hong Kong Dollars. Therefore, the exposure of the Target Group to foreign currency fluctuation was minimal.

Charges on Assets

The Target Group did not have any pledged asset to secure bank loans and facilities as at 31 December 2009, 31 December 2010 and 30 June 2011.

Contingent Liabilities

The Target Group did not have any material contingent liabilities as at 31 December 2009, 31 December 2010 and 30 June 2011.

Information on Employees

As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group did not have any full-time employees and therefore the Target Group did not incur any staff costs (including directors' remuneration). The Target Group did not adopt any share option and training schemes. Full-time employees will be under the remuneration policy of fixed monthly salary with discretionary bonus.

Significant Investment, Material Acquisitions and Disposals

No significant investments, material acquisitions and disposals have been made by the Target Group during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Future Plan for Material Investments and Capital Assets

No material investments plan has been made by the Target Group during the period from 22 December 2009 to 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011. As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group did not have any future plans on material investments and capital assets.

Prospects

As at 31 December 2009, 31 December 2010 and 30 June 2011, the Target Group did not make any trade orders. The prospects of the Target Group are discussed in paragraph headed "Financial and Trading Prospects of the Enlarged Group".

1. INTRODUCTION

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with the Rules 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Proposed Acquisition as if the Proposed Acquisition took place on 31 March 2011 for the consolidated statement of financial position and 1 April 2010 for the consolidated statement of comprehensive income and consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated financial information of the Group as at 31 March 2011 as set out in Appendix I to the Circular and audited consolidated financial information of the Target Group as at 30 June 2011 as set out in Appendix II, after making pro forma adjustments relating to the Proposed Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Proposed Acquisition been completed on 31 March 2011 and to describe the actual financial results and cash flows of the Enlarged Group that would have been attained has the Proposed Acquisition been completed on 1 April 2010, nor purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information on the Group as set out in Appendix I, historical financial information of the Target Group as set out in Appendix II and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Proposed Acquisition.

(I) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming that the Proposed Acquisition has been completed on 31 March 2011. The information is based on the audited financial statements of the Group as at 31 March 2011 as set out in Appendix I and the audited financial statements of the Target Group as at 30 June 2011 as set out in Appendix II. Such information is adjusted to reflect the effect of the Proposed Acquisition.

As the unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited Consolidated Statement of Financial Position of the Group as at 31 March 2011	**Audited Consolidated Statement of Financial Position of the Target Group as at 30 June 2011**	**Sub-total**		**Pro forma adjustments for the Proposed Acquisition**	**Unaudited Pro forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2011**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	12,711	—	12,711			12,711
Intangible assets	—	—	—	1(f)	657,000	657,000
Goodwill	—	—	—	1(b)	158,238	158,238
	12,711	—	12,711			827,949
Current assets						
Inventories	16,180	—	16,180			16,180
Trade and other receivables	26,779	1,583	28,362			28,362
Amount due from an intermediate holding company	—	3	3			3
Pledged bank deposits	2,000	—	2,000			2,000
Tax recoverable	321	—	321			321
Cash and cash equivalents	16,233	1,215	17,448			17,448
	61,513	2,801	64,314			64,314
Total assets	74,224	2,801	77,025			892,263

	Audited Consolidated Statement of Financial Position of the Group as at 31 March 2011	Audited Consolidated Statement of Financial Position of the Target Group as at 30 June 2011	Sub-total		Pro forma adjustments for the Proposed Acquisition	Unaudited Pro forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2011
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Current liabilities						
Trade and other payables	22,008	—	22,008	5	2,009	24,017
Amount due to an intermediate holding company	—	7,625	7,625			7,625
Loan from a former shareholder	—	2,009	2,009	5	(2,009)	—
Finance lease creditors	748	—	748			748
Borrowings	2,733	—	2,733			2,733
Employee benefits	897	—	897			897
Current tax liabilities	273	—	273			273
	26,659	9,634	36,293			36,293
Net current assets/(liabilities)	34,854	(6,833)	28,021			28,021
Total assets less current liabilities	47,565	(6,833)	40,732			855,970
Non-current liabilities						
Finance lease creditors	244	—	244			244
Convertible bonds	—	—	—	1(d)	601,524	601,524
				2	904	
Deferred tax liabilities	1,541	—	1,541	2	108,405	110,850
	1,785	—	1,785			712,618
Total liabilities	28,444	9,634	38,078			748,911
Net assets/(liabilities)	45,780	(6,833)	38,947			143,352
Capital and reserves						
				1(e)	474	
Share capital	992	10	1,002	3	(10)	1,466
				1(d)	5,476	
				1(d)	(904)	
				1(e)	92,526	
Reserves	44,788	(6,844)	37,944	4	6,844	141,886
Equity attributable to owners of the Company	45,780	(6,834)	38,946			143,352
Non-controlling interests	—	1	1	1(c)	(1)	—
Total equity	45,780	(6,833)	38,947			143,352

(II) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

The following is the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, assuming that the Proposed Acquisition have been completed on 1 April 2010. The information is based on the audited consolidated financial statements of the Group for the year ended 31 March 2011 as set out in Appendix I and the audited consolidated financial statements of the Target Group for the six months ended 30 June 2011 as set out in Appendix II. Such information is adjusted to reflect the effect of the Proposed Acquisition.

As the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Statement of Comprehensive Income of the Group for the year ended 31 March 2011	Audited Consolidated Statement of Comprehensive Income of the Target Group for the six months ended 30 June 2011	Sub-total		Pro forma adjustments for the Proposed Acquisition	Unaudited Pro forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 March 2011
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Revenue	184,307	—	184,307			184,307
				6	(1,000)	
Cost of services	(162,107)	(3,000)	(165,107)	7	(65,700)	(231,807)
Gross profit/(loss)	22,200	(3,000)	19,200			(47,500)
Other income	544	—	544			544
Administrative expenses	(10,739)	(8)	(10,747)			(10,747)
Profit/(loss) from operations	12,005	(3,008)	8,997			(57,703)
Finance costs	(341)	—	(341)	8	(32,080)	(32,421)
Profit/(loss) before income tax	11,664	(3,008)	8,656			(90,124)
Income tax	(1,918)	—	(1,918)	9	11,126	9,208
Profit/(loss) for the year/period	9,746	(3,008)	6,738			(80,916)
Other comprehensive income, net of income tax	—	—	—			—
Total comprehensive income/(loss) for the year/period	9,746	(3,008)	6,738			(80,916)

	Audited Consolidated Statement of Comprehensive Income of the Group for the year ended 31 March 2011	Audited Consolidated Statement of Comprehensive Income of the Target Group for the six months ended 30 June 2011	Sub-total		Pro forma adjustments for the Proposed Acquisition	Unaudited Pro forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 March 2011
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to:						
				6	(1,000)	
				7	(65,700)	
				8	(32,080)	
				9	11,126	
Owners of the Company	9,746	(3,007)	6,739	10	(1)	(80,916)
Non-controlling interests	—	(1)	(1)	10	1	—
	9,746	(3,008)	6,738			(80,916)
Total comprehensive income/(loss) attributable to:						
				6	(1,000)	
				7	(65,700)	
				8	(32,080)	
				9	11,126	
Owners of the Company	9,746	(3,007)	6,739	10	(1)	(80,916)
Non-controlling interests	—	(1)	(1)	10	1	—
	9,746	(3,008)	6,738			(80,916)
Earnings/(loss) per share attributable to owners of the Company:						
— Basic and diluted	1.09 HK cents	HK$(300.70)		11		(5.93) HK cents

(III) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming that Proposed Acquisition have been completed on 1 April 2010. The information is based on the audited consolidated financial statements of the Group for the year ended 31 March 2011 as set out in Appendix I and the audited financial statements of the Target Group for the six months ended 30 June 2011 as set out in Appendix II. Such information is adjusted to reflect the effect of the Proposed Acquisition.

As the unaudited pro forma consolidated statement of cash flows of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Statement of Cash Flows of the Group for the year ended 31 March 2011	**Audited Consolidated Statement of Cash Flows of the Target Group for the six months ended 30 June 2011**	**Sub-total**		**Pro forma adjustments for the Proposed Acquisition**	**Unaudited Pro forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2011**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Cash flows from operating activities						
				6	(1,000)	
				7	(65,700)	
Profit/(loss) before income tax	11,664	(3,008)	8,656	8	(32,080)	(90,124)
Adjustments for:						
Amortisation of intangible assets	—	—	—	12	65,700	65,700
Depreciation of property, plant and equipment	5,052	—	5,052			5,052
Loss on disposal of property, plant and equipment	127	—	127			127
Finance costs	341	—	341	13	32,080	32,421
Interest income	(3)	—	(3)			(3)
Operating cash flows before movements in working capital	17,181	(3,008)	14,173			13,173
Increase in inventories	(6,392)	—	(6,392)			(6,392)
Decrease in trade and other receivables	1,492	1,250	2,742			2,742
Decrease in trade and other payables	(2,588)	—	(2,588)			(2,588)
Increase in employee benefits	424	—	424			424
Cash generated from/(used in) operations	10,117	(1,758)	8,359			7,359
Income tax paid	(6,447)	—	(6,447)			(6,447)
Net cash generated from/(used in) operating activities	3,670	(1,758)	1,912			912

	Audited Consolidated Statement of Cash Flows of the Group for the year ended 31 March 2011	Audited Consolidated Statement of Cash Flows of the Target Group for the six months ended 30 June 2011	Sub-total	Notes	Pro forma adjustments for the Proposed Acquisition	Unaudited Pro forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2011
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
Cash flows from investing activities						
Purchase of property, plant and equipment	(4,583)	—	(4,583)			(4,583)
Interest received	3	—	3			3
Net cash used in investing activities	(4,580)	—	(4,580)			(4,580)
Cash flows from financing activities						
Increase in amount due to an intermediate holding company	—	2,608	2,608	14	1,000	3,608
Proceeds from issue of ordinary shares	31,744	—	31,744			31,744
Expenses paid in connection with the issue of new shares	(10,776)	—	(10,776)			(10,776)
Increase in pledged bank deposits	(2,000)	—	(2,000)			(2,000)
Proceeds from borrowings	3,000	—	3,000			3,000
Repayment of borrowings	(4,799)	—	(4,799)			(4,799)
Interest element of finance lease creditors	(243)	—	(243)			(243)
Repayment of finance lease creditors	(2,886)	—	(2,886)			(2,886)
Interest paid	(98)	—	(98)	15	(30,350)	(30,448)
Dividends paid by subsidiaries to their then shareholders prior to the reorganisation	(4,000)	—	(4,000)			(4,000)
Dividends paid to owners of the Company	(3,129)	—	(3,129)			(3,129)
Net cash generated from/(used in) financing activities	6,813	2,608	9,421			(19,929)
Net increase/(decrease) in cash and cash equivalents	5,903	850	6,753			(23,597)
Cash and cash equivalents at the beginning of the year/period	10,330	365	10,695			10,695
Cash and cash equivalents at the end of the year/period	16,233	1,215	17,448			(12,902)
Analysis of balance of cash and cash equivalents						
Cash and cash equivalents	16,233	1,215	17,448			(12,902)

Notes To the Unaudited Pro Forma Financial Information

Under HKFRS 3 Business Combinations (Revised) ("HKFRS 3(R)"), the Company will apply the purchase methods to account for the Proposed Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of completion. Any goodwill or discount arising on the Proposed Acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interests at the date of completion. Bargain purchase gain resulting from the business combinations should be recognised immediately in the consolidated statement of comprehensive income.

The adjustments reflected the following:

1. (a) The consideration for the Proposed Acquisition to be satisfied by the Company is HK$700,000,000. The consideration is to be satisfied by:

	HK$'000
Principal amount of convertible bonds (the "Convertible Bonds") *(Note 1(d))*	607,000
Allotment and issue of new shares (the "Consideration Shares") *(Note 1(e))*	93,000
	700,000

(b) Details of goodwill arising from the Proposed Acquisition are as below:

For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the television broadcasting rights, which granted to the Target Company in September 2011, has been obtained by the Target Company at the completion of the Proposed Acquisition.

Assumed fair value of the consideration on 31 March 2011

	HK$'000
Convertible Bonds *(Note 1(d))*	607,000
Consideration Shares *(Note 1(e))*	93,000
Total	700,000
Add: Fair value of net identifiable liabilities acquired *(Note 1(c))*	6,833
Less: Fair value of television broadcasting rights recognised in the Proposed Acquisition *(Note 1(f))*	(657,000)
Add: Deferred tax liabilities arising on recognition of intangible assets *(Note 1(f))*	108,405
Goodwill	158,238

The directors of the Company have reviewed the carrying value of intangible assets of the Enlarged Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), with reference to the independent valuation report carried out by Ample Appraisal Limited, an independent professional valuer. The directors of the Company are of the opinion that there is no indication that the values of the goodwill and intangible assets of the Enlarged Group may be impaired in respect of the goodwill and intangible assets with an assumed fair value of approximately HK$158,238,000 and HK$657,000,000 respectively, as shown in the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2011.

In accordance with HKAS 36, the directors of the Company will carry out impairment review of the goodwill of the Enlarged Group for the future financial statements with reference to an independent valuation report, which will be prepared under the similar principal assumptions and valuation method disclosed in the valuation report as set out in Appendix IV.

It is the sole responsibility of the directors of the Company to ensure that the Company is adopting and will continue to adopt consistent accounting policies and ensure that the principal assumptions of the valuation for assessment of the impairment of the Enlarged Group's intangible assets and goodwill are consistent for the annual audit of the Enlarged Group in the future.

The reporting accountants of the Proposed Acquisition concurred with the assessment of impairment in the intangible assets and goodwill by the directors of the Company, in accordance with HKAS 36, in the Unaudited Pro Forma Financial Information and adoption of consistent accounting policies and principal assumptions in the preparation of consolidated financial statements of the Enlarged Group after the completion of the Proposed Acquisition.

(c) The fair values of net liabilities of the Target Group acquired in the Proposed Acquisition are as below:

	HK$'000
Net liabilities value of the Target Group	6,833

For the purpose of preparing the Unaudited Pro Forma Financial Information, the carrying value of the net liabilities of the Target Group as per the Accountants' Report as set out in Appendix II is taken to be the fair value.

(d) These amount represented the liability and equity components of the Convertible Bonds with principal amount of approximately HK$607,000,000 issued for the Proposed Acquisition. The Convertible Bonds carries 5% interest per annum. It will mature in 3 years from the date of issue.

The fair value assessment of the liability component and the equity component of the Convertible Bonds was performed by Ample Appraisal Limited, an independent professional valuer, using discounted cash flow method. As at 31 March 2011, the estimated fair values of the liability component and equity component of the Convertible Bonds are approximately HK$601,524,000 and HK$5,476,000 respectively.

Fair values of the liability component and the equity component shall be assessed on the date of completion and are therefore subject to change upon completion of the Proposed Acquisition.

	Convertible Bonds *HK$'000*
Face value of the financial instruments	607,000
Less: Carrying amount of the liability component as at 31 March 2011	(601,524)
Temporary difference	5,476
Deferred tax liabilities at a tax rate of 16.5%	904

(e) The adjustments represent the allotment and issuance of a total of 474,335,664 new shares of the Company of HK$0.001 each, at HK0.196 per share, which was determined after arm's length negotiations between the Group and the Vendors, with reference to the prevailing trading price of the shares during the period of negotiations. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the Consideration Shares as at 31 March 2011 amounted to approximately HK$93,000,000 and is recognised in equity as share capital and share premium amounting to approximately HK$474,000 and HK$92,526,000 respectively. The balance of share capital is equal to number of shares to be allot and issue of 474,335,664 times the par value of HK$0.001, whereas the remaining balance is classified as share premium.

(f) The Target Group has obtained television broadcasting rights from China Xinhua News Network Co., Limited (the "China Xinhua NNC") for all television programmes from Xinhua News Agency in Asia Pacific Region, excluding The People's Republic of China (the "PRC") for a term of 10 years starting from 1 September 2011 to 31 August 2021, for an annual fee of (a) HK$1,000,000 payable by the Target Company to China Xinhua NNC prior to 31 December 2016 and (b) HK$3,000,000 payable by the Target Company to China Xinhua NNC with effect from 1 January 2017.

In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the carrying amount of the television broadcasting rights of approximately HK$657,000,000 represents the fair value of the 100% equity interests of the Target Company as at 31

March 2011 (the "Company Valuation") and is calculated using the discounted cash flow method at a discount rate of 17.42%, which is determined by the capital asset pricing model carried out by Ample Appraisal Limited.

The fair value assessment was carried out by Ample Appraisal Limited, an independent professional valuer. Under the discounted cash flow method, an asset is valued based on a simple reversal calculation to restate all future cash flows as present worth. Ample Appraisal Limited has considered that the most appropriate method for valuing the aforesaid television broadcasting rights is the discounted cash flow method as Ample Appraisal Limited have taken into the account of (i) the uniqueness of the Target Company's operation and the industry, that the Target Company is participating and (ii) the Target Company does not own substantial tangible assets, thus market-based approach and asset-based approach are not applicable.

The Company Valuation of 100% equity interests of the Target Company as at 31 March 2011 is related to the valuation report of the Target Company in Appendix IV (the "Valuation Report"). The principal assumptions, financial projections and calculation method applied in the Company Valuation are consistent with the Valuation Report, except for the annual fee payable to China Xinhua NNC is assumed to be minimal in the Company Valuation, as such annual fee was not yet determined at that time.

Fair values of the intangible assets shall be assessed on the date of completion and are therefore subject to change upon completion of the Proposed Acquisition.

Deferred tax arising from the recognition of intangible assets is as follows:

	Intangible assets *HK$'000*
Fair value of the television broadcasting rights	657,000
Deferred tax liabilities at tax rate of 16.5%	108,405

2. The pro forma adjustment of approximately HK$109,309,000 represents the adjustment of the deferred tax liabilities as at 31 March 2011.

	Intangible assets *HK$'000*	**Convertible Bonds** *HK$'000*	**Total** *HK'000*
Deferred tax liabilities			
Recognition of intangible assets *(Note 1(f))*	108,405	—	108,405
Issue of Convertible Bonds *(Note 1(d))*	—	904	904
	108,405	904	109,309

3. The pro forma adjustment of HK$10,000 represents the elimination of the share capital of the Target Group upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Proposed Acquisition was completed on 31 March 2011.

4. The pro forma adjustment of approximately HK$6,844,000, represents the net effect of elimination of pre-acquisition reserves of the Target Group as if the Proposed Acquisition was completed on 31 March 2011.

   Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves of the Target Group	6,844

5. The pro forma adjustment represents the reallocation of loan from a former shareholder of the Target Group to trade and other payables upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Proposed Acquisition was completed on 31 March 2011.

6. The pro forma adjustment of approximately HK$1,000,000 represents the charges payable to China Xinhua NNC, an intermediate holding company, for the use of the television broadcasting rights for the year ended 31 March 2011. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the television broadcasting rights, which granted to the Target Company in September 2011, has been obtained by the Target Company at the completion of the Proposed Acquisition. This charge will have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

7. The pro forma adjustment of approximately HK$65,700,000 represents the annual amortisation charge recognised for the intangible asset in the consolidated statement of comprehensive income of the Enlarged Group. For the purpose of preparing the Unaudited Pro Forma Financial Information, the estimated useful life of the intangible asset is assumed to be 10 years. This amortisation charge will have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

   Details are set out as follows:

	HK$'000
Amortisation of intangible assets	65,700

8. The pro forma adjustment of approximately HK$32,080,000 represents the annual finance cost of the interest expenses and imputed interest expenses recognised for the Convertible Bonds in the consolidated statement of comprehensive income of the Enlarged Group with the imputed interest rates of 5.40% for the year ended 31 March 2011. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that prime rate of 5.40% is the effective interest rate. These interest expenses will have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

Details are set out as follows:

	HK$'000
Interest expense on Convertible Bonds	30,350
Imputed interest on Convertible Bonds	1,730
	32,080

Notes:

(i) Interest expense on Convertible Bonds is calculated by the principal amount of Convertible Bonds, HK$607,000,000 times the interest rate according to the terms of Convertible Bonds, i.e. 5% per annum.

(ii) Imputed interest on Convertible Bonds is calculated by the principal amount of Convertible Bonds, HK$607,000,000 times the effective interest rate of 5.40%, minus the interest expense on Convertible Bonds. The imputed interest rate was determined with reference to a various factors, including the credit spread of the Company and specific risk premium being assessed by independent professional valuer.

9. The pro forma adjustment represents the deferred tax effect of approximately HK$11,126,000 of the imputed interests of Convertible Bonds and the amortisation charge of intangible assets for the year ended 31 March 2011.

The basis of the deferred tax effect of HK$11,126,000 is set out as follows:

	Intangible assets	**Convertible Bonds**	**Total**
	HK$'000	*HK$'000*	*HK'000*
Deferred tax liabilities as at 1 April 2010, at the tax rates of 16.5%	108,405	904	109,309
Less: deferred tax liabilities as at 31 March 2011, at the tax rates of 16.5%	(97,565)	(618)	(98,183)
Deferred tax effect	10,840	286	11,126

	Intangible assets	**Convertible Bonds**	**Total**
	HK$'000	*HK$'000*	*HK'000*
Net book value as at 1 April 2010	657,000	—	657,000
Face amount	—	607,000	607,000
Less: Carrying amount as at 1 April 2010	—	(601,524)	(601,524)
Temporary difference at 1 April 2010	657,000	5,476	662,476
Deferred tax liabilities as at 1 April 2010, at the tax rates of 16.5%	108,405	904	109,309
Net book value as at 31 March 2011	591,300	—	591,300
Face amount	—	607,000	607,000
Less: Carrying amount as at 31 March 2011	—	(603,254)	(603,254)
Temporary difference at 31 March 2011	591,300	3,746	595,046
Deferred tax liabilities as at 31 March 2011 at the tax rates of 16.5%	97,565	618	98,183

10. The pro forma adjustment of approximately HK$1,000 represents the reversal of share of results to non-controlling interests of Xinhua TV Macau Operating Co., Ltd. (the "Xinhua TV Macau"), as Xinhua TV Macau would become a wholly owned subsidiary of the Target Company as if the Proposed Acquisition was completed on 1 April 2010.

11. The calculation of unaudited pro forma loss per share are shown as follows:

Unaudited pro forma basic earnings per share

The calculation of the unaudited pro forma earnings per share attributable to owners of the Company is based on the following data:

Loss

	HK$'000
Loss for the year attributable to owners of the Company	(80,916)

	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,365,098

12. The pro forma adjustment to the consolidated statement of cash flows represents the recognition of the amortisation of the intangible assets of approximately HK$65,700,000 as if the Proposed Acquisition was completed on 1 April 2010. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flows of the Enlarged Group in subsequent years.

13. The pro forma adjustment to the consolidated statement of cash flows represents the recognition of the finance cost of the Convertible Bonds of approximately HK$32,080,000 as if the Proposed Acquisition was completed on 1 April 2010. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flows of the Enlarged Group in subsequent years.

14. The pro forma adjustment to the consolidated statement of cash flows represents the recognition of the annual charge of the usage of television broadcasting right of approximately HK$1,000,000 as if the Proposed Acquisition was completed on 1 April 2010. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flows of the Enlarged Group in subsequent years.

15. The pro forma adjustment to the consolidated statement of cash flows represents the annual payment of interest expense of the Convertible Bonds of approximately HK$30,350,000 as if the Proposed Acquisition was completed on 1 April 2010. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flows of the Enlarged Group in subsequent years.

16. After making the above adjustments, the unaudited pro forma consolidated statement of cash flows showed a shortfall of cash and cash equivalents of approximately HK$12,902,000. The shortfall will be set off by the gross proceeds from the placing of new shares of the Company of approximately HK$34,323,000 which completed on 21 July 2011. For more details of the placing of new shares of the Company, please refer to the Company's announcement dated 21 July 2011.

2. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of the unaudited pro forma financial information of the Enlarged Group, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

19 November 2011

The Board of Directors
Tsun Yip Holdings Limited
Flat 314, 3/F,
Fuk Shing Industrial Building
28 On Lok Mun Street
Fanling, New Territories
HONG KONG

Dear Sirs,

We report on the unaudited pro forma financial information of Tsun Yip Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Xinhua TV Asia-Pacific Operating Co., Limited (the "Target Company") and its subsidiaries (the "Target Group") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of the Target Company and all obligations, liabilities and debts owing or incurred by the Target Group (the "Proposed Acquisition") might have affected the financial information presented, for inclusion as Appendix III of the circular of the Company dated 19 November 2011 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 136 and 150 of Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rules 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by Rule 7.31(7) of the GEM Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2011 or any future date; or
- the financial results and cash flows of the Enlarged Group for the year ended 31 March 2011 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of the letter and valuation report prepared for the purpose of incorporation in this circular received from Ample Appraisal Limited, being an independent valuer, in connection with its valuation as at 31 October 2011 of the market value of the Target Company.

Ample Appraisal Ltd
AMAP

Room 604, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

19 November 2011

Tsun Yip Holdings Limited
Flat 314, 3/F
Fuk Shing Commercial Building
28 On Lok Mun Street
Fanling, New Territories
Hong Kong

Attn: The Board of Directors

Dear Sirs,

Re: The 100 Percent Equity Interest in the Business Enterprise of Xinhua TV Asia-Pacific Operating Company Limited

In accordance with your instructions for us to carry out an appraisal of the fair value of the 100 percent equity interest in the business enterprise of Xinhua TV Asia-Pacific Operating Company Limited (hereinafter referred to as the "Target Company"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value of the Target Company as at 31 October 2011 (hereinafter referred to as the "Valuation Date").

This report states the purpose of appraisal and scope of our works, identifies the business appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

Ample Appraisal Limited (hereinafter referred to as "Ample Appraisal") acknowledges that this report is being prepared solely for the use of the directors and management of Tsun Yip Holdings Limited (hereinafter referred to as the "Company"). The Company is a pubic company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange"). The Target Company is a private company incorporated in Hong Kong on 22 December 2009 and situated at 381, Queen's Road East, Wanchai, Hong Kong.

This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released.

Ample Appraisal assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information provided by the management of the Target Company or its representative (hereinafter referred to as the "Management"). In preparing this report, we have had discussions with the Management and the Company in relation to the development and prospects of the television advertising business in the Asia Pacific region, and the development, operations and other relevant information of the Target Company.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Company provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Target Company will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the appraisal of the fair value of the Target Company, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realised.

3.0 ASIA PACIFIC ECONOMIC OVERVIEW

3.1 Matured Recovery in Asia Pacific

According to a recent report on the regional economic outlook published by the International Monetary Fund (hereinafter referred to as the "IMF"), the recovery in Asia Pacific from the recent financial crisis has matured as both exports and domestic demand have fueled rapid economic growth, which reached 8.3 percent in 2010.

Export has benefited from the global investment cycle as well as strong final demand from emerging economies in both Asia Pacific and other regions. Domestic demand has also been robust, reflecting still expansionary fiscal policies as well as growing private demand.

Private demand has been broad based across both investment and consumption. Investment is being driven by the need in many Asia Pacific countries to overcome capacity constraints and to build infrastructure. Consumption is being propelled by rising employment, wages, and productivity.

These supported favorable prospects with growth in the Asia Pacific region projected to average nearly 7 percent in both 2011 and 2012. Growth is expected to be 9.5 percent and 8 percent for the People's Republic of China (hereinafter referred to as the "PRC") and India respectively in the next two years.

Risks to the growth outlook are evenly balanced. The prospects for sustained global growth have strengthened in recent quarters as uncertainties over private domestic demand in advanced economies have lessened. New downside risks have emerged such as the turmoil in the Middle East and North Africa region, which could disrupt global growth and inflation. Meanwhile, fiscal and financial vulnerabilities continue to cloud the outlook for advanced economies, which are important trading partners for Asia Pacific.

3.2 Historical Perspective (2000 to 2009) of Asia Pacific Economies

Historical data of gross domestic product ("GDP") provided by the IMF, World Economic Outlook Database, April 2011 edition, shows the states of economies of selected countries in the Asia Pacific region from 2000 to 2009 (2009 figures for Korea, New Zealand, and Thailand are IMF estimates) in United States Dollars ("US$"). Countries are put into 3 groups according to the size of respective economy and illustrated in the following charts. Chart 3.1 shows that Japan was the biggest economy in Asia Pacific before 2009 but the PRC caught up by 2009, while economy in Korea experienced a declining period in 2008 and 2009.

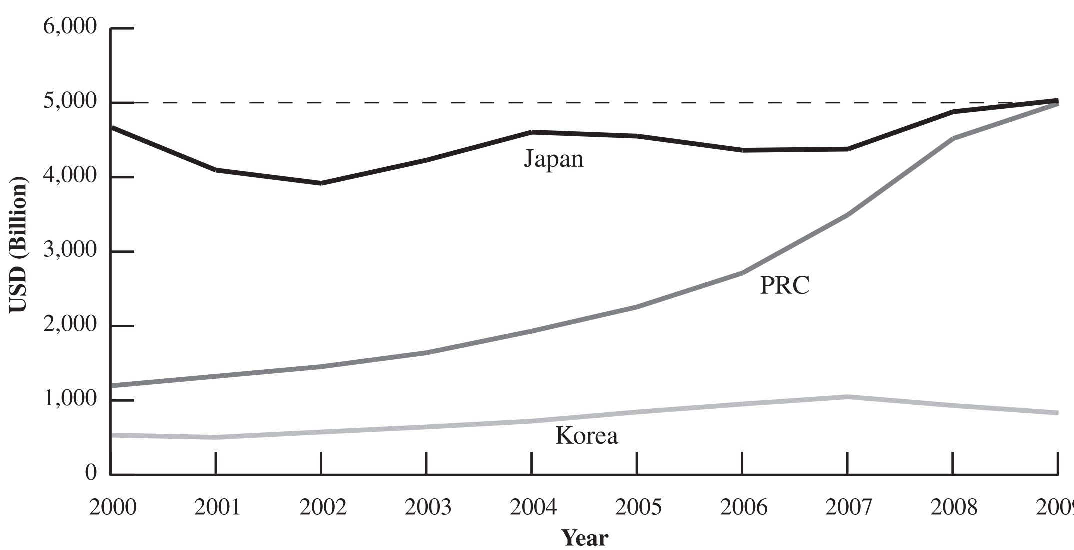


Chart 3.1 — GDP (Current prices) for Japan, Korea, and the PRC

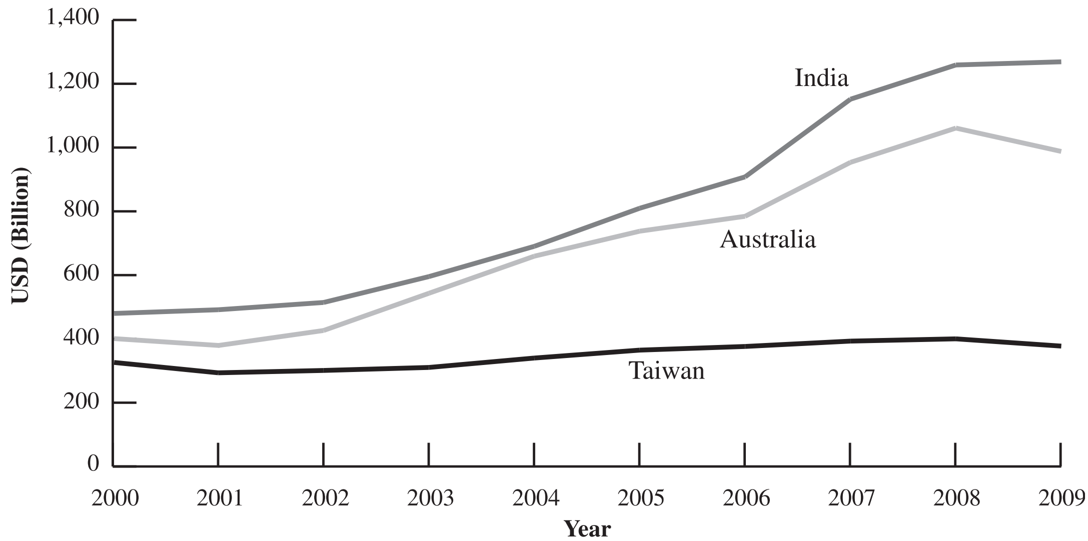


Chart 3.2 — GDP (Current prices) for Australia, India, and Taiwan

Chart 3.2 shows Taiwan Province of China (hereinafter referred to as "Taiwan") has maintained its GDP level over the last decade, but Australia has a significant bad year in 2009 and growth in India has also slowed down in 2009, similar as to other Asia Pacific countries as shown in chart 3.3 below.

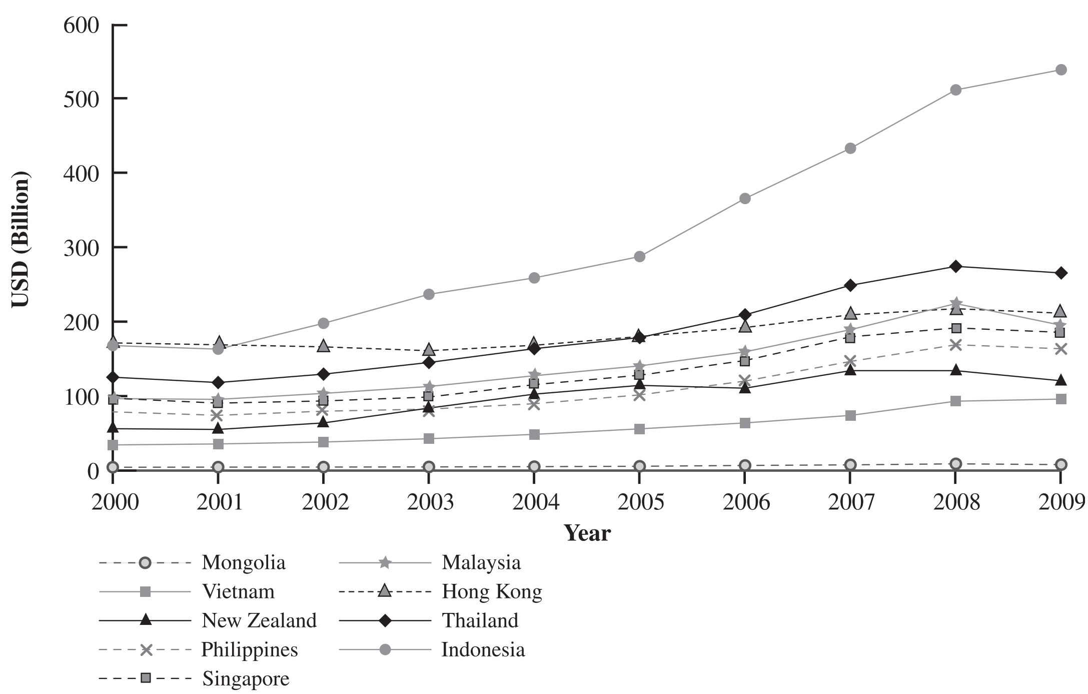


Chart 3.3 — GDP (Current Prices) for Other Selected Asia Pacific Countries

3.3 2010 GDP Estimates and Forecasts towards 2016

Asia Pacific countries, after experienced a slow down or a set back in 2009, has their economy back on growth track and the outlook is positive over the next 5 years towards 2016, which is listed in the following table (in billion US$).

Countries	2010	2011	2012	2013	2014	2015	2016
Australia	1,236	1,448	1,470	1,574	1,552	1,663	1,697
Hong Kong	225	245	265	283	301	320	342
India	1,538	1,704	1,859	2,061	2,280	2,516	2,777
Indonesia	707	823	908	998	1,100	1,212	1,337
Japan	5,459	5,822	5,921	6,058	6,218	6,380	6,540
Korea	1,007	1,126	1,202	1,282	1,376	1,476	1,586
Macau	28	—	—	—	—	—	—
Malaysia	238	248	268	289	312	336	362
Mongolia	6	9	11	15	18	20	24
New Zealand	140	153	158	165	170	176	181
Philippines	189	203	218	233	251	269	289
PRC	5,878	6,516	7,209	8,057	9,016	10,062	11,220
Singapore	223	254	266	279	292	305	319
Taiwan	431	504	545	591	640	692	751
Thailand	319	332	368	398	427	461	498
Vietnam	104	119	129	143	159	176	194

Source: Macau government portal, and IMF, World Economic Outlook Database, April 2011.

The real GDP growth rates (in percent) from 2010 to 2016 for these countries can be derived from these estimates and forecasts after adjusting with the respective country deflators and are summarised in the following table.

Countries	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Australia	2.75	2.97	3.48	3.54	3.26	3.19	3.04
Hong Kong	6.81	5.41	4.19	4.22	4.22	4.27	4.32
India	10.37	8.24	7.82	8.17	8.14	8.12	8.13
Indonesia	6.11	6.20	6.50	6.70	7.00	7.00	7.00
Japan	3.94	1.40	2.07	1.69	1.51	1.28	1.19
Korea	6.11	4.46	4.18	4.17	4.05	4.04	4.05
Malaysia	7.16	5.50	5.20	5.10	5.10	5.00	5.00
Mongolia	6.14	9.75	7.15	23.10	15.76	8.98	15.59
New Zealand	1.52	0.93	4.05	3.37	2.90	2.63	2.42
Philippines	7.33	4.95	4.97	5.00	5.00	5.00	5.00
PRC	10.30	9.59	9.52	9.48	9.52	9.46	9.53
Singapore	14.47	5.16	4.41	4.30	4.20	4.07	4.01
Taiwan	10.82	5.42	5.17	5.09	4.99	4.94	4.91
Thailand	7.80	3.96	4.53	4.70	4.75	4.85	5.00
Vietnam	6.78	6.26	6.75	7.23	7.44	7.50	7.50

Source: IMF, World Economic Outlook Database, April 2011.

Australia and New Zealand are expecting a healthy annual growth rate of about 2 to 3 percent over the next five years while Japan may have the lowest projected growth rate among the 15 countries listed. Growth rate for the other twelve countries except Mongolia are in the range from 3.96 percent to 9.59 percent. IMF estimates that Mongolia will enjoy a higher growth rate in real GDP in 2013, 2015, and 2016.

4.0 TELEVISION, MEDIA AND ADVERTISING INDUSTRY

4.1 Television Industry

Television is better known by the general public for the free service provided by terrestrial broadcasters. The television industry can be divided into four sectors, namely, the terrestrial (usually free to view, broadcast in either analog or digital signal), cable and satellite broadcasters (usually on subscription basis), plus the emerging internet protocol television ("IPTV").

Broadcast television is going through an extraordinary time of change and challenge in recent decades. It is still one of the most popular forms of entertainment and information, but the rapid growth of the internet and interactive media is competing strongly for audiences and revenues. As it is concerning the public and their interests, it is a highly regulated industry across countries and subject to local and national legislations in the country it operates.

Taking the example of Hong Kong, since the enactment of the Broadcasting Ordinance, the Government of HKSAR has introduced a technology neutral regulatory regime for television broadcasting services. Under the regime, the "provision" and the "carriage" of television programme services are separately licensed and regulated under the Broadcasting Ordinance (Cap. 562) and the Telecommunication Ordinance (Cap. 106).

A television programme service licensee may choose to hire the transmission service of any licensed carrier to deliver its television service by any feasible technology (terrestrial broadcasting, hybrid fiber coaxial cable, satellite or broadband) instead of establishing and maintaining a television transmission infrastructure itself.

There are four categories of television programming services, namely domestic free, domestic pay, non-domestic and other licensable television programme services provided in Hong Kong. Hong Kong is an ideal place for uplinking satellite television services to the Asia Pacific region due to the proximity to the Mainland China and other parts of the region, excellent infrastructure, freedom of speech, and pools of talent.

4.2 Global Advertising Market

Advertising spending in 2009 suffered the sharpest decline due to the economic downturn in 2008 after enjoying successive years of growth. However, global advertising spending is expected to grow slowly again, from US$426 billion in 2009 to US$471 billion this year, a 4.1 percent growth over last year and the same as the peak level of expenditure in 2008.

The global advertising expenditure will reach US$527 billion in 2013, according to ZenithOptimedia, a media services agency. Their forecasts are summarised by region and year in the following table.

Regions *(in million US$)*	**2009**	**2010**	**2011**	**2012**	**2013**
North America	157,499	161,556	165,315	171,232	176,919
Western Europe	97,121	102,717	106,059	109,909	113,529
Asia Pacific	106,372	116,466	123,330	133,470	142,724
Central & Eastern Europe	23,928	25,406	27,705	31,463	35,854
Latin America	27,063	31,320	33,409	36,116	39,466
Middle East & North Africa	4,633	5,085	4,469	4,867	5,095
Rest of the World	9,380	10,139	11,015	12,120	13,390
World	425,996	452,689	471,302	499,177	526,977

Chart 4.1 visualise the above statistics and estimates of advertising spending in total from 2009 to 2013, which shows a growth of approximately 9.5 percent for advertising spending in Asia Pacific region in 2010 and estimated a growth rate of approximately 5.9 percent, 8.2 percent, and 6.9 percent in 2011, 2012, and 2013 respectively, which is generally higher than their estimates for the global market.

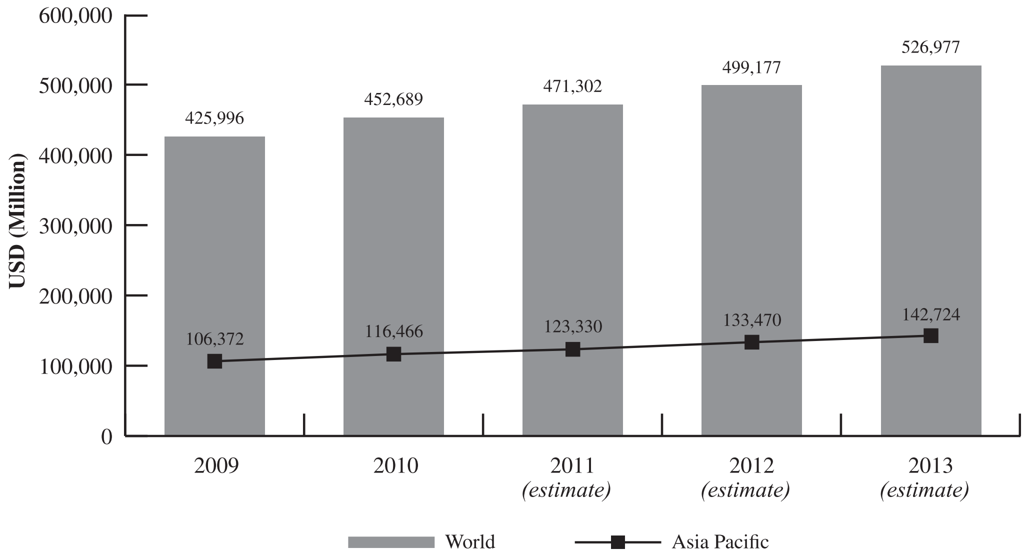


Chart 4.1 — Global Advertising Spending (2009 to 2013 Statistics & Estimates)

The internet continues to grow at the fastest rate of any medium, at an average of 14.2 percent a year between 2010 and 2013. Television is the next fastest growing medium, at approximately 6.2 percent a year. It is also the largest contributor to global growth, accounting for 49 percent of new advertising dollars between 2010 and 2013.

Actual advertising spending in 2009 was analysed by medium and illustrated in chart 4.2, which shows a 38.38 percent share of advertising spending for the television medium, or US$163,484 million in money term. The share of global advertising market by television continues to rise steadily and reached approximately 39.7 percent in 2010 and estimated to attract 40.8 percent in 2013.

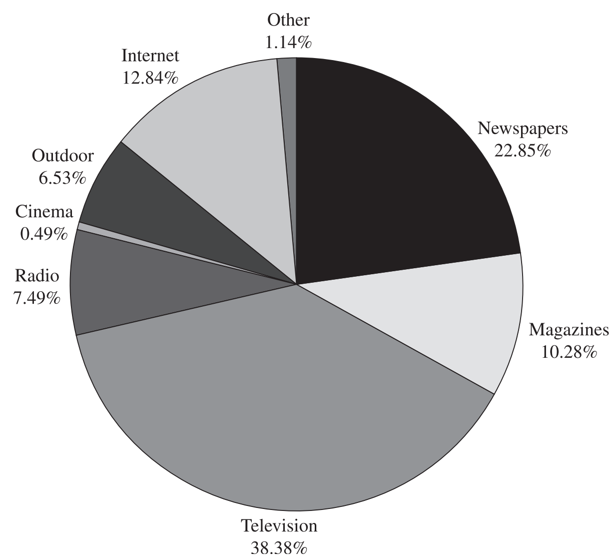


Chart 4.2 — Global Advertising Spending by Medium (2009)

4.3 Regional Advertising Market

The data from ZenithOptimedia does not show breakdown by Asia Pacific countries, therefore, we have referred to another authoritative source, the Asia Television Advertising Coalition (hereinafter referred to as the "ATAC"), although only actual data for 2008 and 2009 is available along with 2010 forecasts, it presents a better picture of the advertising markets in the region.

Table 4.1 is compiled from data for Asia Pacific region according to ATAC and shows the total advertising expenditure recorded for the Asia Pacific region by country with actual data for 2008 and 2009, plus the forecast for 2010 made by the ATAC.

Table 4.1 — Total Advertising Expenditure for Asia Pacific

Countries *(in million US$)*	**2008** *(Actual)*	**2009** *(Actual)*	**2009 Growth** *(%)*	**2010** *(Forecast)*	**2010 Growth** *(%)*
Australia	7,896	10,527	33.32	11,280	7.15
Hong Kong	4,722	4,239	–10.23	4,639	9.44
India	4,407	5,165	17.20	5,598	8.38
Indonesia	2,167	3,315	52.98	4,445	34.09
Japan	47,676	43,893	–7.93	43,874	–0.04
Malaysia	1,662	2,079	25.09	2,344	12.75
New Zealand	1,150	1,408	22.43	1,476	4.83
Pakistan	410	459	11.95	455	–0.87
Philippines	1,421	1,752	23.29	2,010	14.73
PRC	35,167	36,864	4.83	42,686	15.79
Singapore	994	1,087	9.36	1,123	3.31
South Korea	5,163	5,871	13.71	6,233	6.17
Taiwan	1,303	1,386	6.37	1,344	–3.03
Thailand	1,997	2,323	16.32	2,595	11.71
Vietnam	585	782	33.68	920	17.65

Based on the same source of data, we have further compiled table 4.2, which shows the television advertising expenditure recorded and forecasted for the same period.

Table 4.2 — Television Advertising Expenditure for Asia Pacific

Countries *(in million US$)*	**2008** *(Actual)*	**2009** *(Actual)*	**2009 Growth** *(%)*	**2010** *(Forecast)*	**2010 Growth** *(%)*
Australia	2,452	3,141	28.10	3,369	7.26
Hong Kong	1,671	1,468	–12.15	1,615	10.01
India	1,632	1,987	21.75	2,233	12.38
Indonesia	1,371	2,005	46.24	2,807	40.00
Japan	20,113	18,958	–5.74	19,976	5.37
Malaysia	583	769	31.90	922	19.90
New Zealand	338	413	22.19	430	4.12
Pakistan	207	285	37.68	288	1.05
Philippines	1,069	1,312	22.73	1,513	15.32
PRC	22,008	23,162	5.24	26,739	15.44
Singapore	314	330	5.10	335	1.52
South Korea	2,067	2,220	7.40	2,351	5.90
Taiwan	523	571	9.18	563	–1.40
Thailand	1,112	1,291	16.10	1,485	15.03
Vietnam	420	605	44.05	720	19.01

The television advertising expenditure is then compared with the total advertising expenditure to reveal the television advertising expenditure as a percent share of total advertising expenditure.

Table 4.3 — Percent Share of Advertising Expenditure for Asia Pacific

	2009			**2010**		
Countries *(in million US$)*	**Television** *(Actual)*	**Total** *(Actual)*	**% Share** *(%)*	**Television** *(Forecast)*	**Total** *(Forecast)*	**% Share** *(%)*
Australia	3,141	10,527	29.84	3,369	11,280	29.87
Hong Kong	1,468	4,239	34.63	1,615	4,639	34.81
India	1,987	5,165	38.47	2,233	5,598	39.89
Indonesia	2,005	3,315	60.48	2,807	4,445	63.15
Japan	18,958	43,893	43.19	19,976	43,874	45.53
Malaysia	769	2,079	36.99	922	2,344	39.33
New Zealand	413	1,408	29.33	430	1,476	29.13
Pakistan	285	459	62.09	288	455	63.30
Philippines	1,312	1,752	74.89	1,513	2,010	75.27
PRC	23,162	36,864	62.83	26,739	42,686	62.64
Singapore	330	1,087	30.36	335	1,123	29.83
South Korea	2,220	5,871	37.81	2,351	6,233	37.72
Taiwan	571	1,386	41.20	563	1,344	41.89
Thailand	1,291	2,323	55.57	1,485	2,595	57.23
Vietnam	605	782	77.37	720	920	78.26

The analysis shows a stable percent share of total advertising expenditure by the television industry, which is a main source of revenue for the industry, with a very slight growth in the percent share in certain countries, where higher rates are expected for the Indonesia and Malaysia markets.

Asia Pacific advertisers spent US$55.9 billion in 2008 and US$58.6 billion in 2009, and is forecasted to spend approximately US$65.4 billion in 2010 in order to reach televised households, in particular, those have access to multiple modes of television broadcasts (“multichannel”) at home, which accounted for almost 50 percent of those televised households in 2010.

The population and households statistics compiled from ATAC data are presented in table 4.4, together with statistics of the number of televised households and those households having access to multiple modes of television broadcasts.

Table 4.4 — 2010 Population and Statistics on Households with Television

Countries	Population	Households	TV Households	Multichannel
Australia	21,648,890	8,018,107	7,953,963	2,706,568
Hong Kong	7,122,768	2,320,120	2,308,519	1,942,328
India	1,215,942,590	228,131,818	146,004,364	109,167,234
Indonesia	236,557,531	64,810,282	39,145,411	1,300,000
Japan	127,471,133	53,112,972	52,953,633	12,733,000
Malaysia	28,233,283	6,124,356	5,542,543	2,983,000
New Zealand	4,331,000	1,604,074	1,571,993	800,000
Pakistan	170,243,000	25,035,735	17,024,300	8,586,987
Philippines	94,013,993	18,184,524	13,692,947	2,010,000
PRC	1,341,412,962	394,533,224	378,751,895	183,258,221
Singapore	4,832,604	1,167,296	1,161,459	756,000
South Korea	48,915,572	17,917,792	17,917,792	17,662,000
Taiwan	23,126,317	7,657,721	7,560,000	7,085,430
Thailand	64,728,000	20,880,000	20,358,000	7,700,000
Vietnam	88,257,000	22,064,250	18,975,255	3,305,000
Total	3,476,836,643	871,562,271	730,922,074	361,995,768

Magnaglobal, a strategic global media unit of the Interpublic Group (NYSE:IPG), has recently released their 2011 forecast for the Asia Pacific markets and making predictions consistent with ZenithOptimedia and expects following annualised growth rates over the next 5 years to 2016.

Countries	Growth *(percent)*
Australia	6
Hong Kong	7
India	19
Indonesia	14
Japan	1
Malaysia	10
New Zealand	5
Philippines	10
PRC	17
Singapore	9
South Korea	8
Taiwan	7
Thailand	8

4.4 Opportunities and Challenges

As in other regions, the Asia Pacific markets increasingly incorporate internet-based advertising into media budgets. Growth is expected to continue by virtue of the vastness of the markets and the large populations of consumers with various means of accessing the internet. By contrast, online video and related technologies may take on outsized importance in many Asia Pacific markets in the foreseeable future. The region faces a confluence of factors, including low rates of pay television penetration, unentrenched habits with respect to ways in which multichannel television is accessed (certainly in comparison to the United States and Western Europe), easily available and inexpensive consumer electronics devices which can access internet-delivered content, and high levels of media piracy.

4.5 Competition Landscape and Entry Barriers

Other forms of entertainment such as movies, computers and video games, can be considered as potential substitutes to the television broadcasting market. A significant increase in popularity of other entertainment forms could possibly impact upon viewing figures and thus advertising revenue. The rise of downloading programs through the internet may also be starting to have an impact as users may download episodes of popular television programmes on the internet without paying subscription fees. Television is still generally regarded as one of the most effective media of advertising but it is generally more expensive than internet, radio and game advertising.

Rivalry between players in the television broadcasting market is moderate overall. Players do not compete directly for revenues from end-users, but for viewing figures, which in turn determine advertising revenue for commercial players. Individuals incur no switching costs when choosing between broadcaster's channels, which raises competition for viewing numbers. Rivalry is strong between broadcasters to purchase the broadcasting rights for the most popular programs, events and sporting events. Players within the market are typically large; owning multiple television channels and they therefore have a high level of assets, with high fixed costs and exit costs. There is a high degree of differentiation between players within the market, with rivalry greater between players broadcasting shows and events of similar genres.

The threat of new entrants with respect to the Asia Pacific television broadcasting market is moderate overall. A significant barrier to the entrance of new players into terrestrial broadcasting is the limited availability of available frequencies and therefore licenses in many countries. The threat of new entrants is significantly higher with respect to cable and satellite broadcasting platforms due to their higher channel capacity. However, viewing figures and therefore advertising revenues are typically considerably lower than those of terrestrial channels.

5.0 THE TARGET COMPANY

5.1 Brief History

The Target Company is a private company limited by shares incorporated in Hong Kong under the Companies Ordinance on 22 December 2009. It has an authorised capital of 10,000 ordinary shares at a par value of HKD1.00 per share. As of the Valuation Date, the Target Company has issued 10,000 shares. The Target Company is a non-wholly owned subsidiary of China Xinhua News Network Company Limited (hereinafter referred to as "CNC HK") and has two subsidiaries, Xinhua TV Hong Kong Operating Company Limited. (hereinafter referred to as "XTV HK") is a directly wholly owned subsidiary and Xinhua TV Macau Operating Company Limited (hereinafter referred to as "XTV Macau") is a non-wholly owned subsidiary.

5.2 Shareholding and Corporate Structure

The Target Company has three shareholders as of the Valuation Date as below:

Name of Shareholders	**Shareholding** *(percent)*
China Xinhua News Network Company Limited	70
Proud Glory Investments Limited	25
APT Satellite Company Limited	5
Total	100

5.3 Management and Key Personnel

The Target Company will nominate the following key personnel to join the board of directors of the Company to ensure smooth transition and execution of the business plan, the background information of candidates are set out below.

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 is the deputy editor in chief of Xinhua News Agency, an officer of Xinhua News Agency Audio and Video News Desk, and a director of CNC HK.

Mr. Zou 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 was a 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. Mr. Zou is a director of CNC HK.

Ms. Wu Xu Hong (吳旭紅), aged 43, obtained a double degree from the Department of Television Broadcasting Engineering and 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 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 a director of CNC HK.

Ms. Liang Hui (梁慧), aged 44, is a senior qualified accountant in the PRC. She was appointed to take part in the 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 (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) of the Xinhua News Agency. Ms. Liang is the Commissioner of Financial Assets Management (計財局資金管理處處長) of the Xinhua News Agency and the financial controller of CNC HK.

5.4 Scope of Business

China Xinhua News Network 中國新華新聞電視網 (hereinafter referred to as "CNC") currently operates two channels. The CNC World Channel (Chinese), which broadcasts in Chinese 24 hours daily, has commenced broadcasting since 1 January 2010. The CNC World Channel (English), which broadcasts in English 24 hours daily, has commenced broadcasting since 1 July 2010. Both channels broadcast a rich collection of news and other informative programmes addressing a broad spectrum of audience. The Target Company was established by CNC HK to expand CNC broadcasts in the Asia Pacific region and later in other regions.

CNC HK is the operating platform of CNC in accordance with the television operations development plan of the Xinhua News Agency (hereinafter referred to as the "XNA"), is authorised and owns the rights to carry out the following business:

1. Broadcast, uplink, transmit programmes produced by XNA through television broadcasters, network, or other means to overseas.

2. Through broadcasting commercials to an appropriate extent with those CNC broadcasts to obtain business receipts.

3. In accordance with relevant local regulations and legislations to produce and broadcast local programmes not exceeding 60 minutes daily.

CNC HK has assigned the abovementioned rights to the Target Company to operate in the Asia Pacific region at a nominal fee from 5 September 2011 for ten years.

5.5 Operating Agreements

The Target Company has entered into an agreement with APT Satellite Company Limited, a wholly owned subsidiary of APT Satellite Holdings Limited (HK:1045), on 14 December 2010 for the provision of transponder service, and the use of 4.5 MHz bandwidth for each CNC channel of the multiple channels per carrier platform provided by the satellite "APSTAR-VI" payload system, which consists of 38 C-band transponders and 12 Ku-band transponders, for the period from 1 January 2010 to 30 April 2020. The Target Company has entered into further agreement with APT Satellite TV Development Limited, another wholly owned subsidiary of APT Satellite Holdings Limited on even date for the provision of uplink service for the same period.

As of the Valuation Date, the Target Company and CNC HK has entered into separate agreements with television broadcasters in Hong Kong, Macau, Mongolia, New Zealand, and Thailand for the transmission of one or more of the CNC channels. Details of these agreements are summarised below.

Hong Kong Cable Enterprises Limited, an operating company of i-Cable Communications Limited (HK:1097), has entered into an agreement with the Target Company on 13 May 2010 for transmission of the CNC channels for the period from 1 July 2010 to 30 June 2013 at an annual fee of HK$2.5 million payable in advance every six months on the first day of June and December.

Macau Cable TV Limited, a licensed cable television broadcaster in Macau, has entered into an agreement with the Target Company on 2 November 2010 for transmission of the CNC channels for the period from 1 November 2010 to 31 October 2012 at an annual fee of HK$1 million payable in advance every six months.

Thailand Cable International TV Company Limited 泰國國際中文電視台有限公司 (hereinafter referred to as "TCITV"), a satellite television broadcaster providing both Chinese and Thai programmes in Thailand, has entered into a mutual collaborative agreement with the Target Company on 28 July 2011 for collaborative transmission of the CNC channels by TCITV and the TCITV channels by the Target Company for the period from 1 August 2011 to 1 August 2013.

CNC HK has entered into a transmission agreement with Mongolia Broadcast Company Limited 蒙古國無線數字廣播電視公司 (hereinafter referred to as "MNBC") to commence on 25 December 2010 and expiring on 31 December 2011 transmission of the CNC channels for the Mongolia area.

Chinese New Zealand Television Limited, broadcaster of the TV33 channel on the Freeview platform in Auckland, has entered into an agreement with CNC HK on 10 January 2011 for transmission of the CNC channels for the period from 1 February 2011 to 31 January 2014 at a monthly fee of New Zealand Dollars (NZD) One Thousand payable annually in advance within 30 days upon each anniversary of commencement of the agreement.

It is expected that the above two agreements executed by CNC HK will be assigned to the Target Company, subject to the consent of the other parties to the agreements.

5.6 Business Development

The Target Company has established viable operations and is broadcasting the CNC channels to audiences in Hong Kong, Macau, New Zealand, and Thailand. It is actively negotiating with partners in other countries, such as the Philippines, Australia, Singapore, and Malaysia, target at finalising agreements and commencing broadcasts in 2012 or as soon as practicable.

In order to operate the CNC channels in the region on a self-sustaining basis, the Target Company will commence to sell timeslot of each commercial break to advertisers from 2012 onwards. Even strong support of Chinese enterprises can be reasonably expected, the Target Company only sets achievable advertising revenue budget with a view to develop the Target Company in firmer steps.

The Target Company does not take into account of the local, regional and international enterprises in those countries it broadcasts, which will have a keen desire to reach the vast Chinese markets and get familiar with the social and cultural developments of the Chinese community. Hence, it is more than promising and achievable regarding future advertising demand and revenue in the forthcoming years of operation.

The total advertising revenue is determined by two main factors, the advertising rate per timeslot, usually measured in multiples of 5 seconds, and the number of timeslots available subject to regulatory limitation, eventually sold and utilised. The advertising rate per timeslot is usually affected by the rating (or the expected viewership) of the programme when the commercial break is scheduled. However, it is different for news channel as the rating tends to be more stable than other channels and usually charge at a flat rate plus a loading for prime time.

The Target Company is targeting at local and regional businesses exploring the Chinese markets as well as those expanding their existing businesses, and also for those Chinese enterprises with a view to reach other markets. Therefore, the audience group will be of a great interest to the advertisers. We have compiled the population estimates, statistics, and certain demographic data from the World Factbook (Central Intelligence Agency, USA) last updated in July 2011 and the IMF World Economic Outlook Database, April 2011 edition.

Countries	Population (2009)	Population (2010)	Estimates (07/2011)	Chinese Ethnic/ Speaking
Australia	21,952,000	22,226,000	21,766,711	2.50%
Hong Kong	7,065,000	7,122,000	7,122,508	95.00%
India	1,199,062,000	1,215,939,000	1,189,172,906	—
Indonesia	231,370,000	234,377,000	245,613,043	—
Japan	127,551,000	127,483,000	126,475,664	0.40%
Macau	542,200	552,300	573,003	94.30%
Malaysia	27,895,000	28,251,000	28,728,607	23.70%
Mongolia	2,710,000	2,750,000	3,133,318	—
New Zealand	4,321,000	4,369,000	4,290,347	1.10%
Philippines	92,227,000	94,013,000	101,833,938	—
PRC	1,334,740,000	1,341,414,000	1,336,718,015	91.50%
Singapore	5,077,000	5,165,000	4,740,737	76.80%
South Korea	48,758,000	48,909,000	48,754,657	0.04%
Taiwan	23,120,000	23,328,000	23,071,779	98.00%
Thailand	63,525,000	63,878,000	66,720,153	14.00%
Vietnam	87,211,000	88,257,000	90,549,390	—

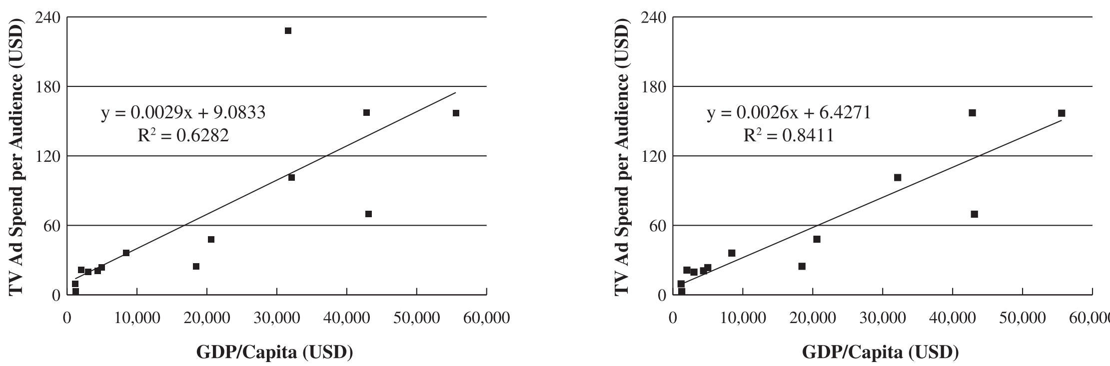
From the above table, it shows that the Target Company will address these markets in two main groups. The first group comprises those countries with high presence of Chinese ethnics and speakers, the advertisers will be interested to reach those Chinese audiences as well as others with a business interest in the PRC or other Chinese speaking community. The second group includes those countries with minimal or insignificant presence of Chinese ethnics and speakers, the advertisers will be interested to reach audience with a business interest in the PRC or other Chinese speaking community. The Target Company will offer competitive rate and introductory discount at the start in order to attract advertisers and gain market share quickly.

5.7 The Advertising Market

The demographic details suggested that localised programmes will be required for those countries with Chinese ethnic or speakers being a minor group of the population, namely, India, Indonesia, Mongolia, the Philippines and Vietnam. In the process of determining the existing market size of the television advertising market, data for Macau and Mongolia are not available. Therefore, we further examined the relationship between television advertising spending and the demographic data obtained earlier and analysed the relationship behind. We derived the television advertising spending per televised population from the television advertising spending and televised population data for 2010 from the ATAC and the GDP per capita data from the IMF World Economic Outlook Database, April 2011 edition and listed the result in the following table.

Countries	GDP per Capita 2010 *(US$)*	TV Ad Spend 2010 *(US$ Million)*	Audience Population *(Sept 2010)*	TV Ad Spend per Audience *(US$)*
Australia	55,590	3,369	21,475,701	156.87
Hong Kong	31,591	1,615	7,087,153	227.88
India	1,265	2,233	778,203,260	2.87
Indonesia	3,015	2,807	142,880,751	19.65
Japan	42,820	19,976	127,088,719	157.18
Malaysia	8,423	922	25,551,125	36.08
New Zealand	32,145	430	4,244,381	101.31
Philippines	2,007	1,513	70,792,539	21.37
PRC	4,382	26,739	1,287,756,443	20.76
Singapore	43,117	335	4,808,439	69.67
South Korea	20,591	2,351	48,915,572	48.06
Taiwan	18,458	563	22,831,200	24.66
Thailand	4,992	1,485	63,109,800	23.53
Vietnam	1,174	720	75,901,020	9.49

The initial regression in chart 5.1 only suggests a fair correlation, it is much improved after an outlier being excluded, and the explanatory power (R^2) significantly increased from 0.6282 to 0.8411 as shown in chart 5.2 as below.



Charts 5.1 & 5.2 — Regression of TV Ad Spend per Audience on GDP/Capita

We then estimate the advertising spending per capita for the remaining two countries by applying this regression relationship to the GDP per capita in 2010, and multiplying with the respective population size, we determined the television advertising spending for 2010, which will be used to evaluate the initial market share that the Target Company set to capture in the financial projections.

Countries	**GDP per Capita 2010** *(US$)*	**TV Ad Spend per Audience** *(US$)*	**Potential Audience**	**TV Ad Spend 2010 Estimates** *(US$ Million)*
Macau	51,214	137.26	552,300	76
Mongolia	2,227	12.96	2,750,000	36

5.8 Rules and Regulations

The Target Company has a long term plan to expand into most Asia Pacific markets, and has to comply with applicable local and national government rules, regulations and laws. Among these, the major ones are the limitations imposed on the contents and percentage of commercial timeslot per broadcast hour in different countries, the following is extracted from the report, "Multichannel Television Advertising Asia 2011" published by ATAC, as below.

Countries	Commercial Timeslot per Hour
Australia	Commercial TV: 1800–0000 — 13 minutes/hour Subscription TV: Not applicable
Hong Kong	Domestic Pay TV: No restriction Domestic Free TV: 1700–2300 — 10 minutes/hour; other time — ≤18% of programme time (excludes programme promos, PSAs, billboard)
Japan	10 minutes + 2 minutes programme promos
Malaysia	10 minutes
Philippines	18 minutes/hour for Metro Manila; 20 minutes/hour for provincial stations
PRC	1900–2100 — not allowed; other time — 12 minute/hour
Singapore	14 minutes
Taiwan	one sixth of programme time
Thailand	12 minutes/hour

5.9 Financial Projections

The Target Company projected to generate revenue in its first year of advertising operation. After the commencement of advertising operation, it will continue to expand into other markets by leveraging on the authoritative contents relating to the PRC. On the basis of the initial establishment required for the start-up in these countries and the planned expansion and growth, the Target Company expected the operating expenses and results matching with the scale of operation.

We further considered the provision for taxation, portion of operating cash flow invested to support further expansion in business, including but not limited to, additional working capital required, capital expenditure, etc, and arrived at the free cash flow available to equity holders at the end of each financial year. However, such details are not included here as it may not be in the best interest of relevant parties given that such information may be misleading as it may be misread as a profit forecast involves various assumptions and estimates and are highly likely to result in difference between such forecast and the actual which by their nature are not capable of independent substantiation. As the financial projections are provided to us by the Management and the Company, it remains their responsibility to ensure such financial projections has been made after due and careful enquiry.

6.0 DEFINITION OF APPRAISAL

We have appraised the Target Company on the basis of fair value. Fair value as used herein is defined as "the estimated amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the management of the Target Company in relation to the development and prospects of the television advertising business in the Asia Pacific region, and the development, operations and other relevant information of the Target Company. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the television advertising industry from external public sources, as we consider necessary for the purpose of this appraisal.

As part of our analysis, we have reviewed monthly financial projections with basis and details of operating revenues, operating expenses, taxation by countries, as well as cash flow adjustments for capital expenditures and additional working capital requirements concerning the Target Company provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in the Target Company requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal include, but not necessarily limited to, the following:

- The nature and prospect of the Target Company.
- The financial condition of the Target Company.
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market.
- Renewal of relevant leases, licenses and agreements.
- The business risk of the Target Company such as the ability in maintaining competent technical and professional personnel.
- Investment returns and market transactions of entities engaged in similar lines of business.

8.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the fair value of the Target Company, namely, the Market-Based Approach, the Asset-Based Approach and the Income-Based Approach.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing business entities that is similar in nature.

8.1 Market-Based Approach

It values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on analyses of those transactions are then to be applied to the fundamental financial variables of the subject business entity and to arrive at an indicated value of it.

8.2 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and long term debt). In other words, the value of a business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

From a valuation perspective, the valuer will restate the values of all types of assets of a business entity from book value, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", arrive at the value of the equity interests of the business entity.

8.3 Income-Based Approach

The Income-Based Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realising those benefits.

Alternatively, this can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 APPRAISALS APPROACHES FOR THE TARGET COMPANY

In the process of valuing the Target Company, we have taken into account of the uniqueness of its operation and the industry it is participating and thus Market-Based Approach is not applicable in this case. The Asset-Based Approach is also not applicable in this case since the Target Company does not own substantial tangible assets. We have therefore adopted the Income-Based Approach to arrive at the fair value of the Target Company.

9.1 Discount Rate

Discounted cash flow method is one of the methods used in Income-Based Approach to find the fair value of a company. This is a widely used and accepted method to determine fair value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. This method is simple and easy to understand and well accepted by most analysts and practitioners.

To adopt this method, we must however, first obtain the cost of equity of the Target Company as a basic discount rate. Since the Target Company is not a listed company, we have estimated its beta from market comparables, and obtained an average equity beta of 0.7708 as at Valuation Date on the assumption that the Target Company is 100 percent equity funded.

Details of market comparables are listed in the table appended below.

Company Names	Stock Code	Equity Beta to Market
i-Cable Communications Limited	(1097)	0.5900
Phoenix Satellite Television Holdings Limited	(2008)	1.0211
SinoMedia Holding Limited	(0623)	0.9202
Television Broadcasts Limited	(0511)	0.5519
Average		0.7708

Although the comparable companies chosen are not directly comparable to the Target Company in terms of size and listing status, in which case have been accounted for in the discount for start-up and marketability, the market comparables used are identified on a best effort basis based on its resemblance with the Target Company in terms of business activities, characteristics, coverage and associated risks.

We have retrieved 10 years market return and risk free interest rate from Bloomberg, which are 13.857 percent and 1.52 percent respectively as at the Valuation Date, hence, determined a market premium of 12.337 percent. In accordance with the capital asset pricing model ("CAPM"), we have estimated the cost of equity finance to be 11.032 percent with reference to the average equity beta of comparables.

As the Target Company is a new start-up private company, we have further estimated a total risk premium of 6.8 percent, approximately equivalent to a 30.04 percent discount to the final value, which comprises a 10 percent start-up discount and approximately 22.3 percent discount for lack of marketability ("DLOM"). Start-up discount is determined by reference to failure rate of new start-up companies but given the nature and background of the Target Company, a lower discount of 10% is adopted. DLOM is obtained from the density function for the maximum of a Brownian motion process as below by adopting average annualised volatility of the comparables and assuming marketing period is approximately 3 months.

$$DLOM = \left(2 + \frac{\sigma^2 T}{2}\right) N\left(\frac{\sqrt{\sigma^2 T}}{2}\right) + \sqrt{\frac{\sigma^2 T}{2\pi}} \exp\left(-\frac{\sigma^2 T}{8}\right) - 1$$

Therefore, we have obtained and adopted a CAPM risk adjusted discount rate of 17.832 percent (hereinafter referred to as the "Discount Rate"). The Discount Rate is then used to perform a discounted cash flow analysis of the free cash flow of the Target Company from 2012 through 2021.

9.2 Discounted Cash Flow

By applying the discount rate determined above to the discounted cash flow computation of the financial projections considered earlier for the Target Company is set out below:

Years ended 31 December	Free Cash Flow	PV Factor	Present Values
	(HK$'000)	*(@17.832%)*	*(HK$'000)*
2011	(13,943)	1.0000	(13,943)
2012	48,290	0.8258	39,878
2013	95,138	0.7008	66,673
2014	132,217	0.5947	78,629
2015	172,984	0.5047	87,305
2016	212,078	0.4284	90,854
2017	231,368	0.3635	84,102
2018	249,297	0.3085	76,908
2019	267,092	0.2618	69,925
2020	284,336	0.2222	63,179
2021	307,838	0.1886	58,058
Fair Value as at Valuation Date			701,568

9.3 The Fair value

According to the discounted cash flow, the fair value of 100 percent equity interest in the Target Company is therefore approximately HK$701.6 million as of the Valuation Date.

10.0 APPRAISAL ASSUMPTIONS

We have adopted certain specific assumptions in this appraisal and the major ones are as follows:

- Expansion into other countries in the region will be progressed as projected and revenue model will remain competitive under the prevailing business condition.

- Capital expenditures and operating expenses will match with the expansion plan and revenue generated, and will be put under sound management and control.

- There will be sufficient supply of technical staff in the industry in which the Target Company operates.

- The Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments.

- 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.

- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

11.0 INFORMATION REVIEWED

Our opinion requires consideration of relevant factors and information affecting the fair value of the Target Company. The factors and information considered included the following:

- Economic outlook for Asia Pacific region;

- Market trends of the industry and other related industries;

- General descriptions and historical information of the Target Company;

- Financial statements of the Target Company;

- Financial forecasts of the Target Company; and

- Agreements entered into by the Target Company with other parties on the provision of transponder service, transmission and carrier service for the CNC channels.

12.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management and the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Target Company and have assumed no responsibility for the title to the Target Company appraised. We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospecting and in particular the cash flow projections of the Target Company provided to us.

Our conclusion of the fair value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

13.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Hong Kong Dollars ("HK$"). We hereby confirm that we have no present interests in the Company, the Target Company and the associated companies, or the values reported herein.

14.0 OPINION OF VALUES

Based on the investigation and analysis stated above and on the appraisal methods employed, we are of the opinion that the fair value of 100 percent equity interest of the Target Company as at 31 October 2011 is in the sum of **HK$701,600,000 (HONG KONG DOLLARS SEVEN HUNDRED ONE MILLION AND SIX HUNDRED THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
AMPLE APPRAISAL LIMITED

Johnny Law
CPA, CPA (Aust.)
Senior Vice President

K. Y. Mak
CFA, CPA
Chief Technical Adviser

The following is the letter and valuation report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, being an independent valuer, in connection with its valuations as at 30 September 2011 of the property interests of the Enlarged Group.

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19 November 2011

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Fanling, New Territories,
Hong Kong

Dear Sir/Madam,

Re: Valuations of property interests held by the Enlarged Group in Hong Kong and the People's Republic of China

1. INSTRUCTIONS

In accordance with your instruction for us to value the property interests held by Tsun Yip Holdings Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC") and, Xinhua TV Asia-Pacific Operating Co., Limited and its subsidiaries (the "Target Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 September 2011. We understand from the Company that there is no property interests owned or leased by the Target Group.

2. BASIS OF VALUATION

Our valuations of property interests are our opinion of the market values which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

3. PROPERTY CATEGORISATION

In the course of our valuations, the property interests held by the Group are categorised into the following groups:

- Group I (Properties rented by the Group in Hong Kong); and
- Group II (Property rented by the Group in the PRC).

4. VALUATION METHODOLOGY

We have attributed no commercial value to the property interests due to the prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rent and/or short term nature of the property interests.

5. TITLE INVESTIGATION

We have been provided with copies of tenancy agreements and various documents relating to the property interests and have caused land searches for the properties in Hong Kong at the Land Registry. However, we have not scrutinised all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisor, Beijing Kangda Law Firm (北京市康達律師事務所), regarding the title of the property in the PRC.

6. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property interests.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

7. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, floor areas, ages of buildings and all other relevant matters which can affect the values of the property interests. All documents have been used for reference only.

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

8. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor areas of the properties under consideration but we have assumed that the floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In our valuations, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

9. REMARKS

Summary of Values and our Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Alan W K Lee
BCom(Property) MFin
MHKIS RPS(GP) AAPI CPV CPV(Business)
Associate Director

Note: Mr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 7 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

SUMMARY OF VALUES

Group I — Properties rented by the Group in Hong Kong

No.	**Property**	**Market Value in Existing State as at 30 September 2011**
1.	11th Floor, Anton Building, No. 1 Anton Street, Hong Kong	No commercial value.
2.	Unit 14 on 3rd Floor, Fuk Shing Commercial Building, No. 28 On Lok Mun Street, North, New Territories, Hong Kong	No commercial value.
3.	Unit 3 on 3rd Floor, Fuk Shing Commercial Building, No. 28 On Lok Mun Street, North, New Territories, Hong Kong	No commercial value.
4.	Rooms 1 & 3 on 7th Floor, Anton Building, No. 1 Anton Street, Hong Kong	No commercial value.
5.	Flat B (with A/C room(s) pertaining thereto which is/are accessible from the flat itself) on 21st Floor of Tower 8, The Palazzo, No. 28 Lok King Street, Sha Tin, New Territories, Hong Kong	No commercial value.
	Sub-total:	Nil.

Group II — Property rented by the Group in the PRC

No.	**Property**	**Market Value in Existing State as at 30 September 2011**
6.	Unit 9B1–15, Tian Xiang Building, Che Gong Miao, Fu Tian District, Shen Zhen City, Guangdong Province, The PRC 中國廣東省深圳市 福田區車公廟 天祥大廈9B1–15單位	No commercial value.
	Sub-total:	Nil.
	Grand-total:	Nil.

VALUATION CERTIFICATE

Group I — Properties rented by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2011
1.	11th Floor, Anton Building, No. 1 Anton Street, Hong Kong	The property comprises the whole of 11th floor of a 15-storey commercial building, known as ”Anton Building”, completed in 1984. The property has a saleable area of approximately 692 sq.ft. (or about 64.33 sq.m.). The property is rented by the Group from BL's Limited, an independent third party, for a term of 1 year commencing on 16 August 2011 and expiring on 15 August 2012 at a monthly rental of HK$15,000 exclusive of rates, management fee and other outgoings.	The property is occupied by the Group for office use.	No commercial value.

Notes:

1. The registered owner of the property is BL's Limited.

2. The property is subject to Mortgage in favour of Bank of China (Hong Kong) Limited vide Memorial No.07081301230088 dated 26 July 2007.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2011
2.	Unit 14 on 3rd Floor, Fuk Shing Commercial Building, No. 28 On Lok Mun Street, North, New Territories, Hong Kong	The property comprises an office unit on the 3rd floor of a 6-storey commercial building plus a single storey carpark podium completed in 1999. The property has a saleable area of approximately 1,398 sq.ft. (or about 129.91 sq.m.). The property is rented by the Group from Golden Opportunity Development Limited, an independent third party, for a term of 2 years commencing on 1 September 2010 and expiring on 31 August 2012 at a monthly rental of HK$22,000 inclusive of rates, Government Rent and management fee.	The property is occupied by the Group for office use.	No commercial value.

Notes:

1. The registered owner of the property is Golden Opportunity Development Limited.

2. The property is subject to the following material encumbrances:

   a. Legal Charge/Mortgage in favour of The Bank of East Asia, Limited vide Memorial No.10062202330176 dated 24 May 2010.

   b. Assignment of Rental in favour of The Bank of East Asia, Limited vide Memorial No.10062202330189 dated 24 May 2010.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2011
3.	Unit 3 on 3rd Floor, Fuk Shing Commercial Building, No. 28 On Lok Mun Street, North, New Territories, Hong Kong	The property comprises an office unit on the 3rd floor of a 6-storey commercial building plus a single storey carpark podium completed in 1999. The property has a saleable area of approximately 854 sq.ft. (or about 79.35 sq.m.). The property is rented by the Group from Golden Opportunity Development Limited, an independent third party, for a term of 2 years commencing on 7 October 2009 and expiring on 6 October 2011 at a monthly rental of HK$8,800 inclusive of rates, management fee and Government Rent.	The property is occupied by the Group for office use.	No commercial value.

Notes:

1. The registered owner of the property is Golden Opportunity Development Limited.

2. The tenancy has already expired on 6 October 2011 and the property was no longer rented by the Group.

3. The property is subject to the following material encumbrances:

   a. Legal Charge/Mortgage in favour of The Bank of East Asia, Limited vide Memorial No.10062202330176 dated 24 May 2010.

   b. Assignment of Rental in favour of The Bank of East Asia, Limited vide Memorial No.10062202330189 dated 24 May 2010.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2011
4.	Rooms 1 & 3 on 7th Floor, Anton Building, No. 1 Anton Street, Hong Kong	The property comprises 2 office units on the 7th floor of a 15-storey commercial building, known as Anton Building, completed in 1984. The property has a saleable area of approximately 156 sq.ft. (or about 14.49 sq.m.). The property is sub-leased to the Group from Hong Kong Listco Limited, a company in which Mr. Chia Thien Loong, Eric John, an executive director of the Company has beneficial interests, for a term expiring on 31 October 2011 at a monthly rental of HK$4,000 inclusive of rates, management fee and Government Rent.	The property is occupied by the Group for office use.	No commercial value.

Notes:

1. The registered owner of the property is Super Pizza Holdings Limited (the "Lessor").

2. The property is leased by the Lessor to Hong Kong Listco Limited, the Sub-lessor. The property is sub-leased to the Group thereafter.

3. Subsequently, portion of 7th floor with a saleable area of approximately 562 sq.ft. (or about 52.22 sq.m.) including the property is subject to a tenancy agreement for a term of 2 years commencing on 1 November 2011 and expiring on 31 October 2013 at a monthly rent of HK$15,000 inclusive of rates, management fee and Government Rent.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2011
5.	Flat B (with A/C room(s) pertaining thereto which is/are accessible from the flat itself) on 21st floor of Tower 8, The Palazzo, No. 28 Lok King Street, Sha Tin, New Territories, Hong Kong	The property comprises a residential unit on the 21st floor of a 36-storey block built over a 3-storey common carport podium in a residential development, known as "The Palazzo", completed in 2008. The property has a gross floor area of approximately 1,835 sq.ft. (or about 170.48 sq.m.). The property is rented by the Group from Kim Nam Woon and Yu Su Yeon, an independent third party, for a term of 1 year commencing on 16 April 2011 and expiring on 15 April 2012 at a monthly rental of HK$40,000 inclusive of rates, management fee and Government Rent.	The property is occupied by the Group for residential use.	No commercial value.

Notes:

1. The registered owners of the property are Kim Nam Woon and Yu Su Yeon.

2. The property is subject to the following material encumbrances:

   a. Mortgage in favour of Standard Chartered Bank (Hong Kong) Limited vide Memorial No.09061000880093 dated 21 May 2009.

   b. Second Mortgage in favour of Rich Treasure Investments Limited vide Memorial No.09061000880105 dated 21 May 2009.

Group II — Property rented by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2011
6.	Unit 9B1–15, Tian Xiang Building, Che Gong Miao, Futian District, Shenzhen City, Guangdong Province, The PRC 中國廣東省深圳市福田區車公廟天祥大廈9B1–15單位	The property comprises portion of an office unit on 9th floor of a 13-storey commercial building completed in about 2005. The property has a lettable area of approximately 10 sq.m. (or about 107.64 sq.ft.). The property is rented by the Group from Shenzhen Chuang Fu Business Co. Limited (深圳市創富商務服務有限公司), an independent third party, for a term of 1 year commencing on 2 September 2011 and expiring on 1 September 2012 at a monthly rental of RMB$1,800 exclusive of management fee.	The property is occupied by the Group for office use.	No commercial value.

Notes:

1. The registered owner of the property is Shenzhen Chuang Fu Business Co. Limited (深圳市創富商務服務有限公司) (the "Lessor").

2. The opinion of the PRC legal advisor to the Company contains, *inter-alia*, the following:

   a. The Lessor has the rights to let the property to the lessee;

   b. The tenancy agreement conforms the relevant PRC Laws;

   c. The tenancy agreement is legally valid and is binding on the contracting parties; and

   d. The tenancy agreement has been registered in the Shenzhen City Futian District Property Administration Bureau (深圳市福田區房屋管理局) and Real Estate Lease Certificate (房屋租賃憑證) has been granted.

1. LETTER FROM BNP PARIBAS CAPITAL (ASIA PACIFIC) LIMITED

The following is the text of the letter received from BNP Paribas Capital (Asia Pacific) Limited, being financial advisor of the Company in relation to the Proposed Acquisition, in connection with the valuation report prepared by Ample Appraisal Limited, which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules.

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

19th November, 2011

The directors
Tsun Yip Holdings Limited
Flat 314, 3rd Floor
Fuk Shing Commercial Building
28 On Lok Mun Street, Fanling
New Territories
Hong Kong

Dear Sirs,

We refer to the valuation dated 19th November, 2011 prepared by Ample Appraisal Limited (the "Valuer") in relation to the appraisal of the value of the Target Group (the "Valuation"). As stated in the valuation report from the Valuer, the Valuation has been arrived at and based on the income approach, which takes into account the future cashflow projection (the "Projection"). As such, the Projection is regarded as a profit forecast under rule 19.61 of the GEM Listing Rules. Terms defined in the circular dated 19th November, 2011 shall have the same meaning when used in this letter unless the context requires otherwise.

We have discussed with you and the Valuer the bases and assumptions upon which the Projection have been made and for which you as the Directors are solely responsible. We have also considered, and relied upon, the letter addressed to the Directors and us from Dominic K. F. Chan & Co. in relation to the calculations upon which the Projection also have been made by the Company. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation only relates to cashflow.

On the basis of the foregoing, we are satisfied that the Projection for which you as the Directors are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Isadora Li
Head of Investment Banking — North Asia

2. LETTER FROM DOMINIC K.F. CHAN & CO.

The following is the text of the letter received from Dominic K.F. Chan & Co., being the reporting accountants of the Company in relation to the Proposed Acquisition, in connection with the valuation report prepared by Ample Appraisal Limited, which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules.

DC 陳錦福會計師事務所
Dominic K.F. Chan & Co.
Certified Public Accountants (Practising)

香港旺角亞皆老街8號朗豪坊辦公大樓21樓2105-06室
Rooms 2105-06, 21/F., Office Tower, Langham Place, 8 Argyle Street, Mongkok, Hong Kong.
Tel: 2780 0607 Fax: 2780 0013
www.dominickfchancpa.com.hk

19 November 2011

The directors
Tsun Yip Holdings Limited
Flat 314, 3/F, Fuk Shing Commercial Building
28 On Lok Mun Street, Fanling,
New Territories
Hong Kong

BNP Paribas Capital (Asia Pacific) Limited
59th to 63rd Floor
Two International Finance Centre
8 Finance Street, Central
Attn: Ms. Isadora Li

Dear Sirs,

Tsun Yip Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group")

Report on review of the accounting policies calculation of cash flows projection in connection with the business valuations of Xinhua TV Asia-Pacific Operating Co., Limited and its subsidiaries (the "Target Group")

We refer to the valuation report dated 19 November 2011 prepared by Ample Appraisal Limited (the "Valuer') in relation to the appraisal of the market value of the Target Group (the "Valuation"). As stated in the valuation report from the Valuer, the Valuation has been arrived at and based on the income-based approach, which takes into account the cash flows projection of the Target Group for the period up to 31 December, 2021 (the "Projection"). The Valuation is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). As such, the Company engaged us to report on the review of the accounting policies and calculations for the Projection in accordance to Rule 19.62(2) of the GEM Listing Rules.

Respective responsibilities of the directors of the Company and the reporting accountants

The directors of the Company are responsible for the preparation of the Projection for the Valuation. It is our responsibility to report, as required by Rule 19.62(2) of the GEM Listing Rules, on the review of the accounting policies and calculations of the Projection on which the Valuation is based.

The Projection is prepared on a cash basis and thus does not involve the adoption of accounting policies that we can review. The Projection is dependent on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the Projection, and thus the Valuation, are based.

Basis of opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Projection and the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Projection, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Target Group.

Opinion

Based on the foregoing, in our opinion, the Projection, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully
Dominic K. F. Chan & Co.,
Certified Public Accountants (Practising)
Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following completion of the Proposed Acquisition and upon issuance of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds:

(i) *As at the Latest Practicable Date*

		HK$
Authorised:		
500,000,000,000	Shares	500,000,000
Issued and fully paid:		
1,190,400,000	Shares	1,190,400

(ii) *Immediately following completion of the Proposed Acquisition and upon issuance of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds:*

		HK$
Authorised:		
500,000,000,000	Shares	500,000,000.00
Issued and fully paid:		
1,190,400,000	Shares as at the Latest Practicable Date	1,190,400.00
474,335,664	Consideration Shares to be allotted and issued	474,335.66
3,097,092,908	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	3,097,092.91
4,761,828,572	Shares	4,761,828.57

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or 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 taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director	**Capacity/Nature of interest**	**Number of Shares held**	**Percentage of aggregate interests to total issued share capital**
Mr. Kan *(Note a)*	Interest in controlled corporation	409,200,000	34.38%
Mr. Chia *(Note b)*	Interest in controlled corporation	171,120,000	14.38%
Mr. Cheng *(Note c)*	Interest in controlled corporation	163,680,000	13.75%

Notes:

(a) Mr. Kan is the sole beneficial owner of Shunleetat, which was interested in 409,200,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

(b) Mr. Chia is the sole beneficial owner of Lotawater and Purplelight, which were interested in 93,000,000 and 78,120,000 Shares respectively. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater and Purplelight.

(c) Mr. Cheng is the sole beneficial owner of Chuwei, which was interested in 163,680,000 Shares. Under the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Chuwei.

Saved as disclosed above, as at Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

(b) Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Division 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the interest and short positions of persons other than Directors and chief executives of the Company in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

Long position in the Shares and underlying Shares

Name	Number of Shares held		Number of underlying Shares under the Acquisition Agreement *(Note a)*			
	Beneficial owner	Spouse interest	Beneficial owner	Interest in controlled corporation	Total interests	Percentage of aggregate interests to total issued share capital
China Xinhua NNC	—	—	2,500,000,000 *(Note b)*	—	2,500,000,000	210.01%
China Xinhua News Network Co., Limited（中國新華新聞電視網有限公司）	—	—	—	2,500,000,000 *(Note b)*	2,500,000,000	210.01%
Proud Glory	—	—	892,857,143 *(Note c)*	—	892,857,143	75.00%
Lee Yuk Lun	—	—	—	892,857,143 *(Note c)*	892,857,143	75.00%
Lam Shun Kiu, Rosita	—	409,200,000 *(Note d)*	—	—	409,200,000	34.38%
Shunleetat	409,200,000 *(Note d)*	—	—	—	409,200,000	34.38%
Lotawater	93,000,000 *(Note e)*	—	—	—	93,000,000	7.81%
Purplelight	78,120,000 *(Note e)*	—	—	—	78,120,000	6.56%
Wan Pui Ki	—	171,120,000 *(Note e)*	—	—	171,120,000	14.38%
APT Satellite	—	—	178,571,429 *(Note f)*	—	178,571,429	15.00%
APT Satellite Holdings Limited	—	—	—	178,571,429 *(Note f)*	178,571,429	15.00%
APT Satellite International Company Limited	—	—	—	178,571,429 *(Note f)*	178,571,429	15.00%
China Aerospace Science and Technology Corporation (中國航天科技集團公司)	—	—	—	178,571,429 *(Note f)*	178,571,429	15.00%
China Satellite Communications Co., Ltd. (中國衛星通信集團有限公司)	—	—	—	178,571,429 *(Note f)*	178,571,429	15.00%

Name	Number of Shares held: Beneficial owner	Number of Shares held: Spouse interest	Number of underlying Shares under the Acquisition Agreement *(Note a)*: Beneficial owner	Number of underlying Shares under the Acquisition Agreement *(Note a)*: Interest in controlled corporation	Total interests	Percentage of aggregate interests to total issued share capital
Chuwei	163,680,000 *(Note g)*	—	—	—	163,680,000	13.75%

Notes:

(a) Details of the Acquisition Agreement are set out in this circular.

(b) China Xinhua NNC is wholly-owned by China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司). Accordingly, China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司) is deemed to be interested in the 2,500,000,000 underlying Shares held by China Xinhua NNC under the SFO.

(c) Proud Glory is wholly-owned by Mr. Lee Yuk Lun. Accordingly, Mr. Lee Yuk Lun is deemed to be interested in the 892,857,143 underlying Shares held by Proud Glory.

(d) Shunleetat is wholly-owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 409,200,000 Shares held by Shunleetat under the SFO. Ms. Lam Shun Kiu, Rosita is the spouse of Mr. Kan and is deemed to be interested in 409,200,000 Shares under the SFO.

(e) Lotawater and Purplelight are wholly-owned by Mr. Chia. Accordingly, Mr. Chia is deemed to be interested in the 93,000,000 and 78,120,000 Shares held by Lotawater and Purplelight respectively under the SFO. Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in total 171,120,000 Shares under the SFO.

(f) APT Satellite Holdings Limited, APT Satellite International Company Limited, China Aerospace Science and Technology Corporation (中國航天科技集團公司) and China Satellite Communications Co., Ltd. (中國衛星通信集團有限公司) are controlling shareholders, either directly or indirectly, of APT Satellite. Accordingly, APT Satellite Holdings Limited, APT Satellite International Company Limited, China Aerospace Science and Technology Corporation (中國航天科技集團公司) and China Satellite Communication Co., Ltd. (中國衛星通信集團有限公司) are deemed to be interested in the 178,571,429 underlying Shares held by APT Satellite under the SFO.

(g) Chuwei is wholly-owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in the 163,680,000 Shares held by Chuwei under the SFO.

Saved as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person/entity (other than the Directors as disclosed in the paragraph headed "Interests of Directors" above) who/which had, or is deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(i) None of the Directors nor the Substantial Shareholders nor any of their respective associates had any interest in a business which causes or may cause significant competition with the business of the Group.

(ii) There is no contract or arrangement entered into by any member of the Enlarged Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Enlarged Group as a whole.

(iii) The Group sub-leased a commercial property in Hong Kong (namely Rooms 1 & 3, 7th Floor, Anton Building, 1 Anton Street, Hong Kong) from Hong Kong Listco Limited, a company wholly and beneficially owned by Mr. Chia, for a term expired on 31 October 2011 at a monthly rental of HK$4,000 inclusive of rates, management fee and government rent. Subsequently, a portion of 7th Floor in the same building (including the aforesaid property) was sub-leased by Hong Kong Listco Limited to the Group for a term of 2 years from 1 November 2011 to 31 October 2013 at a monthly rent of HK$15,000 inclusive of rates, management fee and government rent. Hong Kong Listco Limited leases such property from the owner, namely Super Pizza Holdings Limited, a company in which Mr. Chia has a 50% beneficial interest. Please refer to Appendix V to this circular for details. Save as aforesaid, as at the Latest Practicable Date, none of the Directors (including the four proposed Directors) had any interest, direct or indirect, in any assets which had been since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Ample Appraisal Limited	Independent valuer
BNP Paribas Capital (Asia Pacific) Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Dominic K.F. Chan & Co	Certified public accountants
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Roma Appraisals Limited	Independent valuer

(collectively, the "**Experts**")

As at the Latest Practicable Date, none of the Experts had any shareholdings, directly or indirectly, in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, each of the executive Directors had entered into a service contract with the Company for an initial fixed term of three years subject to retirement by rotation and re-election at the annual general meeting pursuant to the articles of association of the Company. In the case of Mr. Kan, Mr. Cheng and Mr. Chia, their service term commenced on 11 August 2010; in the case of Mr. Hui Chi Kwong, his service term commenced on 2 June 2011.

Each of the independent non-executive Directors were appointed for a specific term of three years, subject to retirement by rotation and reelection at the annual general meeting pursuant to the articles of association of the Company. In the case of Mr. Hau Chi Kit, his appointment term commenced on 16 May 2011; in case of Mr. Chu Siu Lun, Ivan, his appointment term commenced on 18 July 2011; in case of Mr. Chan Hon Yuen, his appointment term commenced on 25 July 2011.

7. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any members of the Enlarged Group.

8. MATERIAL ADVERSE CHANGES

With reference to the Company's announcement dated 18 October 2011 and 25 October 2011, respectively, and the Company's interim report for the six months ended 30 September 2011 in relation to (among other things) the loss for the six months ended 30 September 2011, the loss is mainly attributable to one-off expenses, including share-based payment expenses upon cancellation of share options and other expenses incurred by the Company for the purpose of the Proposed Acquisition. The Directors consider that such loss does not constitute material adverse changes in view that the existing business still remains profitable. Taking into account the aforesaid, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2011, being the date of which the latest published audited financial statements of the Group were made up.

9. MATERIAL CONTRACTS

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

(i) the Acquisition Agreement;

(ii) the Supplemental Agreement;

(iii) the Second Supplemental Agreement;

(iv) the underwriting agreement dated 20 August 2010 and entered into between the Company, Mr. Kan, Mr. Cheng, Mr. Fung Chung Kin ("Mr. Fung"), Mr. Chia, Shunleetat, Chuwei, Purplelight, Lotawater, Optima Capital Limited, CIMB Securities (HK) Limited, K.K.M. Securities Limited, I-Access Investors Limited, Sinomax Securities Limited and Gransing Securities Co., Limited in relation to the placing of 248,000,000 Shares at HK$1.28 (the "Placing") in August 2010 as described in the Prospectus;

(v) the deed of indemnity dated 20 August 2010 and entered into by Mr. Kan, Shunleetat, Mr. Fung, Purplelight, Mr. Cheng, Chuwei, Mr. Chia and Lotawater (collectively, the "Indemnifiers") with and in favour of the Company, pursuant to which the Indemnifiers agreed to provide indemnity for (i) all taxation liabilities of the Group incurred before the Placing becoming unconditional in favour of the Company and its subsidiaries; (ii) all loss, damages, liability, increment in rental charges, relocation cost and disruption in operation suffered by any members of the Group in connection with the forfeiture or early termination of two lease agreements entered into by the Group; and (iii) all losses, damages, liability, cost suffered by the Group in obtaining or preserving the right to use the same or substantially the same kind of vehicle for the Group's operations, in the enforcement of any provisions of the finance leases by the financier(s) and in disrupting the Group's business in connection with the breach under certain finance lease of the motor vehicles and machinery of the Group;

(vi) the sale and purchase agreement dated 11 August 2010 and entered into between the Company as purchaser and Shunleetat, Chuwei, Purplelight and Lotawater as vendors relating to the acquisition of the entire issued share capital in TYW (BVI) Limited ("TYW (BVI)") by the Company in consideration of the Company (i) allotting and issuing an aggregate of 999 Shares, all credited as fully paid, to Shunleetat, Chuwei, Purplelight and Lotawater; and (ii) crediting the one nil-paid Share transferred to Shunleetat on 15 March 2010 as fully-paid at par;

(vii) the sale and purchase agreement dated 26 April 2010 and entered into between TYW (BVI) as purchaser and Mr. Kan as vendor relating to the acquisition of the entire issued share capital in Tsun Yip Waterworks Construction Company Limited ("TYW") by TYW (BVI) in consideration of TYW (BVI) allotting and issuing 4,919 ordinary shares of TYW (BVI), all credited as fully paid, to Shunleetat;

(viii) the sale and purchase agreement dated 26 April 2010 and entered into between TYW (BVI) as purchaser and Mr. Kan as vendor relating to the acquisition of the entire issued share capital in TYCivil by TYW (BVI) in consideration of TYW (BVI) allotting and issuing 5,080 ordinary shares of TYW (BVI), all credited as fully paid, to Shunleetat;

(ix) the sale and purchase agreement dated 9 March 2010 and entered into between Mr. Kan and TYW in relation to acquisition of part of the business (including the assets and liabilities thereof) carried on by "Tsun Yip Construction Company" with effect from 1 April 2009 at the consideration of HK$7,157,311.72;

(x) the sale and purchase agreement dated 9 March 2010 and entered into between Mr. Kan and TYCivil in relation to the acquisition of part of the business (including the assets and liabilities thereof) carried on by "Tsun Yip Construction Company" with effect from 1 April 2009 at a consideration of HK$1,467,756.22;

(xi) the deed of assignment dated 9 March 2010 and entered into between Mr. Kan and TYW in relation to the assignment of part of the goodwill and certain assets held by "Tsun Yip Construction Company" with effect from 1 April 2009;

(xii) the deed of assignment dated 9 March 2010 and entered into between Mr. Kan and TYCivil in relation to the assignment of part of the goodwill and certain assets held by "Tsun Yip Construction Company" with effect from 1 April 2009;

(xiii) the placing agreement dated 8 July 2011 and entered into between the Company and Emperor Securities Limited in relation to the placing of a maximum of 198,400,000 Shares to not less than six placees at a price of HK$0.173 per Share; and

(xiv) the sale and purchase agreement dated 28 July 2011 and entered into between Profit Station Limited, a company incorporated in the BVI and Win Today Limited in relation to the sale and purchase of 17 ordinary shares of HK$1.00 each in the issued share capital of China New Media (HK) Company Limited held and beneficially owned by Win Today Limited.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the place of business of the Company in Hong Kong at 11th Floor, Anton Building, No. 1 Anton Street, Hong Kong, on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 25 to 66 of this circular;

(c) the audited financial statements of the Group for the two financial years ended 31 March 2010 and 2011;

(d) the accountants' report of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the accountants' report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the valuation report on the Target Company, the text of which is set out in Appendix IV to this circular;

(g) the valuation report of the property interest of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(h) the letters from BNP Paribas Capital (Asia Pacific) Limited and Dominic K.F. Chan & Co, respectively, the texts of which are set out in Appendix VI to this circular;

(i) the letters of consent from each of the Experts; and

(j) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix.

11. PARTIES INVOLVED IN THE PROPOSED ACQUISITION

Financial adviser to the Company	BNP Paribas Capital (Asia Pacific) Limited 59th to 63rd Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint financial advisers to the Vendors	Donvex Capital Limited Room 1305–1306, 13th Floor Carpo Commercial Building 18–20 Lyndhurst Terrace Central Hong Kong
	Shenyin Wanguo Capital (H.K.) Ltd. 28/F, Citibank Tower, Citibank Plaza 3 Garden Road Hong Kong
Reporting accountants	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31st Floor, Gloucester Tower, The Landmark 11 Pedder Street Central Hong Kong
	Dominic K.F. Chan & Co Rooms 2105–06, 21/F., Office Tower Langham Place, 8 Argyle Street, Mongkok Kowloon, Hong Kong

Valuers for the Company	Ample Appraisal Limited Room 604, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
	Roma Appraisals Limited Unit 3806, 38/F, China Resources Building 26 Harbour Road, Wan Chai Hong Kong

12. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Tam Tsang Ngai who is a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

(b) The audit committee of the Company comprises of Mr. Chan Hon Yuen as the Chairman, Mr. Chu Siu Lun, Ivan and Mr. Hau Chi Kit.

(c) The compliance advisor of the Company is Optima Capital Limited.

(d) The registered office of the Company is situated at 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 at Flat 314, 3/F, Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories, Hong Kong.

(e) The share registrars and transfer office of the Company is Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

TSUN YIP HOLDINGS LIMITED
進業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Tsun Yip Holdings Limited (進業控股有限公司) (the "**Company**") will be held at 10:00 a.m. on Tuesday, 6 December 2011, at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the acquisition agreement dated 6 September 2011 and supplemented and amended by two supplemental agreements dated 10 October 2011 and 26 October 2011, respectively (together, the "**Acquisition Agreement**") (a copy of which has been produced to the Meeting marked "**A**" for the purpose of identification) entered into among the Company (as purchaser) and China Xinhua News Network Co., Limited ("**China Xinhua NNC**"), Proud Glory Investments Limited and APT Satellite TV Development Limited (as vendors, collectively the "**Vendors**"), in relation to the sale and purchase of the entire issued share capital of Xinhua TV Asia-Pacific Operating Co., Limited at an aggregate consideration of HK$700,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the allotment and issuance of 474,335,664 new ordinary shares (each, a "**Consideration Share**") of HK$0.001 each in the share capital of the Company (the "**Shares**" and each, a "**Share**") credited as fully paid at an issue price of approximately HK$0.196 per Consideration Share to China Xinhua NNC pursuant to the terms and conditions of the Acquisition Agreement be and is hereby approved;

(c) the issue by the Company of the convertible bonds (the "**Convertible Bonds**") to the Vendors in the principal amount of HK$607,030,210 and the allotment and issuance of Shares upon conversion of the Convertible Bonds pursuant to the respective terms and conditions of the Acquisition Agreement and the Convertible Bonds be and are hereby approved; and

(d) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to take all steps necessary or expedient in his/her/their opinion to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT** subject to the passing of resolution (1), Mr. Wu Jin Cai (吳錦才) be and is hereby appointed as an executive Director to hold office from the date on which completion of the Acquisition Agreement (as defined in resolution number 1(a) above) takes place."

3. "**THAT** subject to the passing of resolution (1), Mr. Zou Chen Dong (鄒陳東) be and is hereby appointed as an executive Director to hold office from the date on which completion of the Acquisition Agreement (as defined in resolution number 1(a) above) takes place."

4. "**THAT** subject to the passing of resolution (1), Ms. Wu Xu Hong (吳旭紅) be and is hereby appointed as an executive Director to hold office from the date on which completion of the Acquisition Agreement (as defined in resolution number 1(a) above) takes place."

5. "**THAT** subject to the passing of resolution (1), Ms. Liang Hui (梁慧) be and is hereby appointed as an non-executive Director to hold office from the date on which completion of the Acquisition Agreement (as defined in resolution number 1(a) above) takes place."

6. "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of the Company to be issued pursuant to the exercise of options which may be granted under the share option scheme adopted by the Company on 11 August 2010 (the "**Share Option Scheme**"):

    (a) approval be granted for the refreshment of the general limit in respect of the grant of options to subscribe for shares of the Company under the Share Option Scheme provided that (i) the total number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the total number of shares of the Company in issue at the date of passing this resolution; and (ii) options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme) will not be counted for the purpose of calculating the 10% refreshed limit; and

    (b) the Directors be authorised to offer or grant options pursuant to the Share Option Scheme within the 10% refreshed limit and to exercise all powers of the Company to allot and issue shares upon the exercise of such options."

By Order of the Board
Tsun Yip Holdings Limited
Kan Kwok Cheung
Chairman and Executive Director

Hong Kong, 19 November 2011

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him. A proxy needs not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed.

3. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. As at the date of this notice, the board of directors of the Company comprises Messrs. Kan Kwok Cheung, Cheng Ka Ming, Martin, Chia Thien Loong, Eric John and Hui Chi Kwong being executive directors; and Messrs. Chan Hon Yuen, Chu Siu Lun, Ivan and Hau Chi Kit being independent non-executive directors.

5. The voting on the resolutions at the EGM shall be conducted by way of poll.