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## **ABC COMMUNICATIONS (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 30)**

### **PLACING OF CONVERTIBLE BONDS**

**Placing Agent**

**CHUNG NAM SECURITIES LIMITED**

On 1 December 2010 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement whereby the Company has conditionally agreed to place, through the Placing Agent, on a fully underwritten basis, the one-year 4% Convertible Bonds in an aggregate principal amount of HK\$75,050,000, to placees who are independent of and not connected with the Company and its Connected persons.

Under the Placing Agreement, the Placees are required to enter into separate CB Subscription Agreements directly with the Company.

The Convertible Bonds carry the right to convert into Conversion Shares at the initial Conversion Price being HK\$0.95 (subject to adjustments). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price, a total of 79,000,000 new Shares will fall to be issued to the Bondholders, representing approximately 15.66% of the issued capital of the Company as at the date of this announcement and approximately 13.54% of the issued share capital of the Company as enlarged by the Conversion Shares.

The gross proceeds from the Placing is estimated to be approximately HK\$75.05 million. The net proceeds from the Placing is estimated to be up to approximately HK\$72.97 million. The Company intends to apply the net proceeds (i) to fund the Group's general working capital requirements for its ongoing operations and expansion and/or (ii) to repay the debts of the Group; and/or (iii) to finance possible investment projects as and when suitable opportunities arise.

\* *For identification purposes only*

The Conversion Shares will be issued and allotted under the General Mandate, under which the Directors are authorised by Shareholders to issue and allot up to 95,507,200 new Shares. Up to the date of this announcement, 16,000,000 Shares under the General Mandate have been issued and allotted pursuant to a placing agreement dated 27 August 2010.

**Completion of the Placing is subject to the satisfaction of the conditions precedent in the CB Subscription Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

On 1 December 2010 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement whereby the Company has conditionally agreed to place, through the Placing Agent, on a fully underwritten basis, the one-year 4% Convertible Bonds in an aggregate principal amount of HK\$75,050,000, to placees who are independent of and not connected with the Company and its Connected Persons.

## **PLACING AGREEMENT**

### **Date**

1 December 2010

### **Issuer**

The Company

### **Placing Agent**

Chung Nam Securities Limited, being the Placing Agent has conditionally agreed to place, on a fully underwritten basis, the one-year 4% Convertible Bonds in an aggregate principal amount of HK\$75,050,000, to the Placees.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the Placing Agent and its ultimate beneficial owners are independent of and not connected with the Company and its Connected Persons.

### **Placees**

The Placing Agent shall procure not less than six Placees to subscribe for the Convertible Bonds during the period from (and excluding) the date of the Placing Agreement to (and including) 15 December 2010, or such later date as may be agreed in writing between the Company and the Placing Agent. The Placees shall be institutional or other professional

investors, each of them and their respective ultimate beneficial owners shall be independent of and not connected with the Company, Directors, chief executive, and substantial Shareholders and its subsidiaries or any of their respective associates prior to and immediately after completion of the Placing.

Immediately upon the exercise of the conversion rights attaching to the Convertible Bonds, it is expected that none of the Placees will become a substantial Shareholder.

### **Placing commission**

The Placing Agent will receive a placing commission in aggregate of 2.5% on the aggregate principal amount of the Convertible Bonds being placed, which was determined by the Company and the Placing Agent after arm's length negotiation.

### **Force majeure**

If at any time between the date of the Placing Agreement and at or before 10:00 a.m. on the Closing Date, there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing of the Convertible Bonds to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the completion of the placing of the Convertible Bonds to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or

- (e) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its absolute opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing, then the Placing Agent may upon giving notice to the Company terminate the Placing Agreement with immediate effect and the obligations of the Placing Agent shall be null and void.

### **Completion of the Placing**

Completion of the Placing will take place on or before 15 December 2010 or such later date as may be agreed in writing between the Company and the Placing Agent.

### **CB SUBSCRIPTION AGREEMENTS**

Under the Placing Agreement, the Placees are required to enter into separate CB Subscription Agreements directly with the Company. Completion of the subscription of the Convertible Bonds under the CB Subscription Agreements is subject to the conditions as summarized below:

#### **Date**

To be entered into on or before 15 December or such later date the respective Placee and the Company may agree.

#### **Parties**

In respect of each separate CB Subscription Agreement to be entered into, (1) the relevant Placee and (2) the Company.

#### **Conditions Precedent**

The issue of the Convertible Bonds is conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares to be issued on exercise of the conversion rights in respect of all the Convertible Bonds to be issued.

If the above condition is not fulfilled on or before 15 December 2010 or such later date as may be agreed between the Company and the relevant Placee, all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties shall have any claim against the other in relation thereto other than antecedent breach.

## THE CONVERTIBLE BONDS

The following is the principal terms of the CB Subscription Agreement:

- Principal amount : HK\$75,050,000
- Issue price : 100% of the principal amount of the Convertible Bonds. The issue price was determined by the Company based on the face value of the Convertible Bonds
- Interest rate : 4.00% per annum
- Maturity Date : 12 months from the date of issue
- Conversion Price : HK\$0.95, being the initial conversion price per Conversion Share but subject to standard adjustment clauses including consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distributions, issue of shares and other securities by way of rights and issue of new Shares at a price which is less than 90% of the then market price of the Shares
- Status and transferability : (a) The obligations of the Company arising under the Convertible Bonds will constitute direct unconditional, unsubordinated and unsecured obligations of the Company, and will rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company;
- (b) The Convertible Bonds are freely transferable; and
- (c) Any transfer of the Convertible Bonds shall be in respect of the whole or any part of the Convertible Bonds in integral multiples of HK\$950,000
- Redemption/Early Redemption : Convertible Bonds which have not been redeemed or converted on the Maturity Date will be automatically redeemed by the Company on the Maturity Date at a redemption amount equal to 104% of the principal amount of such Convertible Bonds

At any time up to (but excluding) Maturity Date, the Company may by notice redeem whole or part of the outstanding Convertible Bonds at an amount equal to 104% of the principal amount of such Convertible Bonds

- Conversion : The conversion rights attaching to the Convertible Bonds can be exercised at any time up to (but excluding) Maturity Date
- Voting at shareholders' meeting : Bondholders shall not be entitled to receive notices of attend or vote at any general meeting of the Company by reason only of being the holders of the Convertible Bonds
- Listing : No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange, or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the convertible rights attaching to the Convertible Shares
- Events of default : If any of the events specified below occurs, the Company shall forthwith give notice thereof to the Bondholders and each Bondholder may (without prejudice to any other rights and remedies available to the Bondholders), at its option, give a redemption notice to the Company in respect of part or all of the Convertible Bonds held by it, whereupon such Convertible Bonds shall become immediately due and payable at a redemption amount equal to 104% of the principal amount of such Convertible Bonds. The relevant Events of Default are as follows:
- (i) any failure to pay the principal of the Convertible Bonds when due and such failure continues for a period of fifteen Business Days;
  - (ii) any default made by the Company in the performance or observance of any undertaking, warranty or representation given by it under these terms (other than the covenant to pay the principal in respect of the Convertible Bonds) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within thirty days of service by any Bondholder on the Company of notice requiring such default to be remedied;
  - (iii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a Resolution of Bondholders;
  - (iv) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company;

- (v) the Company is insolvent or unable to pay its debts as and when they fall due or the Company shall initiate or consent to proceedings relating to itself under any applicable administration, bankruptcy, composition or insolvency law or scheme of arrangement while insolvent (except, for the avoidance of doubt, for the purposes of a dissolution or winding-up permitted under paragraph (iii) above) or makes a general assignment for the benefit of, or enters into any composition with, its creditors; and
- (vi) any event occurs which has an analogous effect to any of the events referred to in paragraphs (i) to (v) above.

### **The Conversion Price**

The Conversion Price represents:

- (i) a discount of approximately 14.41% to the closing price of HK\$1.110 per Share as quoted on the Stock Exchange on 1 December 2010, on the date of the Placing Agreement;
- (ii) a discount of approximately 16.81% to the average of the closing price of HK\$1.142 per Share as quoted on the Stock Exchange for the last five trading days up to and including 1 December 2010; and
- (iii) a discount of approximately 17.61% to the average of the closing price of HK\$1.153 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 1 December 2010.

The Conversion Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Issue of the Conversion Shares**

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price, up to 79,000,000 new Shares will fall to be issued to the Bondholders, representing approximately 15.66% of the issued capital of the Company as at the date of this announcement and approximately 13.54% of the issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares. Holders of the Conversion Shares will be entitled to receive all future dividends and distributions the record date of which falls on or after the date of allotment and issue of the Conversion Shares.

The Conversion Shares will be issued and allotted under the General Mandate, under which the Directors are authorised by Shareholders to issue and allot up to 95,507,200 new Shares. Up to the date of this announcement, 16,000,000 Shares under the General Mandate have been issued and allotted pursuant to a placing agreement dated 27 August 2010.

## SHAREHOLDING STRUCTURE

The following table illustrates the change in shareholding structure of the Company upon full exercise of the conversion rights attached to the Convertible Bonds.

	As at the date of this announcement		Upon full exercise of the conversion rights attached to the Convertible Bonds	
	Number of Shares	Approx %	Number of Shares	Approx %
Substantial Shareholders				
Asian Gold Dragon Limited	249,624,500	49.48	249,624,500	42.78
Rising Step Holdings Limited	71,376,000	14.15	71,376,000	12.23
Public Shareholders				
Placees	–	–	79,000,000	13.54
Other public Shareholders	<u>183,535,500</u>	<u>36.37</u>	<u>183,535,500</u>	<u>31.45</u>
Total	<u>504,536,000</u>	<u>100</u>	<u>583,536,000</u>	<u>100</u>

As at the date of this announcement, the Company's existing convertible bonds in the principal amount of HK\$86,700,000 remain outstanding. If the conversion right attached to these existing convertible bonds is exercised, further 43,350,000 Shares will fall to be issued.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed, the Company has not conducted any fund raising activity in the past twelve months from the date of this announcement.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
27 August 2010	Placing of 16,000,000 existing Shares and Subscription of 16,000,000 new Shares under General Mandate at HK\$1.38 per Share	HK\$21.7million	Intended to be used as general working and/or reduce borrowings of the Group	HK\$21.7 million used to reduce borrowings of the Company

## REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors have considered various ways of raising funds in the capital market and consider that the issue of the Convertible Bonds is appropriate mean of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) if the Conversion Rights attaching to the Convertible Bonds are exercised, the shareholder base of the Company will be enlarged and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group.

Accordingly, the Directors (including the independent non-executive Directors) consider the terms of the Placing is fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Placing is estimated to be HK\$75.05 million. The net proceeds is estimated to be up to approximately HK\$72.97 million. The Company intends to use the net proceeds from the Placing (i) to fund the Group's general working capital requirements for its ongoing operations and expansion and/or (ii) to repay the debts of the Group; and/or (iii) to finance possible investment projects as and when suitable opportunities arise.

## GENERAL

The Group is principally engaged in the provision of financial information services, securities trading system licensing and wireless applications development.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms used herein have the following meanings unless otherwise specified:

“associate(s)”	the meaning ascribed thereto in the Listing Rules, unless otherwise specified
“Board”	the board of directors of the Company
“Bondholders”	holders of the Convertible Bonds
“Bond Instrument”	the instrument to be entered into by the Company constituting the Convertible Bonds, substantially in the form of the draft set out in a schedule to the Placing Agreement
“Business Day”	a day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business to the public in Hong Kong
“CB Subscription Agreement”	The convertible bonds subscription agreement to be entered into between the Company and the Placees in the form attached to the Placing Agreement
“Closing Date”	the date of completion of the Placing
“Company”	ABC Communications (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed and traded on the Main Board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules, unless otherwise specified
“Conversion Price”	initial conversion price of HK\$0.95 per Conversion Share but subject to adjustments, as described in this announcement
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bonds”	4% rate unsecured redeemable convertible bonds due 2011 in the principal amount of up to HK\$75,050,000 convertible into Conversion Shares, to be constituted by the Bond Instrument
“Director(s)”	directors(s) of the Company
“General Mandate”	the general mandate as refreshed and granted to the Directors by the Shareholders at the annual general meeting of the Company held on 31 March 2010 to allot, issue and deal with up to 20% of the then issued share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Maturity Date”	12 months from the date of issue of Convertible Bonds
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any investor who is a professional or an institutional investor and is independent of and not connected with the Company, directors, chief executive, and substantial shareholders of the Company and its subsidiaries or any of their respective associates, procured by the Placing Agent on fully underwritten basis, to subscribe for the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Bonds pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Chung Nam Securities Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activity
“Placing Agreement”	The placing agreement entered into between the Company and the Placing Agent dated 1 December 2010 in relation to the Placing
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By order of the Board  
**ABC Communications (Holdings) Limited**  
**Chen Jiasong**  
*Deputy Chairman*

Hong Kong, 1 December 2010

*As at the date of this announcement, the board of directors of the Company comprises:*

*Executive Directors:*

Mr. Chen Jiasong (*Deputy Chairman*)

Mr. Wang Zhi Gang

Mr. Cheung Wai Shing

Mr. Zhao Bao Long

*Non-executive Director:*

Mr. Hou Hui Min (*Honorable Chairman*)

*Independent Non-executive Directors:*

Mr. Tsang Kwok Wai

Mr. Lee Kwong Yiu

Mr. Zhang Guang Hui