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

If you have sold or transferred all your shares in AID Partners Capital Holdings Limited (the "Company"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is not and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.



**AID Partners Capital Holdings Limited**  
**(滙友資本控股有限公司)\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8088)**

**DISCLOSEABLE TRANSACTION –**  
**ACQUISITION OF 70% ISSUED SHARE CAPITAL OF**  
**THE TARGET COMPANY AND ISSUE OF**  
**CONSIDERATION SHARES UNDER SPECIFIC MANDATE**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company to be held at 3/F., Nexus Building, 77 Des Voeux Road Central, Central, Hong Kong on Tuesday, 17 March 2015 at 10:30 a.m., is set out on pages 41 to 43 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Units 1&2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

## 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.

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## DEFINITIONS

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

“2015 Annual Report”	the annual report of the Company for the year ending 31 December 2015
“2015 Audited Accounts”	the audited consolidated financial statements of the PRC Target Group as at 31 December 2015 and the audited consolidated profit and loss accounts of the PRC Target Group for the financial year ending 31 December 2015
“2015 Audited Net Profit”	the audited consolidated net profit or loss (as the case may be) of the PRC Target Group for the financial year ending 31 December 2015 as referred to in 2015 Audited Accounts
“2015 Interim Profit”	the unaudited consolidated net profit or loss (as the case may be) of the PRC Target Group for the six (6) months ending 30 June 2015
“2015 Interim Report”	the interim report of the Company for the six (6) months ending 30 June 2015
“2015 Profit Bonus”	the profit bonus equal to 50% of 3.85 times of the amount of the 2015 Audited Net Profit in excess of the 2015 Profit Target, which shall be no more than RMB15,400,000 (equivalent to approximately HK\$19,454,820), payable to the Vendor in accordance with the Sale and Purchase Agreement
“2015 Profit Bonus Shares”	the Shares to be allotted and issued by the Company as settlement of the 2015 Profit Bonus (if any)
“2015 Profit Target”	the targeted 2015 Audited Net Profit of RMB22,000,000 (equivalent to approximately HK\$27,792,600)
“2016 Annual Report”	the annual report of the Company for the year ending 31 December 2016
“2016 Audited Accounts”	the audited consolidated financial statements of the PRC Target Group as at 31 December 2016 and the audited consolidated profit and loss accounts of the PRC Target Group for the financial year ending 31 December 2016

## DEFINITIONS

“2016 Audited Net Profit”	the audited consolidated net profit or loss (as the case may be) of the PRC Target Group for the financial year ending 31 December 2016 as referred to in 2016 Audited Accounts
“2016 Profit Target”	the targeted 2016 Audited Net Profit of RMB29,000,000 (equivalent to approximately HK\$36,635,700)
“Acquisition”	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“Adjustment(s)”	the adjustment(s) to be made to the Third Instalment and/or the Fourth Instalment, as detailed in the paragraph headed “Adjustment to the Third Instalment and the Fourth Instalment” in this circular
“Affiliate(s)”	in relation to any person, any other person directly or indirectly Controlling, Controlled by or under common Control with, such person
“Asset Purchase Agreement”	the asset purchase agreement to be entered into among Ms. Chen, Mr. Zhang, WFOE and VSOYOU
“Board”	the board of Directors
“Bonus Issue”	the issue of Bonus Shares to the qualifying shareholders on the basis of five (5) Bonus Shares for every one (1) existing Share held on the record date, i.e. 16 January 2015, as detailed in the announcements of the Company dated 10 December 2014 and 27 January 2015 and the circular of the Company dated 19 December 2014
“Bonus Share(s)”	the total of 2,366,865,285 new Share(s) allotted and issued under the Bonus Issue by the Company on 27 January 2015
“Business Day”	a day (other than Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at 12:00 noon) on which banks in Hong Kong and the PRC are generally open for business
“BVI”	the British Virgin Islands

## DEFINITIONS

“Company”	AID Partners Capital 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 Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the tenth (10th) Business Day after satisfaction or waiver (as the case may be) of the Conditions (or such later date as the parties to the Sale and Purchase Agreement may agree in writing prior to Completion)
“Conditions”	has the same meaning ascribed to it under the paragraph headed “Conditions Precedent” under the section headed the “The Sale and Purchase Agreement” in this circular
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	an aggregate amount of RMB84,000,000 (equivalent to approximately HK\$106,117,200), subject to Adjustments to be made in accordance with the Sale and Purchase Agreement
“Consideration Shares”	the Shares to be allotted and issued by the Company as settlement of the Second Instalment, the Third Instalment and/or the Fourth Instalment (as applicable)
“Control”	the power of a person to secure that the affairs of another person are conducted directly or indirectly in accordance with the wishes of that first person by means of being the beneficial owner of more than 50% of the voting rights of that other person, or having the right to appoint or remove a majority of the members of or otherwise control the votes at the board of directors (or its equivalent) of that other person, and “Controlling” and “Controlled” shall be construed accordingly
“Directors”	directors of the Company
“Dividend”	the dividend that may be declared by VSOYOU prior to Completion and payable to the Existing Shareholders after the annual results announcement of the Company for the year ending 31 December 2015 has been issued

## DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, to approve the Specific Mandate
“Equity Pledge Agreement”	the equity pledge agreement to be entered into among WFOE, Ms. Chen, Mr. Zhang and VSOYOU
“Exclusive Consultancy Agreement”	the exclusive consultancy and marketing services agreement to be entered into between WFOE and VSOYOU
“Existing Shareholders”	Ms. Chen and Mr. Zhang
“First Instalment”	the first instalment of the Consideration in the amount of RMB14,000,000 (equivalent to approximately HK\$17,686,200) to be paid to the Vendor in accordance with the Sale and Purchase Agreement
“Fourth Instalment”	the fourth instalment of the Consideration in the amount of RMB35,000,000 (equivalent to approximately HK\$44,215,500), which is subject to Adjustment and to be paid to the Vendor in accordance with the Sale and Purchase Agreement
“Fourth Instalment Consideration Shares”	the Consideration Shares which may be issued to the Vendor or his nominee as settlement of the Fourth Instalment pursuant to the Sale and Purchase Agreement
“GAPP”	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) (currently known as the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局))
“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
“HK Co”	a limited liability company incorporated in Hong Kong, which shall be directly or indirectly wholly-owned by the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“ICP Licence”	the value-added telecommunications business operating licence (增值電信業務經營許可證), which is generally known as the “Internet content provider licence”
“Internet Publication Licence”	the internet publication licence (互聯網出版證)
“Latest Practicable Date”	24 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the GEM listing committee of the Stock Exchange
“Loan Agreement”	the loan agreement to be entered into between WFOE, Ms. Chen and Mr. Zhang
“Long Stop Date”	31 March 2015 or such other later date as the parties to the Sale and Purchase Agreement may agree in writing
“Material Adverse Change (or Effect)”	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Target Group
“Mr. Zhang”	張永鋒先生 (Mr. Zhang Yong Feng*)
“Ms. Chen”	陳曉萍女士 (Ms. Chen Xiao Ping*)
“Option Agreement”	the option agreement to be entered into among WFOE, Ms. Chen and Mr. Zhang
“PRC”	the People’s Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Legal Adviser”	Guantao Law Firm, the legal adviser to the Company as to the laws of the PRC
“PRC Target Group”	WFOE and VSOYOU
“Proxy Agreement”	the proxy agreement to be entered into among Ms. Chen, Mr. Zhang, WFOE and VSOYOU
“Purchaser”	Valliant Investments Limited, a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company



## DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 1 December 2014 (as supplemented by the Supplemental Agreement) and entered into between the Purchaser, the Company, the Vendor and the Vendor’s Guarantors in relation to the Acquisition
“Sale Shares”	seventy (70) shares of US\$1.00 each in the share capital of the Target Company, representing 70% of the issued share capital of the Target Company
“Second Instalment”	the second instalment of the Consideration in the amount of RMB7,000,000 (equivalent to approximately HK\$8,843,100), among which, (i) as to RMB6,000,000 (equivalent to approximately HK\$7,579,800) to be settled by cash, and (ii) as to RMB1,000,000 (equivalent to approximately HK\$1,263,300) to be settled by the issue and allotment of the Second Instalment Consideration Shares, which shall be payable to the Vendor only if the 2015 Interim Profit is not less than 40% of the 2015 Profit Target (i.e. RMB8,800,000 (equivalent to approximately HK\$11,117,040)) and in accordance with the Sale and Purchase Agreement
“Second Instalment Consideration Shares”	the Consideration Shares which may be issued to the Vendor or his nominee as settlement of part of the Second Instalment pursuant to the Sale and Purchase Agreement
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be executed between the Purchaser, the Vendor and the Target Company
“Specific Mandate”	the mandate to be sought from Shareholders at the EGM for the issue and allotment of the Consideration Shares and the 2015 Profit Bonus Shares (on the assumption that the 2015 Profit Bonus Shares will be issued at the same issue price as the Consideration Shares)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Structured Contracts”	collectively, the Exclusive Consultancy Agreement, Loan Agreement, Equity Pledge Agreement, Option Agreement, Proxy Agreement and Asset Purchase Agreement
“Supplemental Agreement”	the supplemental agreement dated 17 February 2015 entered into between the Purchaser, the Company, the Vendor and the Vendor’s Guarantors in relation to the Sale and Purchase Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Honestway Global Group Limited, a limited liability company incorporated in the BVI and wholly owned by the Vendor
“Target Group”	the Target Company and its subsidiaries, WFOE and the group of companies constituted by VSOYOU, and the “Target Group Company” and “Target Group member” shall be construed accordingly
“Third Instalment”	the third instalment of the Consideration in the amount of RMB35,000,000 (equivalent to approximately HK\$44,215,500), which is subject to Adjustment and among which, (i) as to RMB6,000,000 (equivalent to approximately HK\$7,579,800) to be settled by cash, and (ii) as to RMB29,000,000 (equivalent to approximately HK\$36,635,700) to be settled by the issue and allotment of the Third Instalment Consideration Shares, which shall be payable to the Vendor and in accordance with the Sale and Purchase Agreement
“Third Instalment Consideration Shares”	the Consideration Shares which may be issued to the Vendor or his nominee as settlement of the part of the Third Instalment pursuant to the Sale and Purchase Agreement
“Vendor”	莊小潔先生 (Mr. Zhuang Xiao Jie*)
“Vendor’s Guarantors”	collectively being Ms. Chen and Mr. Zhang
“VSOYOU”	上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.*), a limited liability company established in the PRC
“Warrantors”	collectively being the Vendor and the Vendor’s Guarantors

## DEFINITIONS

“WFOE”	a wholly-foreign owned enterprise established in the PRC by the Vendor through HK Co
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

Certain English translations of Chinese names or words marked with “\*” in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

Unless otherwise specified in this circular, the exchange rates of RMB1.00 = HK\$1.2633 and US\$1.00 = HK\$7.80 have been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.



**AID Partners Capital Holdings Limited**  
**(滙友資本控股有限公司)\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8088)**

*Executive Directors:*

Chang Tat Joel  
Ho Gilbert Chi Hang  
Huang Kenian  
Wang Dayong  
Wu King Shiu, Kelvin

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*Non-executive Director:*

Stephen Shiu Junior

*Head Office and Principal  
place of business in Hong Kong:*

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The Hennessy  
256 Hennessy Road  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

Shi Jinsheng  
Sin Hendrick  
Yuen Kwok On

2 March 2015

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION –  
ACQUISITION OF 70% ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY AND ISSUE OF  
CONSIDERATION SHARES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 1 December 2014 in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the announcement of the Company dated 17 February 2015 in relation to the Supplemental Agreement supplementing the Sale and Purchase Agreement.

\* For identification purpose only

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details in relation to the Acquisition and the allotment and issue of the Consideration Shares and/or the 2015 Profit Bonus Shares (if any) as contemplated under the Sale and Purchase Agreement, and the Specific Mandate for the allotment and issue of the Consideration Shares and the 2015 Profit Bonus Shares; and (ii) the notice of EGM.

### THE SALE AND PURCHASE AGREEMENT

On 1 December 2014 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Company, the Vendor and the Vendor's Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing 70% of the issued share capital of the Target Company.

#### Parties

- (1) the Purchaser, an indirect wholly-owned subsidiary of the Company;
- (2) the Company;
- (3) the Vendor;
- (4) Ms. Chen as one of the Vendor's Guarantors; and
- (5) Mr. Zhang as one of the Vendor's Guarantors.

The Vendor is the sole director and sole shareholder of the Target Company. The Vendor is also the husband of Ms. Chen.

Ms. Chen and Mr. Zhang are the two (2) shareholders of VSOYOU. Ms. Chen is also the wife of the Vendor.

The Vendor's Guarantors are joined as parties to the Sale and Purchase Agreement to guarantee the performance by the Vendor of his obligations under the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendor, Ms. Chen and Mr. Zhang are third parties independent of the Company and its connected persons.

#### Subject matter of the Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to purchase from the Vendor the Sale Shares, representing 70% of the issued share capital of the Target Company.

## LETTER FROM THE BOARD

### Consideration

The Consideration for the Acquisition is RMB84,000,000 (equivalent to approximately HK\$106,117,200), subject to Adjustments, which shall be satisfied in Renminbi or the equivalent amount in Hong Kong dollars and in the following manner:

- (a) in respect of the First Instalment, by cash within three (3) Business Days after the Completion Date;
- (b) in respect of the Second Instalment, payable only if the 2015 Interim Profit is not less than 40% of the 2015 Profit Target (i.e. RMB8,800,000 (equivalent to approximately HK\$11,117,040)), (i) as to RMB6,000,000 (equivalent to approximately HK\$7,579,800) by cash, and (ii) as to RMB1,000,000 (equivalent to approximately HK\$1,263,300) by the issue and allotment of the Second Instalment Consideration Shares, within fifteen (15) Business Days from the date of issue of the 2015 Interim Report;
- (c) in respect of the Third Instalment:
  - (1) assuming the Second Instalment is not payable, (i) as to RMB6,000,000 (equivalent to approximately HK\$7,579,800) by cash, and (ii) as to RMB29,000,000 (equivalent to approximately HK\$36,635,700) by the issue and allotment of the Third Instalment Consideration Shares, within fifteen (15) Business Days from the date of issue of the 2015 Annual Report;
  - (2) assuming the Second Instalment is payable, an amount equivalent to the Second Instalment shall be deducted from the Third Instalment and RMB28,000,000 (equivalent to approximately HK\$35,372,400) by the issue and allotment of the Third Instalment Consideration Shares, within fifteen (15) Business Days from the date of issue of the 2015 Annual Report; and
- (d) in respect of the Fourth Instalment, by issue and allotment of the Fourth Instalment Consideration Shares, within fifteen (15) Business Days from the date of issue of the 2016 Annual Report.

The First Instalment and the cash portion of the Second Instalment or the Third Instalment, as the case may be, will be funded by internal resources of the Company.

Pursuant to the Sale and Purchase Agreement, the issue price of the Second Instalment Consideration Shares, the Third Instalment Consideration Shares and the Fourth Instalment Consideration Shares (if any) was agreed on the date of signing of the Sale and Purchase Agreement to be HK\$1.283 per Consideration Share, being the average closing price of the Shares quoted on GEM for the ten (10) Business Days immediately preceding the date of signing of the Sale and Purchase Agreement. On 17 February 2015 (after trading hours), the Purchaser, the Company, the Vendor and the Vendor's Guarantors entered into the Supplemental Agreement, pursuant to which the parties

## LETTER FROM THE BOARD

agreed to a one-off adjustment of the issue price of the Consideration Shares from HK\$1.283 to HK\$0.214 per Consideration Share. The adjustment of the issue price of the Consideration Shares is made on the basis that the Bonus Issue resulted in the price per Share being adjusted on the basis of five (5) Bonus Shares for every one (1) existing Share (i.e. Adjusted Share price = Original Share price  $\times$   $1/(1+5)$ ). Consequently, the issue price of the Consideration Shares was adjusted from HK\$1.283 to HK\$0.214 so that the aggregate value of the Consideration Shares to be issued and allotted by the Company to the Vendor will remain the same.

The issue and allotment of the Second Instalment Consideration Shares, the Third Instalment Consideration Shares and the Fourth Instalment Consideration Shares (as the case may be) shall be subject to the Listing Committee having granted to the Company the listing of, and permission to deal in, the Second Instalment Consideration Shares, the Third Instalment Consideration Shares and the Fourth Instalment Consideration Shares (as the case may be), respectively, which has not been revoked as at the respective dates of allotment and issuance. If any of the conditions for the issue and allotment of the Second Instalment Consideration Shares, the Third Instalment Consideration Shares and the Fourth Instalment Consideration Shares (if any) is not satisfied, the Company will settle the remaining portion of the Second Instalment, the Third Instalment and the Fourth Instalment by cash.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed with the Company and the Purchaser that the Company shall not issue such number of new Shares so that the aggregate nominal value of the Second Instalment Consideration Shares, the Third Instalment Consideration Shares, the Fourth Instalment Consideration Shares and/or the 2015 Profit Bonus Shares (if any) reaches 29.9% or above of the nominal value of the issued share capital of the Company, as enlarged by the relevant issuance of new Shares, on each of the relevant dates of issuance of such new Shares pursuant to the Sale and Purchase Agreement, and any excess of which shall be settled in cash.

Pursuant to the Sale and Purchase Agreement, within thirty (30) Business Days from the Completion Date, the Purchaser shall inject an aggregate amount of RMB10,000,000 (equivalent to approximately HK\$12,633,000) in Renminbi or the equivalent amount in Hong Kong dollars into the Target Company as working capital for the purpose of developing the business of the Target Group in such manner as the Purchaser considers appropriate.

### **Basis of determination of the Consideration**

The Consideration and the payment method were determined after arm's length negotiations between the Vendor, the Purchaser and the Company. In determining the Consideration, references were made to (i) the financial position of the Target Group – in particular, the net asset value of VSOYOU as at 31 December 2013 was RMB9,975,669 (equivalent to approximately HK\$12,602,263); (ii) the increasing number of users of the games platform operated by the Target Group and the number of users as at 31 December 2013 was approximately 4.5 million; (iii) the valuation of comparable companies within the industry of the Target, in particular, the companies listed on the Stock Exchange and the National Association of Securities Dealers Automated Quotations (“NASDAQ”) with

## LETTER FROM THE BOARD

principal activities engaged in the developing, operating and/or publishing of mobile and/or web based games in the PRC and the price/earnings multiples of such comparable companies are used as references in determining the Consideration; (iv) the business prospect and future profitability of the Target Group, for instance, the increasing number of (a) users of the games platform operated by the Target Group and (b) games to be operated and/or distributed by the Target Group.

During the arm's length negotiations of the Consideration and payment method between the said parties, the Directors consider that the payment method involving the issue of the Consideration Shares is favourable to the Group at the juncture of its development given that it enables the Group to implement the Acquisition without significant immediate cash outlay and preserve its currently available cash for general working capital and/or future development of its business. Further, the Directors consider that the issue of Consideration Shares as partial settlement of the Consideration would also provide incentive for the Vendor to continue to perform for the Target Group, which in turn will contribute to the Group's positive performance in the future. Accordingly, the Directors are of the view that the Consideration and the payment method is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Adjustment to the Third Instalment and the Fourth Instalment**

In the event that the 2015 Audited Net Profit is less than RMB22,000,000 (equivalent to approximately HK\$27,792,600) or the 2016 Audited Net Profit is less than RMB29,000,000 (equivalent to approximately HK\$36,635,700), the Third Instalment or the Fourth Instalment (as the case may be) will be adjusted by deducting the amount equal to 3.85 times of the shortfall for the relevant year, and the amount of Adjustment shall be no more than RMB35,000,000 (equivalent to approximately HK\$44,215,500). There will not be any upward adjustment to the Third Instalment and the Fourth Instalment.

In determining the Consideration, the Vendor, the Purchaser and the Company have also agreed on the 2015 Profit Target and the 2016 Profit Target. The 2015 Profit Target and 2016 Profit Target were determined with reference to the business plan of the Target Group for the year ending 31 December 2015 and 31 December 2016, respectively. The Directors have considered the future performance of the PRC online game market. Based on a market research, the PRC online game revenue would surpass RMB100 million in 2014 and then exceed RMB200 million in 2017 and this implies a compound annual growth rate of approximately 18% for the period from 2014 to 2017. The Directors have also taken into consideration (i) the increase in number of games to be operated and distributed by the Target Group and (ii) the estimated change in revenue and expenses due to increasing number of games to be operated and distributed by the Target Group.

In the event that the 2015 Interim Profit is not less than 40% of the 2015 Profit Target (i.e. RMB8,800,000 (equivalent to approximately HK\$11,117,040)) and the Second Instalment is payable, the Third Instalment shall be further adjusted by deducting an amount equivalent to the Second Instalment and the adjusted Third Instalment shall be satisfied by the issue and allotment of the Third Instalment Consideration Shares and references to the Third Instalment shall be construed accordingly.



## LETTER FROM THE BOARD

In the event that the Third Instalment, after Adjustment has been made, is less than the amount of the Second Instalment, such difference shall be refunded by the Vendor to the Purchaser in cash within fifteen (15) Business Days from the date of issue of the 2015 Annual Report, failing which, interest at the rate of 1.00% per month shall be imposed on the said outstanding amount and payable by the Vendor. If the Vendor fails to pay the said outstanding amount to the Purchaser before payment of the Fourth Instalment, the Fourth Instalment will be adjusted by deducting the said outstanding amount to be refunded and interests thereon.

### **Profit Bonus**

Pursuant to the Sale and Purchase Agreement, in the event that the 2015 Audited Net Profit shall exceed the 2015 Profit Target, the Purchaser shall pay to the Vendor a profit bonus equal to 50% of 3.85 times of the amount of the 2015 Audited Net Profit in excess of the 2015 Profit Target, provided that the 2015 Profit Bonus shall be no more than RMB15,400,000 (equivalent to approximately HK\$19,454,820).

The 2015 Profit Bonus shall be settled by the issue and allotment of the 2015 Profit Bonus Shares, within fifteen (15) Business Days from the date of issue of the 2015 Annual Report. The 2015 Profit Bonus and the payment method were determined after arm's length negotiations between the Vendor, the Purchaser and the Company, during which the Vendor requested for the 2015 Profit Bonus Shares to be issued as settlement of the 2015 Profit Bonus, as the Vendor had expressed to the Company that he is of the view that the Group will perform well in the future and wishes to hold Shares in order to be able to share the benefits from the Group's positive performance. The Directors consider that the payment method involving the issue of the 2015 Profit Bonus Shares is favourable to the Group since such settlement method can minimise the immediate cash outflow of the Group at the relevant time and enable the Group to retain more cash for general working capital and/or future development of its business.

The issue and allotment of 2015 Profit Bonus Shares shall be subject to the same conditions as the issue and allotment of the Second Instalment Consideration Shares, the Third Instalment Consideration Shares and the Fourth Instalment Consideration Shares as set out in the paragraph headed "Consideration" above. If any of the conditions for the issue and allotment of the 2015 Profit Bonus Shares is not satisfied, the Purchaser will settle that portion of the 2015 Profit Bonus by cash.

The issue price of the 2015 Profit Bonus Shares shall be the average closing price of the Shares quoted on GEM for the ten (10) Business Days immediately preceding the date of the issue of the 2015 Annual Report.

When the issue price of the 2015 Profit Bonus Shares can be ascertained and it is calculated that the 2015 Profit Bonus Shares to be allotted and issued shall exceed the number of 2015 Profit Bonus Shares that have been approved by the Shareholders to be issued under the Specific Mandate, pursuant to the Sale and Purchase Agreement, the Vendor has agreed with the Company and the Purchaser that the Company shall only issue the maximum number of 2015 Profit Bonus Shares that have been approved by the Shareholders to be issued under the Specific Mandate as partial settlement of the 2015 Profit Bonus. The remaining balance of the 2015 Profit Bonus shall be settled in cash.

## LETTER FROM THE BOARD

### **The Consideration Shares and 2015 Profit Bonus Shares**

The Consideration Shares and the 2015 Profit Bonus Shares (if any) will be issued under the Specific Mandate to be approved by the Shareholders at the EGM. As the issue price of the 2015 Profit Bonus Shares shall only be determinable after the issue of the 2015 Annual Report (please refer to the paragraph headed "Profit Bonus" for details of the issue price of the 2015 Profit Bonus Shares), for the purpose of seeking the Specific Mandate from the Shareholders at the EGM, the maximum number of 2015 Profit Bonus Shares that may be issued under the Specific Mandate is calculated by adopting the issue price of the Consideration Shares. The maximum number of Consideration Shares and 2015 Profit Bonus Shares that may be issued under the Specific Mandate shall be 377,809,346 Shares and 90,910,373 Shares, respectively. The aggregate of the Consideration Shares and the 2015 Profit Bonus Shares represents approximately 14.78% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 12.88% of the issued share capital of the Company as enlarged by the aggregate of the Consideration Shares and the 2015 Profit Bonus Shares.

The Consideration Shares and the 2015 Profit Bonus Shares will, upon issue and credited as fully paid, rank pari passu in all respect with all the existing Shares then in issue. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the 2015 Profit Bonus Shares.

### **Lock-up undertaking**

The Vendor undertakes to each of the Purchaser and the Company that, subject to Completion taking place and the issue of the Consideration Shares to the Vendor pursuant to the Third Instalment and the Fourth Instalment (as applicable), it shall not, directly or indirectly, and shall procure that the holder(s) of the Shares and/or Shares shall not, directly or indirectly:

- (a) in respect of the 30% of the Shares issued at anytime pursuant to the Third Instalment, for a three (3)-month period commencing on the date of issuance of the Third Instalment Consideration Shares;
- (b) in respect of the remaining 70% of the Shares issued at anytime pursuant to the Third Instalment, for a six (6)-month period commencing on the date of issuance of the Third Instalment Consideration Shares;
- (c) in respect of the 50% of the Fourth Instalment Consideration Shares issued at anytime pursuant to the Fourth Instalment, for a six (6)-month period commencing on the date of issuance of the Fourth Instalment Consideration Shares;
- (d) in respect of the remaining 50% of the Fourth Instalment Consideration Shares issued at anytime pursuant to the Fourth Instalment, for a twelve (12)-month period commencing on the date of issuance of the Fourth Instalment Consideration Shares;

## LETTER FROM THE BOARD

sell, transfer or otherwise dispose of (including but not limited to the creation of any options over or pledge or charge as security) any of such Shares described above. This undertaking shall survive the Completion, save for:

- (a) where such disposal is made in the acceptance of an offer made in accordance with the Takeovers Code by any third party; or
- (b) where such disposal is made pursuant to an offer by the Company to purchase its own Shares which is made by the Company under the Hong Kong Code on Share Repurchases.

### Issue Price

The Consideration Shares to be issued at the issue price of HK\$0.214 per Consideration Share, represents:

- (a) a discount of approximately 26.21% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 5.73% to the closing price of HK\$0.227 per Share (as adjusted to take into account the Bonus Issue and as quoted on the Stock Exchange) as quoted on the Stock Exchange on 1 December 2014, being the date of the Sale and Purchase Agreement;
- (c) a discount of approximately 4.89% to the average closing price of approximately HK\$0.225 per Share (as adjusted to take into account the Bonus Issue and as quoted on the Stock Exchange) as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of the Sale and Purchase Agreement; and
- (d) a discount of approximately 0.93% to the average closing price of approximately HK\$0.216 per Share (as adjusted to take into account the Bonus Issue and as quoted on the Stock Exchange) as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the date of the Sale and Purchase Agreement.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### Conditions Precedent

Completion is conditional upon fulfillment of the following conditions (the “Conditions”):

- (a) (if applicable) all necessary consents and approvals by relevant government bodies and/or competent authorities and/or third parties required to be obtained on the part of the Purchaser and the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

## LETTER FROM THE BOARD

- (b) the passing by the Shareholders at the EGM of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including without limitation the grant of the Specific Mandate;
- (c) the Listing Committee having granted to the Company the listing of, and permission to deal in, the Consideration Shares and the 2015 Profit Bonus Shares to be issued under the Sale and Purchase Agreement on the Stock Exchange;
- (d) the Purchaser having completed and being satisfied with the results of the due diligence review on the Target Group and its businesses, assets, debts, activities, operations, prospects and others which the Purchaser, its agents or professional advisers consider necessary and appropriate;
- (e) the delivery of the Shareholders' Agreement duly executed by the Vendor (in the form and content as agreed between the parties thereto);
- (f) the Target Company shall directly or indirectly wholly own HK Co and HK Co shall directly wholly own WFOE;
- (g) the WFOE and VSOYOU, Ms. Chen and Mr. Zhang shall have executed all the Structured Contracts (in the form and content as satisfied by the Purchaser);
- (h) the issuance of a PRC legal opinion by a PRC law firm practicing PRC laws (in the form and content as satisfied by the Purchaser);
- (i) the Purchaser having received a BVI legal opinion issued by a designated BVI practicing lawyer on the lawful establishment and valid existence of the Target Company (in the form and content as satisfied by the Purchaser);
- (j) the bank statement as at the Business Day immediately prior to the Completion Date, which shall evidence that the bank balance of VSOYOU has not less than RMB3,000,000 (equivalent to approximately HK\$3,789,900) in cash;
- (k) save for the Dividend, as at the Completion Date, the net asset value of VSOYOU shall not be less than RMB3,000,000 (equivalent to approximately HK\$3,789,900), of which there shall not be less than RMB3,000,000 (equivalent to approximately HK\$3,789,900) in cash;
- (l) VSOYOU shall have obtained the ICP Licence and the business scope on which covers mobile internet information services and those related to the operation of mobile games by the Target Group;
- (m) the business scope on the business licence of VSOYOU having contained all the businesses VSOYOU is actually engaged in, including but not limited to those related to "operation as agent of mobile games developed or authorised

## LETTER FROM THE BOARD

by third parties, operation of games and providing for download by users of all such games through the internet and/or communications network, investment in, acquisition of and sale of companies engaging in games related business”;

- (n) all accounts for receiving payments in connection with the games operated by VSOYOU are under the name of VSOYOU;
- (o) VSOYOU shall have obtained all software copy rights and domain names as listed in the Sale and Purchase Agreement;
- (p) the senior management personnel of the Target Group having executed with the respective Target Group Company specified by the Purchaser the employment contracts and non-competition and confidentiality agreements in the forms and content as satisfied by the Purchaser;
- (q) the Purchaser being satisfied that, from the date of the Sale and Purchase Agreement until Completion, the Warrantors’ warranties would remain true, accurate and not misleading and there are no situations, facts or circumstances that would render the Warrantors in breach of their warranties;
- (r) the Warrantors being satisfied that, from the date of the Sale and Purchase Agreement until Completion, the Purchaser’s warranties would remain true, accurate and not misleading and there are no situations, facts or circumstances that would render the Purchaser in breach of its warranties;
- (s) the completion of the transactions contemplated under the Sale and Purchase Agreement not to be restricted or prohibited by any applicable laws, including any order, injunction, judgment or ruling of any courts or other government bodies in any form; and
- (t) there being no Material Adverse Change (or Effect).

The Purchaser may at any time before Completion waive in writing the condition set out in paragraphs (d) and/or (i) above. The Warrantors may at any time before Completion waive in writing the condition set out in paragraph (r) above.

If the above Conditions remain unfulfilled (or as the case may be, waived by the Purchaser) before 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall automatically cease and terminate and in such event all rights and obligations of the Purchaser and the Vendor under the Sale and Purchase Agreement shall cease and determine (save and except for provisions governing the Warrantors’ warranties, indemnity, termination, confidentiality, costs, notices, governing law, jurisdiction and process agents which shall continue to have full force and effect), and except for the provisions which shall survive termination of the Sale and Purchase Agreement and antecedent breaches of the terms of the Sale and Purchase Agreement, the Purchaser and the Vendor shall not have any claim against each other under the Sale and Purchase Agreement. As at the Latest Practicable Date, the condition set out in paragraph (l) above has been satisfied.

## LETTER FROM THE BOARD

### Undertakings

Pursuant to the Sale and Purchase Agreement and a separate letter of undertaking, the Warrantors jointly and severally, unconditionally and irrevocably undertake to the Purchaser that, within six (6) months from the Completion Date:

- (i) VSOYOU shall have applied to the relevant authority(ies) for and shall have obtained the Internet Publication Licence which shall cover the mobile game publication business; and
- (ii) VSOYOU shall have obtained the approval of GAPP and the recordation by the cultural administrative authority for all games operated by VSOYOU.

In addition, pursuant to the Sale and Purchase Agreement, the Warrantors have severally undertaken and agreed in favour of the Purchaser not to engage in any business which will compete with the business of the Target Group within the period of five (5) years commencing from the Completion Date.

According to the Interim Regulations on Administration of Internet Publishing, an entity that engages in Internet publication should obtain the Internet Publication License. The launch of mobile games to the Internet is deemed as Internet publication. Therefore, VSOYOU should also obtain the Internet Publication License which shall cover the mobile game publication business. However, since (a) VSOYOU shall submit the application of Internet Publication License to GAPP, (b) except to publish the mobile games by VSOYOU directly, PRC laws also allow / do not restrict mobile games to be published by third party publisher, and VSOYOU has engaged such a third party publisher to publish certain mobile games that it has developed in-house and intends to publish, the lack of the Internet Publication License shall not be deemed as a non-compliance to VSOYOU and therefore will not affect the future business operation of VSOYOU. As such, the Purchaser did not require the undertakings in paragraph (i) to be performed by the Completion Date.

### Completion

Completion shall take place on the tenth (10th) Business Day after the date that the Conditions are fulfilled or waived, or such later date as the parties to the Sale and Purchase Agreement may agree in writing prior to Completion.

Upon Completion, the Company will be indirectly interested in 70% of the issued share capital of the Target Company and the Target Company will be accounted for as a subsidiary of the Company and its financial results will be consolidated in the accounts of the Group, except for the minority interests.

## LETTER FROM THE BOARD

### INFORMATION OF THE GROUP

The Group is principally involved in the businesses of asset management and strategic investment.

The Purchaser is a limited liability company incorporated in the BVI and is an indirectly wholly-owned subsidiary of the Company. The Purchaser is an investment holding company.

### INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability on 29 September 2014. The Target Company is wholly-owned by the Vendor. Upon Completion, the Target Company will be owned as to 70% by the Purchaser and the Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group, except for the minority interests. Upon Completion, the remaining 30% of the issued share capital of the Target Company will continue to be owned by the Vendor, who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, a third party independent of the Company and its connected persons.

VSOYOU is a limited liability company established in the PRC on 26 December 2012 by the Existing Shareholders. VSOYOU's business scope on its current business licence includes computer network technology, communication technology, technology development in the field of energy-saving technologies, technical consulting, technology transfer, technical services, operation of game products through Internet, information service business (limited to Internet information service) of the second category of value added telecommunication business, design, production, agent various types of advertising, utilising its own media to publish advertisements, business consulting, and sales of electronic products (enterprise operations involving administrative licensing, with operating permits). As at the Latest Practicable Date, VSOYOU holds the network cultural operation licence issued by the Shanghai Municipal Administration of Culture, Radio, Film & TV (上海市文化廣播影視管理局) and Value Added Telecommunication Business Operation License issued by the Shanghai Communications Administration in relation to the operation of VSOYOU and owns the copyrights of the computer software for each of the Bai Bian Meng Meng Da game (百變萌萌噠遊戲), the Meng Meng Da mobile game (萌萌噠手機遊戲) and the VSOYOU game centre (VSOYOU遊戲中心).

As at the Latest Practicable Date, VSOYOU operates mobile games licensed from third-party developers or distributors, which are available through VSOYOU's mobile distribution platform, the VSOYOU game centre (VSOYOU遊戲中心). VSOYOU plans to publish two (2) mobile games in 2015, which it has developed in-house. Under the Online Games Measures implemented by the Ministry of Culture, failure to complete the filing recording process may subject VSOYOU to a maximum fine of RMB20,000. Under the GAPP Notice 13 (as defined on page 32 of this circular), if VSOYOU fails to obtain GAPP's approval before its games' commencement of publication, the relevant games may be caused to be discontinued. Please refer to the risk factor headed "There is no assurance that the Structured Contracts could comply with future changes in the regulatory

## LETTER FROM THE BOARD

requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations” on pages 32 to 33 for further information. Our PRC Legal Adviser has advised that the Interim Regulations on Administration of Internet Publishing require game operators to obtain an Internet Publishing License for mobile game operation.

As at the Latest Practicable Date, VSOYOU has not yet obtained the Internet Publishing License, however, VSOYOU has engaged a third party publisher with an Internet Publishing Licence to publish certain mobile games. Our PRC Legal Adviser has advised that such arrangement with a third party publisher is not in breach of any current PRC laws, regulations or rules. The Warrantors have, pursuant to the Sale and Purchase Agreement, undertaken to the Purchaser that VSOYOU shall have applied to the relevant authority(ies) for the Internet Publication Licence and shall have obtained such GAPP approval and complete the filing recording within six (6) months from the Completion Date.

Upon completion of the Acquisition, the existing management team of the Target Group, with their thorough understanding of the operation and the day-to-day management experience, will continue to operate and manage the business of the Target Group. The Company will work closely with and provide necessary assistance and monitoring to the management team of the Target Group. The Directors believe that the Company, through the extensive experience of its existing management team, a number of them have been actively involved in the game and entertainment industry internationally, can use their resources to source high quality game contents from overseas and utilise the Target Group’s resources to distribute them in the PRC.

### FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Company was incorporated on 29 September 2014 and it has not carried on any business, therefore the Company has no such financial information of the Target Company in respect of revenue or profit for the past two (2) financial years immediately preceding the Acquisition. The Target Company has net liabilities of US\$1,182 (equivalent to approximately HK\$9,220) as at 30 November 2014.

The Company has consulted with its auditors and confirmed that it has the right to account for and consolidate the financial results of VSOYOU into the consolidated financial statements of the Company upon completion of the transactions contemplated under the Sale and Purchase Agreement and the Structured Contracts.



## LETTER FROM THE BOARD

The total assets, total liabilities and net asset value of VSOYOU as at 31 December 2013 were RMB10,785,293 (equivalent to approximately HK\$13,625,061), RMB809,624 (equivalent to approximately HK\$1,022,798) and RMB9,975,669 (equivalent to approximately HK\$12,602,263), respectively, and the unaudited financial information for the year ended 31 December 2013 is as follows:

	<b>For the year ended 31 December 2013</b>
	<i>RMB</i>
Revenue	<b>1,810,066</b>
Net loss (before taxation)	<b>24,331</b>
Net loss (after taxation)	<b>24,331</b>

### INFORMATION OF THE STRUCTURED CONTRACTS

VSOYOU is primarily engaged in the development and operation of mobile-online games business and is considered to be engaged in the provision of value-added telecommunication services and Internet cultural business.

Pursuant to the applicable PRC laws and regulations, the said business of VSOYOU is subject to prohibition on foreign investment. Shareholders of VSOYOU are required to be PRC domestic natural persons, enterprise legal persons or other social organisations and foreign investors are not allowed to directly invest in VSOYOU. As such, WFOE, VSOYOU, Mr. Zhang and Ms. Chen will enter into the Structured Contracts upon Completion to enable the financial results of VSOYOU and the entire economic benefits and risks of the businesses of VSOYOU to flow onto WFOE. Further, pursuant to the Sale and Purchase Agreement, the Purchaser shall inject an aggregate amount of RMB10,000,000 into the Target Company as working capital for the purpose of developing the business of the Target Group through the Loan Agreement or in such manner as the Purchaser considers appropriate in accordance with the terms of the Sale and Purchase Agreement. The Group confirmed that the use of the Structured Contracts would be solely for addressing the abovementioned foreign ownership restriction.

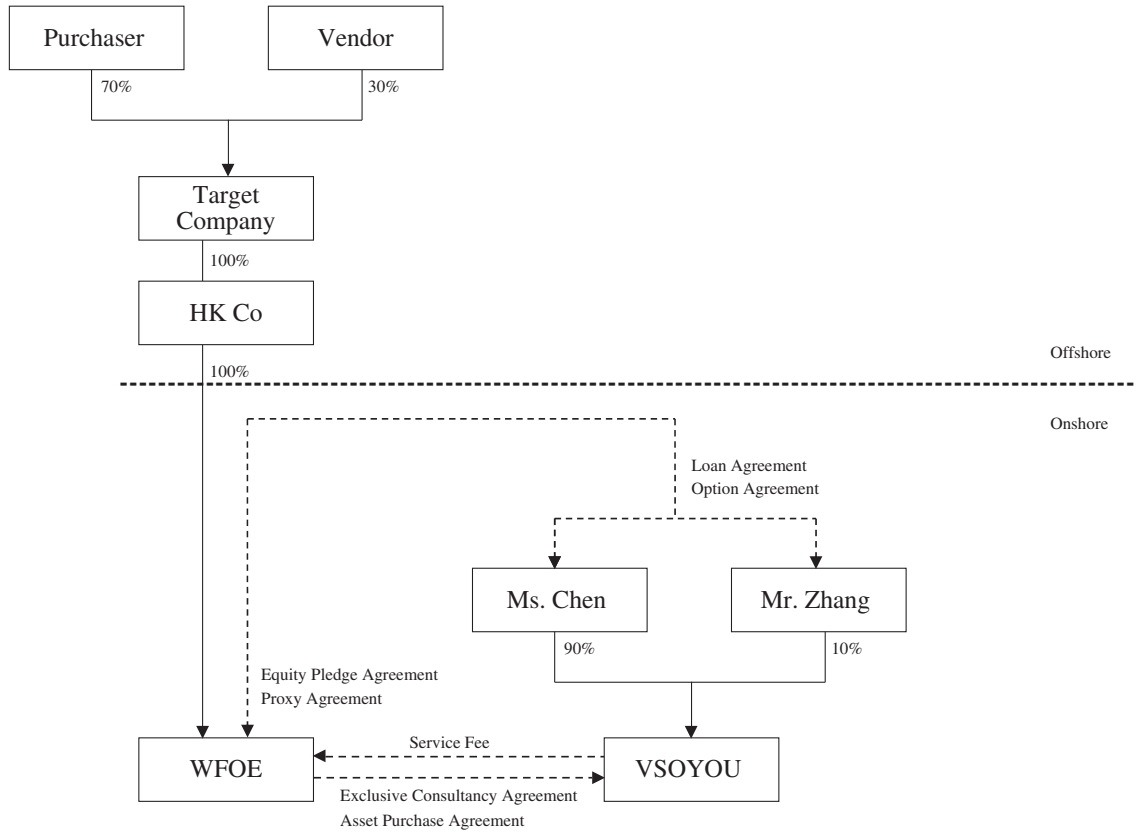
Mr. Zhang and Ms. Chen undertake that in the event it is permissible under the relevant PRC laws, rules and regulations for WFOE to engage in the value-added telecommunication services and Internet cultural business in the PRC in the future, WFOE shall exercise the options under the Option Agreement as soon as practicable and the relevant Structured Contracts shall be terminated.

The Company shall keep the Shareholders informed of its business operations through the Structured Contracts subsisting during or at the end of the financial period in the annual reports of the Company, where these operations are in aggregate material. The Company shall make such disclosure in its annual reports in accordance with the relevant Guidance Letter(s) issued by the Stock Exchange from time to time.

# LETTER FROM THE BOARD

## Diagram of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from VSOYOU to the WFOE stipulated under the Structured Contracts, assuming that Completion has taken place:



## LETTER FROM THE BOARD

### Structured Contracts

The proposed terms of the Structured Contracts are as set out below.

#### (1) Exclusive Consultancy Agreement

- Parties: (1) WFOE  
(2) VSOYOU
- Term: The Exclusive Consultancy Agreement shall be for an indefinite term commencing from the date of the agreement, until it is terminated (i) upon the dissolution of WFOE in accordance with the laws of the PRC, unless it is early terminated by WFOE pursuant to the Exclusive Consultancy Agreement; or (ii) by WFOE by giving a thirty (30) days' prior notice of termination.
- Subject: VSOYOU shall engage WFOE on an exclusive basis to provide the technology services, marketing services and other services in connection with the business of VSOYOU as set out in the Exclusive Consultancy Agreement.
- Pursuant to the Exclusive Consultancy Agreement, VSOYOU shall pay to WFOE a service fee that equals to the revenue of VSOYOU, after offsetting the actual operational costs, other expenses as confirmed by WFOE and tax of VSOYOU. VSOYOU shall agree to pay the service fee on a quarterly basis.

#### (2) Loan Agreement

- Parties: (1) WFOE  
(2) Ms. Chen  
(3) Mr. Zhang
- Term: Ten (10) years from the date of drawdown of any amount of the loan facility, which may be extended for another ten (10) years if so agreed by the parties.

## LETTER FROM THE BOARD

Subject: Pursuant to the Loan Agreement, WFOE shall agree to provide interest-free loan facilities of up to an amount to be agreed to Ms. Chen and Mr. Zhang, who shall only contribute the loan to the registered capital of VSOYOU for the development of the business of VSOYOU. The Lender shall have absolute discretion as to whether to make available any sum for drawdown under the Loan Agreement. The amount of the loan drawn under the loan facilities shall be repaid on the due date or within twenty (20) Business Days upon demand by WFOE whichever occurs first. The loan shall be repaid by way of transfer of the equity interest in VSOYOU held by Ms. Chen and Mr. Zhang to WFOE and/or its nominee(s).

The Loan Agreement shall provide that the obligation to repay the loan is deemed to be performed when the borrowers or their successors have transferred all of their equity interests in VSOYOU to WFOE and/or its nominee(s) pursuant to the Option Agreement, and proceeds from such transfer (if any) have been paid to the WFOE.

WFOE shall have the right to terminate the loan agreement by giving a notice under any of the following circumstances: (i) the borrowers fail to properly perform their obligations and commitments under the Loan Agreement; (ii) VSOYOU discontinues its principal business; (iii) any charging order, seizure order, or other court order is levied upon the assets of VSOYOU; (iv) all or any of the assets or business of VSOYOU is owned by the creditors of VSOYOU or any court order is issued; (v) legal proceedings have been initiated against VSOYOU under any applicable bankruptcy, reorganisation or insolvency law and such legal proceedings; or (vi) circumstances similar to items (i) to (v) above.

## LETTER FROM THE BOARD

### (3) Equity Pledge Agreement

- Parties:
- (1) WFOE
  - (2) Ms. Chen
  - (3) Mr. Zhang
  - (4) VSOYOU

Term: The Equity Pledge Agreement shall be for an indefinite term commencing from the date of the Equity Pledge Agreement until all obligations of VSOYOU, Ms. Chen and Mr. Zhang under the Structured Contracts are satisfied and discharged in full or WFOE has obtained all the equity interests in VSOYOU.

Subject: Pursuant to the Equity Pledge Agreement, Ms. Chen and Mr. Zhang shall agree to pledge all equity interests in VSOYOU held by them (including the present and future rights and benefits held and to be held by them) to WFOE, as continuing security for the performance of all their obligations and that of VSOYOU under the Structured Contracts.

Under the Equity Pledge Agreement, upon the occurrence of any event of default as set out in the Equity Pledge Agreement, which include, among others, VSOYOU's failure to pay any of the service fees under the Structured Contracts, or VSOYOU or the pledgors failing to perform any of their obligations under the Structured Contracts or breach of any terms of the Structured Contracts, WFOE shall be entitled to enforce its rights under the Equity Pledge Agreement and acquire the pledged equity at a price to be agreed or realise the pledged equity by way of sale or auction and apply the proceeds from such sale or auction to pay the secured obligations under the Equity Pledge Agreement.

## LETTER FROM THE BOARD

### (4) Option Agreement

- Parties:
- (1) WFOE
  - (2) Ms. Chen
  - (3) Mr. Zhang
- Term:
- The Option Agreement shall be for an indefinite term commencing from the date of the Option Agreement until it is terminated upon the completion of the acquisition of the entire equity interest of VSOYOU by WFOE or person designated by it pursuant to the Option Agreement. WFOE shall have the right to terminate the Option Agreement at any time by giving a thirty (30) days' prior notice to Ms. Chen and Ms. Zhang.
- Subject:
- Pursuant to the Option Agreement, Ms. Chen and Mr. Zhang shall grant to WFOE the exclusive options to acquire, to the extent permitted by PRC laws and regulations, their entire equity interests in VSOYOU at a minimum purchase price permitted by PRC laws and regulations at any time at its sole discretion.
- Ms. Chen and Mr. Zhang shall undertake to WFOE that, among other things, without WFOE's prior written consent, Ms. Chen and Mr. Zhang shall procure VSOYOU not to make any changes to its business, assets, operation, employees or conduct other activities or business which may adversely affect its business.

### (5) Proxy Agreement

- Parties:
- (1) Ms. Chen
  - (2) Mr. Zhang
  - (3) WFOE
  - (4) VSOYOU

## LETTER FROM THE BOARD

**Term:** The Proxy Agreement shall become effective from the date of the Proxy Agreement and shall continue to be in full force and effect until the expiry of the Option Agreement unless it is early terminated by WFOE in accordance with the Proxy Agreement.

**Subject:** Pursuant to the Proxy Agreement, Ms. Chen and Mr. Zhang shall authorise WFOE to exercise all of their rights and powers as shareholders of VSOYOU on their behalf, including but not limited to (i) the shareholders's voting right; (ii) the powers to manage the business operation of VSOYOU; and (iii) other shareholders' rights under the PRC laws and the articles of association of VSOYOU. WFOE shall have the right to sub-delegate the rights and powers so delegated to any other third party (including the liquidator replacing its directors) at its sole discretion without the consent of Ms. Chen and Mr. Zhang.

In addition, the Existing Shareholders and VSOYOU will undertake, among other things, that:

- (i) they would not participate in any business which may potentially affect their obligations under the Structured Contracts, the businesses or reputation of WFOE and/or VSOYOU;
- (ii) they would not enter into any agreements which may create conflict of interest between it/them and WFOE. Furthermore, if there is a conflict of interest, the Existing Shareholder(s) will take appropriate remedial actions as directed by WFOE;
- (iii) the Existing Shareholders will not and will procure their respective associates not to, directly or indirectly (either on their own or through any other individual or legal entity), participate or be engaged in any business which is or may be in competition with the business of WFOE and/or VSOYOU;

## LETTER FROM THE BOARD

- (iv) the Existing Shareholders' respective equity interest in VSOYOU does not form part of the community property, and any of the decisions made by the Existing Shareholders in relation to VSOYOU shall not be affected by their respective spouses;
- (v) in the event that the Existing Shareholders are not able to perform their obligations under any of the Structured Contracts as a result of death, loss of civil capacity or any other reasons, their equity interests in VSOYOU shall be transferred to WFOE or its nominees at a minimum purchase price permitted by PRC laws and regulations. Such purchase price so received shall be applied to the repayment of the loan under the Loan Agreement.

### (6) Asset Purchase Agreement

- Parties:
- (1) VSOYOU
  - (2) WFOE
- Subject:
- Pursuant to the Asset Purchase Agreement, VSOYOU shall agree to sell and WFOE shall agree to purchase certain copyrights in respect of software for the games (the "**Copyrights**") owned by VSOYOU at a consideration to be determined. The consideration shall be settled in cash.

The consideration shall be utilised by VSOYOU for the development of the business of VSOYOU.

### Compliance of Structured Contracts with PRC laws, rules and regulations

The PRC Legal Adviser confirmed that the Structured Contracts comply with the PRC laws, rules and regulations applicable to the business of WFOE and VSOYOU, would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law. VSOYOU has obtained written confirmations from each of Shanghai Communications Administration (上海市通信管理局), the General Office of State Administration of Press, Publication, Radio, Film and Television of the PRC (國家新聞出版廣電總局辦公廳) and Shanghai Municipal Administration of Culture, Radio, Film and Television (上海市文化廣播影視管理局), confirming that the Structure Contracts do not violate any PRC laws and regulations in relation to the value-added telecommunications business and online game business and that they have no objection to the Structured Contracts. As a result, the Directors believe that the Structured Contracts shall be enforceable under the PRC laws and regulations.



## LETTER FROM THE BOARD

### **Arrangements in the event of death or divorce of the Existing Shareholder(s)**

As advised by the PRC Legal Adviser, appropriate arrangements will be made to protect WFOE's interests in the event of death or divorce of the Existing Shareholder(s). Each of the Equity Pledge Agreement, Option Agreement and Proxy Agreement will contain a provision which sets out that the respective agreement shall be legally binding on the legal assignees or successors of the parties thereto. Each of the Existing Shareholder(s) shall undertake that each of the Equity Pledge Agreement, Option Agreement and Proxy Agreement shall prevail over its wills, divorce agreements and debt agreements made after the date of the Structured Contracts.

### **Settlement of potential dispute arising from the Structured Contracts**

The Structured Contracts will be governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the Structured Contracts will provide that dispute to be submitted to the China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration to be conducted in Beijing. The decision of such arbitration is final and binding on the parties concerned.

The Structured Contracts will contain dispute resolution clauses that (i) provide for arbitration and that arbitrators may award remedies over the equity interests or assets of VSOYOU, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of VSOYOU, and (ii) provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel. The courts of the PRC, the BVI (i.e. the place of incorporation of the Target Company) the Cayman Islands (i.e. the place of incorporation of the Company) and Hong Kong are specified as having jurisdiction for this purpose.

However, the PRC Legal Adviser has advised that the dispute resolution provisions set out in each of the Structured Contracts may not be enforceable under the PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief or liquidation or winding up order to preserve assets of or equity interest in the VSOYOU in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong, the BVI and the Cayman Islands may not be recognised or enforceable in the PRC. Please refer to the section headed "Risk Factors – Certain terms of the Structured Contracts may not be enforceable under the PRC laws."

### **Measures to mitigate potential conflict of interests between WFOE and the Existing Shareholder(s)**

The Existing Shareholder(s) will undertake in the Structured Contracts that during the period that the Structured Contracts remain effective, the Existing Shareholder(s) and its/their related parties would not, directly or indirectly (either on its/their own account or through other means) participate in, or be interested in, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of VSOYOU.

## LETTER FROM THE BOARD

The Existing Shareholder(s) will further undertake in the Proxy Agreement that during the period that the Structured Contracts remain effective, (i) unless otherwise agreed by WFOE in writing, it/they would not participate in any business which may potentially affect the businesses or reputation of VSOYOU, and (ii) it/they would not enter into any agreements which may create conflict of interest between it/them and WFOE. Furthermore, if there is a conflict of interest, the Existing Shareholder(s) will take appropriate remedial actions as directed by WFOE.

### **Internal control measures**

In order to have effective control over and to safeguard the assets of VSOYOU, the Structured Contracts will provide that without the prior written consent of WFOE, VSOYOU and the Existing Shareholder(s) shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, whether tangible or intangible, legitimate interests in the business or revenue of VSOYOU, or allow any encumbrance thereon of any security interest.

VSOYOU and the Existing Shareholder(s) shall always operate all of VSOYOU's businesses in the ordinary and usual course of business and shall maintain the asset value of VSOYOU and refrain from any action/omission that may adversely affect VSOYOU's operating status and asset value.

### **Unwinding the Structured Contracts**

The Target Company agrees that it will unwind the Structured Contracts as soon as the law allows the value-added telecommunication services and Internet cultural business in the PRC to be operated without the Structured Contracts. Pursuant to the Option Agreement, the Existing Shareholders shall undertake that the consideration the Existing Shareholder(s) receive(s) in respect of the acquisition of equity interests of VSOYOU by WFOE or the person designated by WFOE during the course of unwinding the Structured Contracts shall be used to repay the loan borrowed by them under the Loan Agreement.

### **Insurance to cover the risks relating to the Structured Contracts**

Due to the unavailability of insurance product in the market to cover the risks relating to the enforcement of the Structured Contracts at the moment, WFOE does not intend to purchase any insurance to cover such risks.

### **Potential exposure of the Company to losses**

To ensure that the cash flow requirements of VSOYOU's ordinary operations are met and/or to set off any loss accrued during such operations, WFOE may, at its own discretion and only to the extent permissible under the PRC laws, provide financial support to VSOYOU, whether or not VSOYOU actually incurs any such operational loss. WFOE's financial support to VSOYOU may take the form of bank entrusted loans.

All intellectual properties or permits or other approvals for the value-added telecommunication services and Internet cultural business owned by VSOYOU shall be flawless, otherwise WFOE may bear the loss resulted from the flaw thereof.

## LETTER FROM THE BOARD

### RISK FACTORS

WFOE does not have any direct equity ownership in VSOYOU and will have to rely on the Structured Contracts to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunication services and Internet cultural business in the PRC conducted through VSOYOU. However, there are risks involved with the operations of WFOE's business under the Structured Contracts upon Completion.

**There is no assurance that the Structured Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations**

Current PRC laws and regulations prohibit foreign ownership of companies that engage in value-added telecommunication services and Internet cultural businesses, including mobile-online game operation business. The Target Company is a BVI incorporated company and the WFOE may not operate mobile-online games in the PRC under current PRC laws. As a result, the Target Group will have to conduct its mobile-online games business operations in the PRC through the Structured Contracts.

The Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Services issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") on 13 July 2006 (the "MIIT Circular") provides that a domestic company that holds an ICP licence is prohibited from leasing, transferring or selling the licence to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in the PRC. Due to a lack of interpretative materials from the authorities, it cannot be assured that the MIIT will not consider the Target Group's corporate structure and contractual arrangements upon Completion as a kind of foreign investment in telecommunication services, in which case the Target Group may be found in violation of the MIIT Circular and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on the Target Group's operations.

On 28 September 2009, the GAPP, National Copyright Administration of the PRC (國家版權局) and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretation of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (關於貫徹落實國務院《「三定」規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知), ("GAPP Notice 13"). The GAPP Notice 13 prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in the PRC, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Notice 13 has been issued to date, it is not clear how the GAPP Notice 13 will be implemented. Therefore, it cannot be assured that the relevant authorities will not consider the Target Group's corporate

## LETTER FROM THE BOARD

structure and contractual arrangements upon Completion as a kind of foreign investment in online game operating business, in which case the Target Group may be found in violation of the GAPP Notice 13 and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on the Target Group's operations.

Pursuant to the Circular of the General Office of the State Council on Distributing Regulations on Main Functions, Internal Organization and Staffing of GAPP (National Copyright Administration) (《國務院辦公廳關於印發國家新聞出版總署(國家版權局)主要職責內設機構和人員編制規定的通知》) issued on 11 July 2008 and its interpretation circular issued on 7 September 2009, GAPP is authorised to approve online games before their launch on the Internet, while the Ministry of Culture is authorised to administer and regulate the overall online game industry. Once an online game is launched on the Internet, it will be regulated only by the Ministry of Culture, and if an online game is launched on the Internet without the prior GAPP approval, the Ministry of Culture is the authority responsible for investigating the matter. There have been no detailed implementation rules issued by either GAPP or the Ministry of Culture of the GAPP Notice 13. Our PRC Legal Adviser has advised that the likelihood of sanctions imposed by GAPP on VSOYOU against our Structured Contracts based solely on the GAPP Notice 13 and without participation from other China governmental authorities, including the Ministry of Culture, is low.

Despite the fact that there is no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, the PRC Legal Adviser has advised that there is a possibility that the Ministry of Culture and other competent authorities, courts and arbitration institutions may have different opinions on the interpretation of the relevant regulations and would not agree that the Structured Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

If the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, it could have a material adverse impact on the Target Group's businesses, financial condition and results of operations and thus affect the financial results of the Target Group as well as the Group's investment in the Target Company.

### **The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in VSOYOU as direct ownership**

The Structured Contracts may not be as effective in providing WFOE with control over and entitlement to the economic interests in VSOYOU as direct ownership. If WFOE had direct ownership of VSOYOU, WFOE would be able to directly exercise its rights as a shareholder to effect changes in the board of directors of VSOYOU. However, under the Structured Contracts, WFOE can only look to and rely on VSOYOU and the Existing Shareholder(s) to perform their contractual obligations under the Structured Contracts such that WFOE can exercise effective control over VSOYOU. The Existing Shareholder(s) may not act in the best interests of WFOE or may not perform its/their obligations under the Structured Contracts. WFOE may replace the Existing Shareholder(s) by its other

## LETTER FROM THE BOARD

nominees pursuant to the Structured Contracts. However, if any dispute relating to the Structured Contracts remains unresolved, WFOE will have to enforce its rights under the Structured Contracts and seek to interpret the terms of the Structured Contracts in accordance with the PRC laws and will be subject to uncertainties in the PRC legal system.

The Structured Contracts will be governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the parties to the dispute may have to rely on legal remedies under the PRC laws. The Structured Contracts will provide that dispute will be submitted to the CIETAC for arbitration to be conducted in Beijing. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of WFOE to enforce the Structured Contracts. There is no assurance that such arbitration result will be in favour of WFOE and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by WFOE. As WFOE may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over VSOYOU and conduct its business could be materially and adversely affected, and may disrupt the business of the Target Group and have a material adverse impact on the Target Group's business, prospects and results of operation. As a result, the Group's investment in the Target Company could also be materially and adversely affected.

### **Potential conflicts of interest among WFOE, VSOYOU and Existing Shareholder(s) may exist**

WFOE shall rely on the Structured Contracts to exercise control over and to draw the economic benefits from VSOYOU. WFOE may not be able to provide sufficient incentives to the Existing Shareholder(s) for the purpose of encouraging it/them to act in the best interests of WFOE, other than stipulating the relevant obligations in the Structured Contracts. The Existing Shareholder(s) may breach the Structured Contracts in the event of conflicts of interest or deterioration of its/their relationship with WFOE, the results of which may have a material adverse impact on the Target Group's business, prospects and results of operation. As a result, the Group's investment in the Target Company could also be materially and adversely affected.

It is not assured that if conflicts arise, the Existing Shareholder(s) will act in the best interests of WFOE or that the conflicts will be resolved in favour of WFOE. If any of the Existing Shareholder(s) fail to perform its obligations under the respective Structured Contracts, WFOE may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to the Target Group's operations and will be subject to uncertainties as discussed above.

## LETTER FROM THE BOARD

### **The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed**

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the Target Group. The Target Group may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of VSOYOU for the PRC tax purposes, which could result in higher tax liabilities on VSOYOU. The operation results of the Target Group may be materially and adversely affected if the tax liabilities of VSOYOU increase significantly or if they are required to pay interest on late payments.

### **WFOE's ability to acquire the entire equity interests in or assets of VSOYOU may be subject to various limitations and substantial costs**

In case WFOE exercises its options to acquire all or part of the equity interests of VSOYOU under the Option Agreement, the acquisition of the entire equity interests in VSOYOU may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the entire equity interests in or all assets of VSOYOU) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of VSOYOU, which may have a material adverse impact on the Target Group's businesses, prospects and results of operation.

### **Certain terms of the Structured Contracts may not be enforceable under the PRC laws**

The Structured Contracts will provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The Structured Contracts will also contain dispute resolution clauses that (i) provide for arbitration and that arbitrators may award remedies over the equity interests or assets of VSOYOU, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of VSOYOU, and (ii) provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel. The courts of the PRC, the BVI, the Cayman Islands and Hong Kong are specified as having jurisdiction for this purpose. However, the PRC Legal Adviser has advised that the dispute resolution provisions set out in each of the Structured Contracts may not be enforceable under the PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief or liquidation or winding up order to preserve assets of or equity interest in the VSOYOU in case of disputes. Therefore, such remedies may not be available to WFOE, notwithstanding the relevant contractual provisions contained in the Structured Contracts. In addition, the PRC Legal Adviser is also of the view that, even though the Structured Contracts provide that the courts in Hong Kong, the BVI and the Cayman Islands may grant interim remedies in support of the arbitration pending formation of the arbitration panel, such interim remedies may not be recognised or enforceable in the PRC. As a result, in the event that

## LETTER FROM THE BOARD

VSOYOU breaches any of the Structured Contacts, WFOE may not be able to obtain sufficient remedies in a timely manner and the ability of WFOE to exert effective control over VSOYOU could be materially and adversely affected. Please refer to the section headed “Information of the Structured Contracts – Settlement of potential dispute arising from the Structured Contracts” in this circular for details regarding the enforceability of the dispute resolutions provisions in the Structured Contracts as opined by the PRC Legal Adviser.

### EFFECTS OF THE ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES AND/OR 2015 PROFIT BONUS SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date and up to the full settlement of the Consideration, the table below sets out the shareholding structure of the Company:

- (i) as at the Latest Practicable Date;
- (ii) immediately after Completion and allotment and issue of the Second Instalment Consideration Shares, assuming the 2015 Interim Profit is not less than 40% of the 2015 Profit Target (i.e. RMB8,800,000 (equivalent to approximately HK\$11,117,040));
- (iii) immediately after (a) allotment and issue of the Second Instalment Consideration Shares; (b) allotment and issue of the Third Instalment Consideration Shares (assuming no Adjustment other than the deduction of the amount equivalent to the Second Instalment and payment of RMB28,000,000 (equivalent to approximately HK\$35,372,400) of the Third Instalment by issue of Consideration Shares); and (c) allotment and issue of the 2015 Profit Bonus Shares (assuming the maximum amount of the 2015 Profit Bonus, being RMB15,400,000 (equivalent to approximately HK\$19,454,820) is payable and settled by the issue of 2015 Profit Bonus Shares) (collectively “**First Aggregate Consideration Shares**”); and
- (iv) immediately after (a) allotment and issue of the First Aggregate Consideration Shares; and (b) allotment and issue of the Fourth Instalment Consideration Shares (assuming no Adjustment and payment of RMB35,000,000 (equivalent to approximately HK\$44,215,500) of the Fourth Instalment by issue of Consideration Shares):

## LETTER FROM THE BOARD

	(i) As at the Latest Practicable Date (Note 1)		(ii) Immediately after Completion and allotment and issue of the Second Instalment Consideration Shares, assuming the 2015 Interim Profit is not less than 40% of the 2015 Profit Target (Note 1)		(iii) Immediately after allotment and issue of the First Aggregate Consideration Shares (Note 1)		(iv) Immediately after (a) allotment and issue of the First Aggregate Consideration Shares; and (b) allotment and issue of the Fourth Instalment Consideration Shares (assuming no Adjustment and payment of RMB35,000,000 (equivalent to approximately HK\$44,215,500) of the Fourth Instalment by issue of Consideration Shares) (Note 1)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Main Wealth Enterprises Limited (Note 3)	397,171,326	12.52	397,171,326	12.49	397,171,326	11.56	397,171,326	10.90
Legend Vantage Limited (Note 4)	347,244,306	10.94	347,244,306	10.92	347,244,306	10.11	347,244,306	9.53
Able Supreme Management Limited (Note 5)	8,892,470	0.28	8,892,470	0.27	8,892,470	0.25	8,892,470	0.24
HMV Asia Limited (Note 6)	165,600,000	5.22	165,600,000	5.21	165,600,000	4.82	165,600,000	4.54
Wu King Shiu, Kelvin (Note 6)	14,400,000	0.45	14,400,000	0.45	14,400,000	0.41	14,400,000	0.39
Chang Tat Joel (Note 7)	-	-	27,342,000	-	27,342,000	-	27,342,000	-
Ho Gilbert Chi Hang (Note 8)	264,000	0.01	264,000	0.01	264,000	0.01	264,000	0.01
Wang Dayong (Note 9)	-	-	107,508,000	-	107,508,000	-	107,508,000	-
Stephen Shiu Junior (Note 10)	-	-	2,937,500	-	2,937,500	-	2,937,500	-
Shi Jinsheng (Note 11)	-	-	2,643,750	-	2,643,750	-	2,643,750	-
Sin Hendrick (Note 12)	-	-	2,643,750	-	2,643,750	-	2,643,750	-
Yuen Kwok On (Note 13)	2,700,000	0.09	2,700,000	0.09	2,700,000	0.08	2,700,000	0.08
Abudant Star Ventures Limited (Note 14)	-	-	769,230,769	-	769,230,769	-	769,230,769	-
Vantage Edge Limited (Note 14)	-	-	576,923,077	-	576,923,077	-	576,923,077	-
The Vendor	-	-	5,903,271	0.18	262,105,233	7.63	468,719,719	12.87
Other public shareholders	2,235,500,756	70.49	2,235,500,756	70.38	2,235,500,756	65.13	2,235,500,756	61.44
	3,171,772,858	100.00	3,177,676,129	100.00	3,433,878,091	100.00	3,640,492,577	100.00
					5,981,523,444		6,188,137,930	



## LETTER FROM THE BOARD

*Notes:*

1. Assuming no exercise of share options, or conversion of redeemable convertible preference shares (“**RCPS**”), or convertible bonds.
2. Assuming all share options are fully exercised and all RCPS and convertible bonds are converted in full.
3. Main Wealth Enterprises Limited (“**Main Wealth**”) owns 397,171,326 Shares. The entire issued share capital of Main Wealth is held by Mr. Feng Yuantao. Accordingly, he is deemed to be interested in these Shares through his 100% interest in Main Wealth.
4. Legend Vantage Limited (“**Legend Vantage**”) owns 347,244,306 Shares. Mr. Li Guangrong is deemed to be interested in these Shares through his 100% interests in Legend Vantage.
5. Able Supreme Management Limited (“**Able Supreme**”) holds 8,892,470 Shares and 6,388,500 RCPS. Upon full conversion of 6,388,500 RCPS at the conversion price of HK\$0.13 per Share (reset on 27 January 2015), 766,620,000 Shares will be allotted and issued. The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly-owned by Mr. Hu Yin (“**Mr. Hu**”). Accordingly, Mr. Hu is deemed to be interested in these Shares through his 100% indirect interest in Able Supreme.
6. Mr. Wu King Shiu, Kelvin (“**Mr. Wu**”), the Chief Executive Officer and executive Director, owns 14,400,000 Shares. Mr. Wu is also deemed to be interested in 165,600,000 Shares held by HMV Asia Limited through his deemed interest in 62.5% of the equity in HMV Asia Limited due to family holdings. Mr. Wu is interested in 26,884,000 options at an exercise price of HK\$0.16 per Share to subscribe for Shares. Mr. Wu is deemed to have interest in 1,346,153,846 underlying Shares as mentioned in note 14 below. Mr. Wu is also interested in 88,200,000 underlying Shares.
7. Mr. Chang Tat Joel (“**Mr. Chang**”), an executive Director, is interested in 27,342,000 options at an exercise price of HK\$0.16 per Share to subscribe for Shares. Mr. Chang is also deemed to have interest in 1,346,153,846 underlying Shares as mentioned in note 14 below.
8. Mr. Ho Gilbert Chi Hang (“**Mr. Ho**”), the Chief Investment Officer and executive Director, owns 264,000 Shares and is interested in 27,342,000 options at an exercise price of HK\$0.16 per Share to subscribe for Shares. Mr. Ho is also deemed to have interest in 1,346,153,846 underlying Shares as mentioned in note 14 below.
9. Mr. Wang Dayong, an executive Director, holds 895,900 RCPS. Upon full conversion of 895,900 RCPS at the conversion price of HK\$0.13 per Share (reset on 27 January 2015), 107,508,000 Shares will be allotted and issued.
10. Mr. Stephen Shiu Junior, a non-executive Director, is interested in 2,937,500 options at an exercise price of HK\$0.16 per Share to subscribe for Shares.
11. Mr. Shi Jinsheng, an independent non-executive Director, is interested in 2,643,750 options at an exercise price of HK\$0.16 per Share to subscribe for Shares.
12. Mr. Sin Hendrick, an independent non-executive Director, is interested in 2,643,750 options at an exercise price of HK\$0.16 per Share to subscribe for Shares.
13. Mr. Yuen Kwok On, an independent non-executive Director, owns 2,700,000 Shares.
14. Abundant Star Ventures Limited (“**Abundant Star**”) and Vantage Edge Limited (“**Vantage Edge**”) own 769,230,769 and 576,923,077 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 1,346,153,846 underlying Shares of which Abundant Star and Vantage Edge were deemed to be interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital in AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II L.P.. AID Partners Capital II L.P. is a private equity fund interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Abundant Star and Vantage Edge.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE STRUCTURED CONTRACTS

The Group is principally engaged in the businesses of asset management and strategic investment. The Directors believe that in the coming few years, there are challenges and changes in the investment environment in Hong Kong and the world as a whole. The PRC experienced slower economic growth amid economic uncertainties in Europe and mild recovery in the United States of America. Thus, it is of the interest of the Company to diversify investments which are less susceptible to the global financial markets.

As disclosed in the announcement of the Company dated 11 September 2014, the Company is diversifying into other strategic investments, including but not limited to the mobile-online games sector. The Target Group is primarily engaged in the development and operation of mobile-online games business, therefore is in line with the Company's strategy and can achieve synergies with and add value to other existing investments of the Group. The Acquisition and the Structured Contracts would also enable the Group to establish a foothold and develop in this industry in the PRC with an experienced team without having to spend a long learning time in establishing a new team on its own.

The Directors consider that the terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceeded 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 19.34 of the GEM Listing Rules.

Upon Completion, the Vendor will continue to be a substantial shareholder and director of the Target Company. Therefore, upon Completion, the Vendor will become a connected person of the Company at the subsidiary level and as Ms. Chen is the spouse of the Vendor, Ms. Chen will be an associate of the Vendor. As detailed in the paragraph headed "Consideration", the amount of RMB10,000,000 (equivalent to approximately HK\$12,633,000) to be injected by the Purchaser into the Target Company forms part of the consideration for the Acquisition, albeit such amounts, in whole or in part, shall be contributed by the Purchaser to VSOYOU at a different time through a Loan Agreement or in such manner as the Purchaser considers appropriate in accordance with the terms of the Sale and Purchase Agreement. Accordingly, upon Completion, the Loan Agreement will constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and may constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. As the connected transaction will be between the Company and a connected person at the subsidiary level, it is only subject to the reporting and announcement, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. The Company will take appropriate actions to comply with all requirements of the GEM Listing Rules, including the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules, upon Company and when the WFOE, Mr. Zhang and Ms. Chen enters into the Loan Agreement.

## LETTER FROM THE BOARD

If the Vendor subsequently becomes a substantial shareholder of the Company and therefore becomes a connected person of the Company, Ms. Chen, being the spouse of the Vendor, will become an associate of the Vendor and a connected person of the Company for the purposes of Chapter 20 of the GEM Listing Rules. Upon the occurrence of such circumstance, the Company will take appropriate actions to comply with all requirements of the GEM Listing Rules, including the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, applicable to the transaction contemplated under the Loan Agreement.

The EGM will be convened for the Shareholders to consider and, if thought fit, among others, to approve the granting of the Specific Mandate. As none of the Vendor or his associates holds any interest in the Shares, all Shareholders can vote on the resolution for approving the grant of the Specific Mandate.

### EGM

An EGM will be convened and held for the purposes of considering and, if thought fit, approving, the ordinary resolution in respect of the grant of the Specific Mandate.

A notice convening the EGM is set out on pages 41 to 43 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to principal place of business of the Company at Units 1&2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof in person.

To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the transactions contemplated under the Sale and Purchase Agreement. As such, no Shareholder will be required to abstain from voting at the EGM on the resolution to approve the granting of the Specific Mandate.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Acquisition and the allotment and issue of the Consideration Shares and 2015 Profit Bonus Shares (if any) as contemplated under the Sale and Purchase Agreement and the granting of the Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the ordinary resolution to approve the Specific Mandate to be proposed at the EGM.

Yours faithfully,  
On Behalf of the Board  
**AID Partners Capital Holdings Limited**  
**Wu King Shiu, Kelvin**  
*Executive Director*

*The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.*



**AID Partners Capital Holdings Limited**  
**(滙友資本控股有限公司)\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8088)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of AID Partners Capital Holdings Limited (the “Company”) will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Tuesday, 17 March 2015 at 10:30 a.m., to consider and, if thought fit, to pass with or without amendments, the following resolutions:

**ORDINARY RESOLUTION**

1. **“THAT:**

- (a) the conditional sale and purchase agreement dated 1 December 2014 (as supplemented by the supplemental agreement dated 17 February 2015) (collectively the “**Sale and Purchase Agreement**”, details of which are disclosed in the circular of the Company dated 2 March 2015 (the “**Circular**”)) entered into amongst (i) Valliant Investments Limited as purchaser (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company; (ii) the Company; (iii) 莊小潔先生 (Mr. Zhuang Xiao Jie) as the vendor (the “**Vendor**”); (iv) 陳曉萍女士 (Ms. Chen Xiao Ping) as one of the Vendor’s guarantors; and (v) 張永鋒先生 (Mr. Zhang Yong Feng) as one of the Vendor’s guarantors, in relation to the sale and purchase of 70% of the issued share capital of Honestway Global Group Limited (the “**Acquisition**”) for an aggregate consideration of RMB84,000,000 (equivalent to approximately HK\$106,117,200), subject to adjustments to be made in accordance with the Sale and Purchase Agreement (a copy of Sale and Purchase Agreement has been produced at the meeting marked “A” and signed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified, and THAT all the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved (including but not limited to the allotment and issue to the Vendor or his nominee of (i) a maximum of 377,809,346 ordinary shares of US\$0.01 each in the share capital of the Company (the “**Share(s)**”) at the issue price of HK\$0.214 (“**Consideration Shares Issue Price**”) each credited as fully paid up and ranking pari passu with the existing issued shares of the Company, in settlement of the consideration for the Acquisition (“**Consideration**

\* For identification purpose only

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**Shares**”), and/or (ii) assuming that the 2015 Profit Bonus Shares (as defined below) will be issued at the Consideration Shares Issue Price, a maximum of 90,910,373 Shares credited as fully paid up and ranking pari passu with the existing issued shares of the Company in settlement of the 2015 Profit Bonus (as defined in the Circular) (if any) (“**2015 Profit Bonus Shares**”), pursuant to the Sale and Purchase Agreement);

- (b) subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares and the 2015 Profit Bonus Shares, the directors of the Company (“**Director(s)**”) be and are hereby specifically authorised to allot and issue the Consideration Shares and the 2015 Profit Bonus Shares (if any), credited as fully paid, to the Vendor or his nominee in accordance with the terms and conditions of the Sale and Purchase Agreement; and
- (c) any one of the Directors be and is hereby authorised to do all such acts and things and execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Sale and Purchase Agreement and to implement the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the Sale and Purchase Agreement and any other transactions contemplated under or incidental to the Sale and Purchase Agreement.”

By Order of the Board  
**AID Partners Capital Holdings Limited**  
**Wu King Shiu, Kelvin**  
*Executive Director*

Hong Kong, 2 March 2015

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered Office:*

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

*Head Office and Principal place of business in Hong Kong:*

Units 1&2, 29/F.  
The Hennessy  
256 Hennessy Road  
Wanchai, Hong Kong

*Notes:*

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead at the meeting in accordance with the Articles of Association of the Company. A proxy need not be a shareholder of the Company but must be present in person to represent the shareholder.
2. To be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited with principal place of business of the Company at Units 1&2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting or any adjournment thereof as the case may be and in default thereof the form of proxy and such power or authority shall not be treated as valid.
3. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

*As at the date of this notice, the board of Directors comprises five (5) executive Directors, namely, Chang Tat Joel, Ho Gilbert Chi Hang, Huang Kenian, Wang Dayong and Wu King Shiu, Kelvin; one (1) non-executive Director, namely, Stephen Shiu Junior; and three (3) independent non-executive Directors, namely, Shi Jinsheng, Sin Hendrick and Yuen Kwok On.*

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