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Feiyu Technology International Company Ltd.
飛魚科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1022)

**(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
ACQUISITION OF THE SALE SHARES**
**(II) ALLOTMENT AND ISSUANCE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**
**(III) CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO THE ENTERING INTO OF THE STRUCTURED CONTRACTS
AND**
(IV) APPLICATION FOR WHITEWASH WAIVER

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



THE ACQUISITION

On 2 April 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendors and the Warrantors entered into the Share Purchase Agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$286,443,813, which shall be settled by the allotment and issue of Consideration Shares by the Company at the Issue Price.

The Consideration Shares comprising 818,410,895 Shares represent approximately 52.91% of the issued share capital of the Company as at the date of this announcement and approximately 34.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate to be approved by the Independent Shareholders at the EGM.

Application will be made by the Company to the Stock Exchange for approval of the listing of, and permission to deal in, the Consideration Shares.

Upon Completion, the Purchaser will hold the entire issued share capital of the Target Company.

THE TARGET GROUP AND THE ENTERING INTO OF THE STRUCTURED CONTRACTS

The Target Company is an investment holding company which holds all issued shares in the HK Company. The HK Company holds the entire registered capital of the WFOE. The WFOE will enter into a series of Structured Contracts with the OPCO and the OPCO Registered Shareholders. Through the Structured Contracts, the WFOE will have effective control over the OPCO, and will enjoy the entire economic benefits generated by the OPCO.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Concert Group is interested in 617,354,500 Shares, representing approximately 39.91% of the total issued share capital of the Company. Vendor-1, being a Controlling Shareholder, and Warrantor-1, being the ultimate beneficial owner of the Controlling Shareholder and an executive Director, are connected persons of the Company. Warrantor-4, being a cousin of Warrantor-1, is a deemed connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Structured Contracts

Warrantor-1, being one of the OPCO Registered Shareholders, is also the ultimate beneficial owner of the Controlling Shareholder and executive Director, and therefore a connected person of the Company. As approximately 80.88% of all issued shares in the OPCO are owned by Warrantor-1 as at the date of this announcement, the OPCO is a connected person of the Company by virtue of its being an associate of Warrantor-1 pursuant to Rule 14A.07(4) of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Structured Contracts is more than 5%, the transactions contemplated under the Structured Contracts constitute continuing connected transactions and are subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Company applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable by the OPCO to the WFOE under the relevant Structured Contracts; and (ii) fixing the term of the Structured Contracts and having a term of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in 617,354,500 Shares, representing approximately 39.91% of the total issued share capital of the Company. Immediately upon Completion, the Concert Group will hold 1,113,802,549 Shares, representing approximately 47.09% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares (assuming there will be no change in the total number of Shares in issue between the date of this announcement and the issue and allotment of the Consideration Shares). Vendor-1 will incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares (other than those held or agreed to be acquired by the Concert Group) in the absence of the Whitewash Waiver.

An application will be made on behalf of Vendor-1 to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. The Whitewash Waiver, if granted by the Executive, would be subject to the condition that the respective resolutions relating to the Whitewash Waiver and the Acquisition being approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders by way of poll at the EGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Share Purchase Agreement shall lapse and the Acquisition will not proceed.

The Concert Group will, and (i) parties presumed to be acting in concert with Mr. Yao and/or Mr. Bi, including Mr. Chen Jianyu, Mr. Lin Jiabin and Mr. Lin Zhibin; and (ii) any other Shareholder who is involved or interested in the Share Purchase Agreement, the Acquisition, the Specific Mandate and/or the Whitewash Waiver, including without limitation Warrantor-4 (who directly holds 57,000 Shares as at the date of this announcement) will be required to, abstain from voting in respect of the resolution(s) to approve the Share Purchase Agreement and the transactions contemplated thereunder (including the Acquisition), the Specific Mandate and the Whitewash Waiver at the EGM.

INDEPENDENT BOARD COMMITTEE

Pursuant to the Takeovers Code and the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), the Specific Mandate and the Whitewash Waiver.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Euto has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), the Specific Mandate and the Whitewash Waiver are fair and reasonable, and to make recommendation(s) on voting.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), the Specific Mandate and the Whitewash Waiver. The Concert Group will, and (i) parties presumed to be acting in concert with Mr. Yao and/or Mr. Bi, including Mr. Chen Jianyu, Mr. Lin Jiabin and Mr. Lin Zhibin; and (ii) any other Shareholder who is involved or interested in the Share Purchase Agreement, the Acquisition, the Structured Contracts, the Specific Mandate and/or the Whitewash Waiver, including without limitation Warrantor-4 (who directly holds 57,000 Shares as at the date of this announcement) will be required to, abstain from voting on the resolutions to be proposed at the EGM for approving the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Share Purchase Agreement, the Structured Contracts, and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts); (ii) the letter from the Independent Board Committee to the Independent Shareholders setting out its recommendations in respect of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver; (iv) financial information of the Group and the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (vi) the notice of the EGM and forms of proxy, is required to be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

The Company may require additional time for finalising the information for inclusion in the circular such as the financial information of the Group and the Target Group. If required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code for the extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE GRANTING OF THE WHITEWASH WAIVER BY THE EXECUTIVE, AND CONSEQUENTLY THE ACQUISITION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

THE ACQUISITION

On 2 April 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendors and the Warrantors entered into the Share Purchase Agreement, the principal terms of which are set out as follows:

Date

2 April 2019

Parties

Purchaser: Star Winner Asia Corporation (an indirect wholly-owned subsidiary of the Company)

Vendors:

- (i) YAO Holdings Limited
- (ii) Longling Capital Ltd
- (iii) ADVANCED ACCESS INTERNATIONAL LIMITED
- (iv) BILLION CHAMPION ENTERPRISES CORPORATION 兆安企業有限公司

Warrantors:

- (i) Mr. YAO Jianjun (姚劍軍)
- (ii) Mr. CAI Wensheng (蔡文勝)
- (iii) Mr. LI Weiping (李偉平)
- (iv) Ms. ZHOU Chunlan (周春蘭)

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The Consideration of HK\$286,443,813 shall be settled by issue and allotment of the Consideration Shares (being 818,410,895 shares) to the Vendors upon Completion in the following manner in accordance with each Vendor's shareholding in the Target Company (which is owned as to 60.66%, 25%, 11.03% and 3.31% by Vendor-1, Vendor-2, Vendor-3 and Vendor-4, respectively):

- (i) 496,448,049 Shares to Vendor-1;
- (ii) 204,602,724 Shares to Vendor-2;
- (iii) 90,270,722 Shares to Vendor-3; and
- (iv) 27,089,400 Shares to Vendor-4.

The Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser by taking into consideration, among others, (i) the valuation, in RMB, of all issued shares in the OPCO as assessed by an independent valuer, Unicorn Consulting and Appraisal Limited; (ii) the historical results of the OPCO; (iii) the benefits to be derived from the Acquisition, including (A) the expected growth in revenue and operating cash inflow of the OPCO; and (B) the expected synergies to be achieved between the Group and the OPCO after Completion, as described in the section headed "Reasons for and Benefits of the Acquisition" in this announcement; and (iv) the Acquisition is not expected to have a negative impact on the cash position of the Group since no payment of any cash consideration is involved in the Acquisition.

Other than the Consideration under the Share Purchase Agreement, there are no other form of consideration, compensation or benefits which have been or will be provided by any member of the Concert Group to each of the Vendors, the Warrantors and/or their respective concert parties in connection with the Share Purchase Agreement, the Acquisition, the Structured Contracts and the Whitewash Waiver.

Consideration Shares

Number of Shares

As at the date of this announcement, the Company has 1,546,943,455 Shares in issue. The total number of 818,410,895 Consideration Shares represents:

- (i) approximately 52.91% of the total number of Shares in issue as at the date of this announcement; and

- (ii) approximately 34.60% of the total number of Shares in issue as enlarged by the issue and allotment of the Consideration Shares (assuming there will be no change in the total number of Shares in issue between the date of this announcement and the issue and allotment of the Consideration Shares).

Issue Price

The Issue Price of HK\$0.35 represents:

- (i) a premium of approximately 18.64% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 4.48% to the average closing price of HK\$0.335 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 3.24% to the average closing price of approximately HK\$0.339 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Company on one hand and the Vendors on the other, with reference to the current market price per Share. The Voting Directors consider that the Issue Price is fair and reasonable and on normal commercial terms.

The Consideration Shares when issued and allotted shall rank *pari passu* in all respects with all other existing issued Shares on the Completion Date. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange.

Conditions precedent

Completion shall be subject to the fulfillment on or before the Long Stop Date, or waiver (where applicable) by the Purchaser, of the following Conditions:

- (a) the Purchaser, in its absolute discretion, being satisfied with the results of the due diligence review on, the legal status, businesses and financial condition of the Target Group;
- (b) the WFOE remaining legally and validly existing in the PRC, and the Target Group having obtained all necessary approval, permission, business licence, registration or filing of the relevant governmental or regulatory authorities, agencies or bodies for the operation of all businesses (including but not limited to the Licensed Operations) in accordance with the laws of its applicable jurisdiction, and such approval, permission, business licence, registration or filing being legal and valid;

- (c) the Target Group having completed the Reorganisation to the satisfaction of the Purchaser, which includes but is not limited to (i) the Target Group having obtained necessary valid approval, permission, registration or filing in relation to the Reorganisation from the relevant governmental or regulatory authorities, agencies or bodies of its applicable jurisdictions; and (ii) the WFOE having entered into legal and valid Structured Contracts with the OPCO and the OPCO Registered Shareholders in accordance with the laws of their applicable jurisdictions, in order to effectively control the Licensed Operations and enjoy all economic benefits generated from the Licensed Operations;
- (d) the Purchaser having obtained a legal opinion in relation to the Reorganisation issued by the PRC Legal Adviser in form and substance satisfactory to the Purchaser in its absolute discretion, on, among others, (i) the formal incorporation of the OPCO and the WFOE; (ii) the restrictions and/or prohibitions (as applicable) under the PRC Laws on the Group's acquisition or holding of the shares in the OPCO; and (iii) legality, validity and enforceability of the Structured Contracts;
- (e) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), including but not limited to (i) the grant of the Specific Mandate for the issuance of the Consideration Shares (which requires approval by more than 50% of the votes cast by the Independent Shareholders); and (ii) the Whitewash Waiver (which requires approval by at least 75% of the votes cast by the Independent Shareholders);
- (f) the Company and/or the Purchaser having obtained all approvals necessary for the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), including (i) necessary approvals in connection with the execution, delivery and performance of the Share Purchase Agreement and the Structured Contracts from the respective director(s) and/or shareholder(s) of each party thereto; and (ii) the grant of listing of and permission to deal in the Consideration Shares from the Listing Committee;
- (g) the Executive having granted the Whitewash Waiver to Vendor-1, and the Whitewash Waiver remaining valid;
- (h) the Vendors, the Target Group and their respective Affiliates (other than the Company and the Purchaser) having obtained all approvals necessary for the Share Purchase Agreement and the transactions contemplated thereunder (including the Acquisition), the Structured Contracts and the transactions contemplated thereunder, including but not limited to all approvals, consents and authorisations (where applicable) from relevant governmental or regulatory authorities, agencies or bodies or any other third parties (including banks or creditors);
- (i) no material adverse change in the operation, financial or trading conditions of the Target Group Companies since 31 December 2018 to the Completion Date; and

- (j) the Vendor Warranties remaining true, accurate, complete and not misleading in all material respects as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date.

Conditions (b) to (h) cannot be waived in any event. The Purchaser may at any time waive Conditions (a), (i) and/or (j) in writing. If any of Conditions (a) to (j) has not been fulfilled or (where applicable) waived on or before the Long Stop Date, then the Share Purchase Agreement and any matters thereunder, and rights and obligations of the Parties shall lapse, without prejudice to any Party's right to claim against other Parties' antecedent breach of any obligations under the Share Purchase Agreement, and the Vendors shall indemnify the Purchaser against any fees arising from all matters in relation to the negotiation, drafting and completion of the Share Purchase Agreement.

Save and except (i) the Independent Shareholders' approval under Condition (e); (ii) the granting of the Whitewash Waiver by the Executive under Condition (g); and (iii) the granting of the listing approval of the Consideration Shares by the Stock Exchange under Condition (f) (ii), the Vendors, the Warrantors, the Purchaser and the Company are not aware of any other approvals or consents required pursuant to Conditions (f) and (h) above.

In relation to Condition (b), as at the date of this announcement, among the Target Group Companies, only the OPCO has operations since its establishment, and the remaining Target Group Companies only serve as investment holding companies. The OPCO has obtained all necessary approval, permission, business licence, registration or filing of the relevant governmental or regulatory authorities, agencies or bodies for the operation of all businesses (including but not limited to the Licensed Operations) in accordance with the laws of its applicable jurisdiction and such approval, permission, business licence, registration or filing remain legal and valid.

Completion

Subject to the fulfilment or waiver (as the case may be) of the Conditions, Completion shall take place on the Completion Date.

Upon Completion, the Purchaser will hold the entire issued share capital of the Target Company. As such, the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company.

Guarantee by the Warrantors

The Warrantors unconditionally and irrevocably, jointly and severally guarantee and warrant to the Purchaser the due and timely observance and performance by the Vendors of all agreements, obligations, warranties, commitments and undertakings that ought to be observed and performed under the Share Purchase Agreement, and covenant to indemnify the Purchaser in full against all loss and damage as a result of any failure of the Vendors to perform or comply with their obligations under the Share Purchase Agreement.

Non-competition

The Vendors and the Warrantors jointly and severally undertake that, they shall execute, and procure the main management members of the Target Group to execute, any undertakings or other legal documents in compliance with the Purchaser's requirements, pursuant to which, they undertake that, for a period of three (3) years starting from the Completion Date, none of them shall engage in any business or activity which is in potential or actual competition with the business of the Target Group, provided that such restrictions shall not apply to the respective interests and/or duties of such persons in the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Voting Directors are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole for the following reasons:

Financial performance and cash inflow of the OPCO

The unaudited net profit after tax of the OPCO increased from approximately RMB8.53 million for the year ended 31 December 2017 to approximately RMB10.61 million for the year ended 31 December 2018, representing a growth of approximately 24.38%.

The main reason of the improvement of the financial performance of the OPCO during the financial year ended 31 December 2018 was the increase in advertising income, the major source of revenue of the OPCO. This was in turn attributable to growth in total number of visits as well as the number of regular users and visitors to the Platforms (defined below), which had also enhanced the value of the brand of the Platforms.

The Voting Directors believe that after Completion, the brand of the OPCO and the Platforms will continue to grow in view of the expected synergies to be achieved between the Group and the OPCO, which are further elaborated below.

By introducing to the Group a new source of income, being advertising revenue from website and forum operation, which is largely independent of the Group's performance in its main business of development and operation of web and mobile games in the PRC, the Acquisition is also expected to complement the Group's continuous efforts to diversify the sources of revenue of the Group.

Expected synergies to be achieved between the Group and the OPCO

The Voting Directors believe that the Acquisition would allow the Group to realise potential synergies through the pooling of a number of resources respectively possessed by the Group and the OPCO, including without limitation (i) the additional distribution and marketing channels offered by the Platforms; (ii) the expertise in content development, online marketing and advertising possessed by the OPCO; and (iii) the additional contents and further diversification of the contents of the Platforms.

The additional distribution and marketing channels offered by the OPCO's internet platform

The Group is principally engaged in the development and operation of web and mobile games in the PRC. As the success of the Group's products depends on, among other things, the size of the consumer population to whom the Company's products are exposed, the Group continues its efforts to locate and engage additional distribution and marketing channels in order to improve the exposure of the Group's products to the consumer population.

The OPCO is principally engaged in the operation of an information technology (IT) vertical portal and a shared software download platform based on IT information, IT resources and tools, an online forum for users to discuss and exchange information and feedbacks on the resources provided by the Platforms as well as the information technology sector generally, the provision of information promotion services and Internet advertising services to IT and Internet companies, and providing URL redirection to download links in third party game platforms. The OPCO operates the following platforms (the "**Platforms**"):

- (a) China Webmaster (站長之家) (www.chinaz.com), a Chinese-speaker-oriented IT vertical portal providing IT information services, web establishment resources, web optimisation strategy and internet statistics tool to IT entrepreneurs, internet technical professional, web designers and e-commerce operators; and
- (b) Feifan Software Site* (非凡軟件站) (www.crsky.com), a software download platform principally engaged in (i) the launching, downloading and promoting of apps for both app developers and public users, with an online forum for users to discuss and exchange information and feedbacks on the resources provided by the Platforms as well as the information technology sector generally; and (ii) providing URL redirection to download links in third party game platforms.

Throughout the years of its operation the Platforms have accumulated a very sizeable number of visits per day as well as regular user population. The OPCO mainly generates revenue from disseminating advertising materials provided by its clients to the users of the Platforms.

After the Completion, the Group will be able to develop an additional distribution, promotion and marketing channel based on the Platforms, and thereby maximise the exposure of the games developed by the Group to the very sizeable crowd of users of the Platforms.

The expertise in content development, online marketing and advertising possessed by the OPCO

Through building and maintaining the contents of the Platforms whilst promoting and advertising the products and services of its clients on the Platforms and the online discussion forums, the OPCO has accumulated a wealth of expertise in continuously developing creative and diversified contents, analysing and evaluating preferences of clients of the OPCO as well as users of the Platforms, and optimising user experience.

After the Completion, the OPCO will offer invaluable contributions to the game development and marketing operations of the Group in terms of sharing of technical know-how, development of concepts and contents for new and existing games, optimisation of user experience of softwares and applications, developing and implementing marketing strategies and advertising campaigns, as well as obtaining and analysing user feedbacks and market trends.

Additional contents and diversification of the contents of the Platforms

On the other hand, the prevalence of internet has generally propelled large online platforms, such as the Platforms, to seek to introduce additional contents and diversify the types of information offered to the internet users.

After the Completion, the OPCO plans to introduce games and related information and content, including the games offered by the Group and the information and content in connection with those games, to the Platforms. The Voting Directors expect the OPCO and the Platforms to benefit from the further diversification of contents and products offered to its users.

Taking into consideration the above reasons for and benefit of the Acquisition to the Group, the Voting Directors consider that the terms of the Share Purchase Agreement were determined after arm's length negotiations between the Parties, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Group is principally engaged in the development and operation of web and mobile games in the PRC.

INFORMATION OF THE VENDORS AND THE WARRANTORS

Each of the Vendors is an investment holding company incorporated in the British Virgin Islands.

Warrantor-1 is the settlor of The Yao Family Trust, a discretionary trust for the benefit of Warrantor-1 and his family members, which indirectly holds all issued shares in Vendor-1. Warrantor-2, Warrantor-3 and Warrantor-4 are individuals who are the legal and beneficial owner of all issued shares in Vendor-2, Vendor-3 and Vendor-4 respectively.

Warrantor-1 and Warrantor-4 are cousins. Warrantor-3 and Warrantor-4 are the spouse of each other.

As at the date of this announcement, the Concert Group is interested in 617,354,500 Shares, representing approximately 39.91% of the total issued share capital of the Company. Vendor-1, being a Controlling Shareholder, and Warrantor-1, being the ultimate beneficial owner of the Controlling Shareholder and an executive Director, are connected persons of the Company. Warrantor-4, being a cousin of Warrantor-1, is a deemed connected person of the Company.

Save as disclosed above, to the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of the Vendors and its ultimate beneficial owners, namely the Warrantors, are Independent Third Parties.

INFORMATION OF THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the Cayman Islands on 9 November 2018 with limited liability, which is directly wholly-owned by the Vendors as at the date of this announcement. Warrantor-1 is the current sole director of the Target Company.

The HK Company

The HK Company is an investment holding company incorporated in Hong Kong on 3 August 2018 with limited liability, which is directly wholly-owned by the Target Company. Warrantor-1 is the current sole director of the HK Company.

The WFOE

The WFOE is a wholly foreign-owned enterprise established in the PRC on 24 December 2018 with limited liability, whose entire registered capital is held by the HK Company.

Mr. LIN Zhibin is the sole director, general manager and legal representative of the WFOE, while Mr. Bi is the supervisor of the WFOE. None of the directors or senior management of the WFOE is related to any of the OPCO Registered Shareholders.

The OPCO

The OPCO is a joint stock company established in the PRC on 8 July 2005 with limited liability. As at the date of this announcement, the OPCO has a registered capital of RMB3,400,000. As at the date of this announcement, the permitted scope of the OPCO's business includes (i) software development; (ii) information technology consulting services; (iii) other unspecified information technology services (excluding projects subject to licensing approval); (iv) animation, comics design and production; (v) advertising design, production, agency and distribution; (vi) wholesale of computers, software and auxiliary equipment; (vii) computer and auxiliary equipment repairs; and (viii) internet information services (excluding drugs information services and internet cafes).

The total original acquisition cost of all shares in the OPCO, by the OPCO Registered Shareholders as at the date of this announcement, was approximately RMB3.32 million. As at the date of this announcement, the OPCO is wholly-owned by the OPCO Registered Shareholders.

As at the date of this announcement, the OPCO holds the following licences (collectively the “Licences”):

- (a) the PRC’s Value-Added Telecommunications Operations Licence* (中華人民共和國增值電信業務經營許可證) issued by the Fujian Communications Administration which permits the OPCO to engage in information service business (internet information services only) in the second class value-added telecommunications business, excluding information search and inquiry service and information instant interaction service; and
- (b) the PRC’s Network Culture Operation Permit* (網絡文化經營許可證) issued by the of Fujian Provincial Department of Culture which permits the OPCO to engage in the use of information networks to operate game products and operation of exhibitions and competitions of Internet culture products.

Financial Information

As advised by the Vendors, the Target Company was incorporated in November 2018, the HK Company was incorporated in August 2018, while the WFOE was established in December 2018, and the Target Company, the HK Company and the WFOE have had no operations since their incorporation. As such, the financial performances of the said companies are insignificant.

Set out below is the financial information of the OPCO based on the unaudited financial statements for the two years ended 31 December 2017 and 2018, respectively:

	For the year ended 31 December 2017 (unaudited) RMB’000 (approximately)	For the year ended 31 December 2018 (unaudited) RMB’000 (approximately)
Net profit before taxation	9,355	12,003
Net profit after taxation	8,525	10,605

As at 31 December 2018, the unaudited net asset value of the OPCO was approximately RMB26.3 million.

IMPLICATIONS UNDER RULE 10 OF THE TAKEOVERS CODE

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose (i) the value (book value and valuation, if any) of the assets which are subject of the transaction; and (ii) where applicable, the net profits (before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction (the “**Required Financial Information**”). As such, the unaudited net asset value as at 31 December 2018, and the net profit (before and after taxation) for the two years ended 31 December 2017 and 2018, of the OPCO, as required under the Listing Rules, are disclosed above in this announcement.

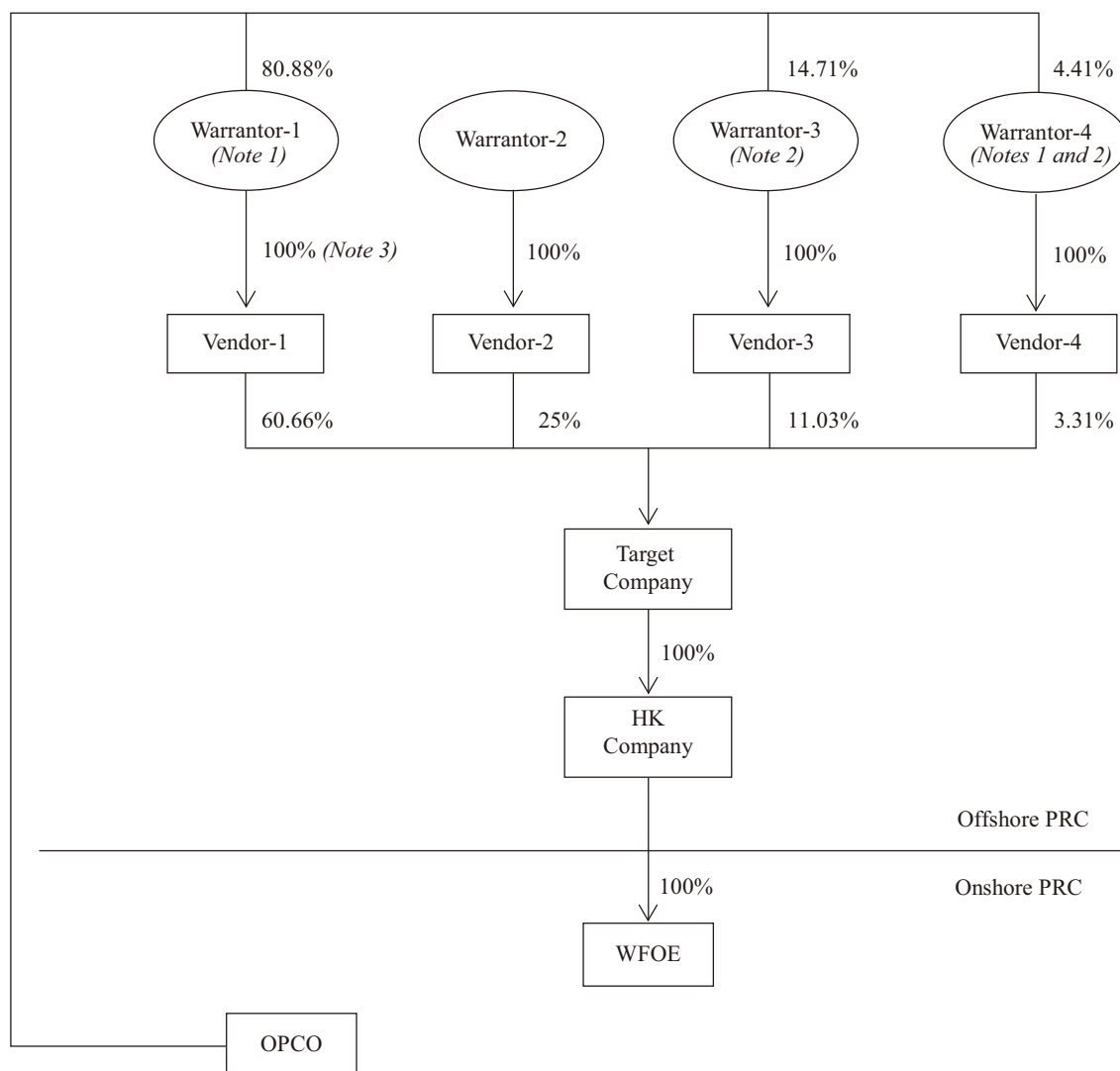
Pursuant to Rule 10 of the Takeovers Code, the Required Financial Information constitutes a profit forecast, and is required to be reported on by both the Company’s financial advisers and its accountants or auditors in accordance with Note 1(c) to Rules 10.1 and 10.2 and also to comply with Rule 10.4 of the Takeovers Code (the “**Rule 10 Requirements**”).

In view of the timely disclosure of the Required Financial Information required under Rule 14.58 of the Listing Rules, the Company does not fully comply with the Rule 10 Requirements mainly for the reasons that (i) the Required Financial Information is required under Rule 14.58 of the Listing Rules to be included in this announcement and there is no stipulation thereunder that the Required Financial Information be audited; (ii) it would be burdensome for the Company as the Company would encounter genuine practical difficulties (time-wise or otherwise) in meeting the Rule 10 Requirements and to withhold this announcement until the audited reports containing the Required Financial Information are available; and (iii) the Company will include the full set of the accountants’ report (the “**Accountants’ Report**”) relating to the Target Group for the three years ended 31 December 2016, 2017 and 2018 prepared under International Financial Reporting Standards issued by the International Accounting Standards Board and in compliance with the requirements of the Listing Rules and the Takeovers Code in the circular to be despatched by the Company to the Shareholders.

Shareholders should note that there may be differences between the financial information as presented in this announcement and the financial information to be presented in the circular to be despatched by the Company to the Shareholders. The Required Financial Information in this announcement does not meet the standard of the Rule 10 Requirements. Shareholders and potential investors should exercise caution in placing reliance on the forecast in assessing the merits and demerits of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), the Specific Mandate and the Whitewash Waiver.

Shareholding Structure

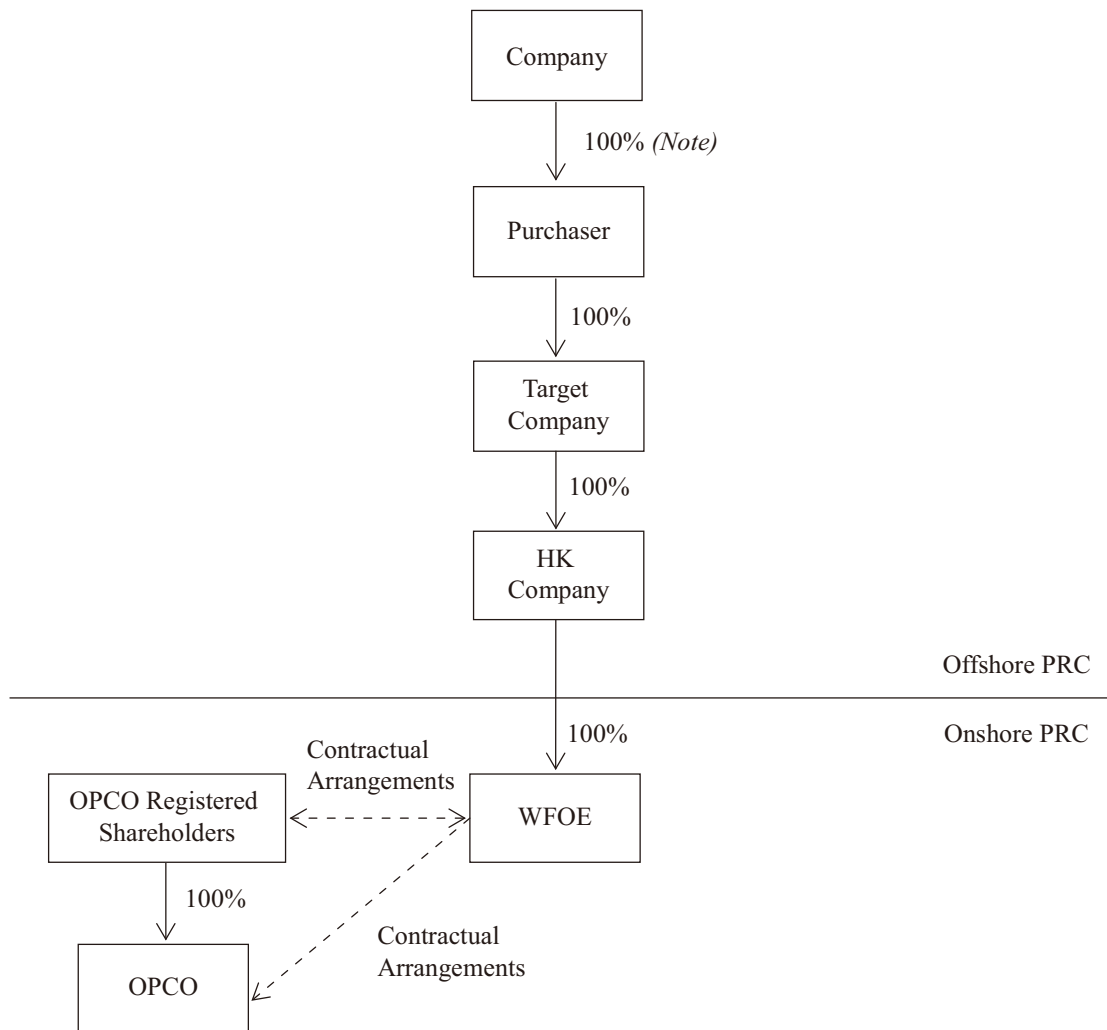
Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Notes:

1. Warrantor-1 and Warrantor-4 are cousins.
2. Warrantor-3 and Warrantor-4 are the spouse of each other.
3. The entire share capital of Vendor-1 is wholly-owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Warrantor-1 (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Warrantor-1 and his family members.

Set out below is the proposed shareholding structure of the Target Group immediately after Completion:



Note: The Purchaser is an indirect wholly-owned subsidiary of the Company.

Pursuant to the Structured Contracts, the WFOE will have effective control over the OPCO and enjoy the economic benefits generated by the OPCO. The Directors have discussed with the Company's auditor and confirmed that under the prevailing accounting principles, upon Completion, the Company shall have the right to consolidate the financial results of the OPCO in its consolidated accounts as if it were a subsidiary of the Target Company.

Information of the OPCO Registered Shareholders

Immediately before completion of the OPCO Capital Reduction, the OPCO Registered Shareholders and their respective shareholdings in the OPCO were as follows:

	% of interest held
Warrantor-1	55
Milin Longling (<i>Note 1</i>)	25
Warrantor-3	10
YU Dongfeng* (<i>Note 2</i>)	4
QIU Song* (<i>Note 2</i>)	3
Warrantor-4	3

Notes:

1. Milin Longling is directly wholly-owned by Longling Investment Co., Ltd.* (隆領投資股份有限公司) (“**Longling Investment**”). Longling Investment is directly held by Warrantor-2 as to 80%, Xiamen Longling Home Investment Partnership (Limited Partnership)* (廈門隆領之家投資合夥企業(有限合夥)) (“**Xiamen Longling Home**”) as to 9% and certain Independent Third Parties as to 11%. Xiamen Longling Home is directly held by Warrantor-2 as to 62.03% and certain Independent Third Parties as to 37.97%. Immediately before completion of the OPCO Capital Reduction, Warrantor-2 is directly and indirectly interested in a total of approximately 85.58% of the entire registered capital of Milin Longling. None of the direct and indirect shareholders of Milin Longling are Shareholders.
2. As at the date of this announcement, YU Dongfeng* and QIU Song* do not hold any interest in the Company and are not Shareholders.

As part of the corporate reorganisation of the Target Group, the OPCO carried out the OPCO Capital Reduction by returning to each of the then OPCO Registered Shareholders his/her respective capital contribution corresponding to his/her respective reduced shareholding in the OPCO. The amounts returned to Warrantor-1, Milin Longling, Warrantor-3, Mr. Yu Dongfeng*, Warrantor-4 and Mr. Qiu Song* were RMB7,980,346, RMB4,877,430, RMB1,450,972, RMB780,388, RMB435,292 and RMB585,292, respectively. After completion of the OPCO Capital Reduction, Milin Longling, Mr. Yu Dongfeng* and Mr. Qiu Song* ceased to have any capital contributions to, and thus any shareholding in the OPCO, while capital contributions to the OPCO that remain are the amounts made by Warrantor-1, Warrantor-3 and Warrantor-4 of RMB2,750,000, RMB500,000 and RMB150,000, respectively.

Immediately after completion of the OPCO Capital Reduction and as at the date of this announcement, the OPCO Registered Shareholders and their respective shareholdings in the OPCO are as follows:

	<i>% of interest held (approximate)</i>
Warrantor-1	80.88
Warrantor-3	14.71
Warrantor-4	4.41

As at the date of this announcement, the Concert Group is interested in 617,354,500 Shares, representing approximately 39.91% of the total issued share capital of the Company. Vendor-1, being a Controlling Shareholder, and Warrantor-1, being the ultimate beneficial owner of the Controlling Shareholder and an executive Director, are connected persons of the Company. Warrantor-4, being a cousin of Warrantor-1, is a deemed connected person of the Company.

PROPOSED GRANT OF SPECIFIC MANDATE

The Company will issue 818,410,895 Consideration Shares in consideration of the Acquisition. The Consideration Shares will be issued and allotted under the Specific Mandate proposed to be granted by the Independent Shareholders at the EGM.

EFFECT ON THE SHAREHOLDING OF THE COMPANY IMMEDIATELY UPON COMPLETION

Assuming there will not be any change in the issued share capital of the Company from the date of this announcement up to the Completion (other than changes as a result of the Acquisition), set out below is the table of the shareholdings in the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and assuming none of the outstanding Share Options have been exercised; and (iii) immediately upon Completion and assuming all outstanding Share Options have been exercised:

Shareholders	As at the date of this announcement		Immediately upon Completion and assuming none of the outstanding Share Options have been exercised		Immediately upon Completion and assuming all outstanding Share Options have been exercised	
	<i>Number of shares</i>	<i>Approximate percentage</i>	<i>Number of shares</i>	<i>Approximate percentage</i>	<i>Number of shares</i>	<i>Approximate percentage</i>
Concert Group						
YAO Holdings Limited ^(Notes 1, 2 and 4)	481,399,000	31.12	977,847,049	41.34	977,847,049	40.18
Mr. Yao ^(Notes 1, 2, 4 and 15)	8,485,500	0.55	8,485,500	0.36	8,485,500	0.35
Mr. Bi ^(Notes 2, 3 and 4)	127,470,000	8.24	127,470,000	5.39	127,470,000	5.24
Other Directors						
CHEN Jianyu ^(Notes 2, 5, 14 and 15)	256,739,000	16.60	256,739,000	10.85	256,739,000	10.55
LIN Jiabin ^(Notes 2, 6 and 14)	44,890,500	2.90	44,890,500	1.90	44,890,500	1.84
LIN Zhibin ^(Notes 2, 7 and 14)	44,890,500	2.90	44,890,500	1.90	44,890,500	1.84
Sub-total	963,874,500	62.31	1,460,322,549	61.74	1,460,322,549	60.01

Shareholders	As at the date of this announcement		Immediately upon Completion and assuming none of the outstanding Share Options have been exercised		Immediately upon Completion and assuming all outstanding Share Options have been exercised	
	Number of shares	Approximate percentage	Number of shares	Approximate percentage	Number of shares	Approximate percentage
Other core connected persons of the Group						
Mr. Li ^(Note 8)	–	–	90,270,722 ^(Note 9)	3.82	90,270,722 ^(Note 9)	3.71
Ms. Zhou ^(Note 8)	57,000	0.0037	27,146,400 ^(Note 10)	1.15	27,146,400 ^(Note 10)	1.12
Public Shareholders						
Mr. Cai	–	–	204,602,724 ^(Note 11)	8.65	204,602,724 ^(Note 11)	8.41
Other public shareholders	583,011,955	37.69	583,011,955	24.65	583,011,955	23.96
Holders of Share Options	–	–	–	–	68,042,000 ^(Note 12)	2.80
Total ^(Note 13)	1,546,943,455	100.0	2,365,354,350	100.0	2,433,396,350	100.0

Notes:

1. The entire share capital of YAO Holdings Limited is wholly-owned by Jolly Spring International Limited, as nominee of its sole shareholder, namely TMF (Cayman) Ltd., acting as the trustee of The Yao Family Trust, which was established by Mr. Yao (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. Yao and his family members. Mr. Yao (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO as of the date of this announcement.
2. TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust. TMF (Cayman) Ltd. is a professional trustee services company. Neither the Company nor Mr. Yao nor Mr. Bi is able to provide information on the ultimate beneficial owner of TMF (Cayman) Ltd.. The Company confirms that none of Mr. Yao, Mr. Bi, The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust and their respective ultimate beneficial owners holds any equity interest in TMF (Cayman) Ltd..
3. The entire share capital of BILIN Holdings Limited is wholly-owned by Rayoon Limited, as nominee of its sole shareholder, namely TMF (Cayman) Ltd., acting as the trustee of The Bi Family Trust, which was established by Mr. Bi (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. Bi and his family members. Mr. Bi (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 127,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.
4. Mr. Yao, YAO Holdings Limited, Jolly Spring International Limited, Mr. Bi, BILIN Holdings Limited and Rayoon Limited are together a group of Controlling Shareholders of the Company.
5. The entire share capital of Fishchen Holdings Limited is wholly-owned by Honour Gate Limited, as nominee of its sole shareholder, namely TMF (Cayman) Ltd., acting as the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN Jianyu and his family members. Mr. CHEN Jianyu (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 256,739,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.
6. The entire share capital of LINT Holdings Limited is wholly-owned by Supreme Top Global Limited, as the nominee of its sole shareholder, namely TMF (Cayman) Ltd., acting as the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Jiabin and his family members. Mr. LIN Jiabin (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 44,890,500 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.

7. The entire share capital of LINCHEN Holdings Limited is wholly-owned by Sheen Field Limited, as the nominee of its sole shareholder, namely TMF (Cayman) Ltd., acting as the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN Zhibin and his family members. Mr. LIN Zhibin (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 44,890,500 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.
8. Mr. Li and Ms. Zhou are the spouse of each other.
9. Upon Completion, 90,270,722 Shares will be issued and allotted to ADVANCED ACCESS INTERNATIONAL LIMITED, a company wholly-owned by Mr. Li.
10. Upon Completion, 27,089,400 Shares will be issued and allotted to BILLION CHAMPION ENTERPRISES CORPORATION 兆安企業有限公司, a company wholly-owned by Ms. Zhou.
11. Upon Completion, 204,602,724 Shares will be issued and allotted to Longling Capital Ltd, a company wholly-owned by Mr. Cai.
12. The Share Options refer to 68,042,000 outstanding options granted under share option schemes of the Company. The Share Options, if exercised in full, will entitle the holders of the Share Options to subscribe for an aggregate of 68,042,000 Shares.
13. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
14. Each of Mr. Chen Jianyu, Mr. Lin Jiabin and Mr. Lin Zhibin is presumed to be acting in concert with Mr. Yao and Mr. Bi under class (6) of the Acting in Concert Presumptions until Completion. This class (6) presumption will cease to apply after Completion.
15. Mr. Chen Jianyu, Mr. Yao and Xiamen Xiaoyu Feifei Investment Partnership Enterprise (Limited Partnership)* (廈門小娛飛飛投資合夥企業 (有限合夥)) (“**Xiamen Xiaoyu Feifei**”) respectively directly holds 30.72%, 18.5% and 10% equity interest in Xiamen Zhangxin Network Technology Co., Ltd.* (廈門掌信網絡科技有限公司) (“**Xiamen Zhangxin**”), an investment holding company and the businesses of its subsidiaries are not in direct competition with the Group’s business.

Each of Mr. Chen Jianyu and Mr. Yao holds 50% equity interest in Xiamen Xiaoyu Feifei, which is intended to be a platform for the employee share scheme for the benefit of the employees of Xiamen Zhangxin and its subsidiaries.

Xiamen Zhangxin is controlled by Mr. Chen Jianyu under the Takeovers Code by virtue of his 35.72% direct and indirect equity interest therein, while Mr. Yao is a director of Xiamen Zhangxin. Therefore, Mr. Chen Jianyu and Xiamen Zhangxin fall under class (8) of the Acting in Concert Presumptions; and Mr. Yao and Xiamen Zhangxin fall under class (2) of the Acting in Concert Presumptions.

Mr. Yao and Mr. Chen Jianyu fall under class (7) of the Acting in Concert Presumptions as they are partners of Xiamen Xiaoyu Feifei.

The Company will ensure that it will comply with the requirements on public float under the Listing Rules from time to time.

As at the date of this announcement, save for the 68,042,000 outstanding options granted under share option schemes of the Company, the Company does not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in 617,354,500 Shares, representing approximately 39.91% of the total issued share capital of the Company.

Upon Completion, the Concert Group will hold 1,113,802,549 Shares, representing approximately 47.09% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares (assuming there will be no change in the total number of Shares in issue between the date of this announcement and the issue and allotment of the Consideration Shares).

Vendor-1 will incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares (other than those held or agreed to be acquired by the Concert Group) in the absence of a Whitewash Waiver.

An application will be made on behalf of Vendor-1 to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. The Whitewash Waiver, if granted by the Executive, would be subject to the condition that respective resolutions relating to the Whitewash Waiver and the Acquisition being approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders by way of poll at the EGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Share Purchase Agreement shall lapse and the Acquisition will not proceed.

The Concert Group will, and (i) parties presumed to be acting in concert with Mr. Yao and/or Mr. Bi, including Mr. Chen Jianyu, Mr. Lin Jiabin and Mr. Lin Zhibin; and (ii) any other Shareholder who is involved or interested in the Share Purchase Agreement, the Acquisition, the Specific Mandate and/or the Whitewash Waiver, including without limitation Warrantor-4 (who directly holds 57,000 Shares as at the date of this announcement) will be required to, abstain from voting in respect of the resolution(s) to approve the Share Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

There are no special deals under Rule 25 of the Takeovers Code between any members of the Concert Group on one hand and any Shareholders (including their respective concert parties) on the other.

As at the date of this announcement and save for any conditions that the waiver pursuant to Rule 14A.102 of the Listing Rules is subject to, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company and Vendor-1 note that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Vendor-1 has confirmed that neither it nor any other members of the Concert Group:

- (a) save as disclosed under the section headed “Effect on the shareholding of the Company immediately upon Completion” in this announcement, holds, controls or has direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; or has dealt for value in any such securities of the Company within the six months prior to the date of this announcement;
- (b) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of this announcement;
- (c) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of Vendor-1 and which might be material to the transactions contemplated under the Share Purchase Agreement (including the Acquisition) and/or the Whitewash Waiver;
- (e) has received any irrevocable commitment from any Shareholder as to whether they will vote for or against the resolution approving the transactions contemplated under the Share Purchase Agreement (including the Acquisition) and/or the Whitewash Waiver to be proposed at the EGM as at the date of this announcement;
- (f) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Share Purchase Agreement (including the Acquisition) and/or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable);
- (g) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (h) save as to the Share Purchase Agreement, has any other arrangement or agreement with the Shareholders, the Company and any person acting in concert with it.

Vendor-1 is wholly-owned by Jolly Spring International Limited as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Warrantor-1 (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Warrantor-1 and his family members.

BILIN Holdings Limited is wholly-owned by Rayoon Limited as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. Bi (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. Bi and his family members.

INFORMATION OF THE STRUCTURED CONTRACTS

Reasons for use of the Structured Contracts

The OPCO is principally engaged in the businesses of (i) providing value-added telecommunications services (such as IT information service, IT resources and tool services, information promotion service and Internet advertising service) under the PRC's Value-Added Telecommunications Operations Licence* (中華人民共和國增值電信業務經營許可證); and (ii) providing URL redirection to download links in third party online game platforms under the PRC's Network Culture Operation Permit* (網絡文化經營許可證).

Pursuant to applicable PRC Laws, including but not limited to the Provisions on Administration of Foreign Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)) promulgated by the State Council, the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) released by the Ministry of Industry and Information Technology of the PRC, the Guidance Catalogue of Industries for Foreign Investment (revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) promulgated jointly by the NDRC and the MOFCOM and the Special Management Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**Negative List**”) promulgated by the NDRC and the MOFCOM: (a) the businesses referred to in (i) above fall within the category of value-added telecommunications services, which is considered “restricted” for foreign investment, where foreign investors are not allowed to own more than 50% equity interest in any PRC company engaging in value-added telecommunications business (except e-commerce); and (b) the businesses referred to in (ii) above are considered “prohibited” for foreign investment, where foreign investment is strictly forbidden. As such, the Target Company, as a foreign investor, cannot directly or indirectly hold any shares in the OPCO.

As a result, to comply with the applicable PRC Laws, the WFOE, the OPCO and the OPCO Registered Shareholders shall, as part of the Reorganisation, enter into the Structured Contracts to enable the financial results, the entire economic benefits and the risks of the businesses of the OPCO to flow into the WFOE and to enable the WFOE to gain effective control over the OPCO.

Structured Contracts

Principal terms of each of the Structured Contracts are set out as follows:

(i) *Exclusive Purchase Option Agreement*

- Parties:
- (i) WFOE;
 - (ii) OPCO Registered Shareholders; and
 - (iii) OPCO

Options: The OPCO Registered Shareholders exclusively, irrevocably and unconditionally grant to the WFOE or one or more person(s) designated by the WFOE (each a “**Designee of the WFOE**”) an exclusive option to purchase, to the extent permitted under relevant PRC Laws, all or part of the shares in the OPCO held by the OPCO Registered Shareholders (the “**Optioned Shares**”) at any time (the “**Share Purchase Option**”).

Other than the WFOE and Designees of the WFOE, no other third parties shall be entitled to the Share Purchase Option.

Consideration: Unless applicable PRC Laws at the time of exercising the Share Purchase Option by the WFOE require that the Optioned Shares be appraised or specify other restrictive provisions as to the transfer price, the consideration for the Optioned Shares shall be equal to the actual capital contribution paid in by the OPCO Registered Shareholders for the Optioned Shares. In the event that the minimum price permitted by PRC Laws is higher than the actual capital contribution paid in by the OPCO Registered Shareholders for the optioned shares, the minimum price permitted by PRC laws shall be the transfer price.

Subject to applicable PRC Laws, the OPCO Registered Shareholders shall, and have undertaken to, transfer all the consideration they received in relation to such sale of Optioned Shares at nil consideration as a gift to the WFOE or the Designees of the WFOE immediately after receiving such consideration, after deduction of applicable taxes and governmental fees.

Term: The Exclusive Purchase Option Agreement shall terminate after all the shares held by the OPCO Registered Shareholders in the OPCO have been legally transferred to the WFOE and/or any Designees of the WFOE in accordance with the Exclusive Purchase Option Agreement. Any OPCO Registered Shareholder shall cease to be a party to the Exclusive Purchase Option Agreement after all the shares held by such party in the OPCO have been legally transferred to the WFOE and/or the Designees of the WFOE in accordance with the Exclusive Purchase Option Agreement, while the Exclusive Purchase Option Agreement shall remain valid for other OPCO Registered Shareholders. Notwithstanding the foregoing, the WFOE shall have the right to unconditionally terminate the Exclusive Purchase Option Agreement unilaterally by issuing a written notice to the OPCO Registered Shareholders thirty (30) days in advance and shall not be liable for such action. Unless otherwise mandatorily provided by PRC Laws, either the OPCO Registered Shareholders or the OPCO are not entitled to terminate the Exclusive Purchase Option Agreement unilaterally.

Restrictions on transfer of the OPCO's assets:	The OPCO and the OPCO Registered Shareholders undertake that, save with the prior written consent of the WFOE, the OPCO and each OPCO Registered Shareholder shall not take any actions which may cause the sell, transfer, create any mortgage or otherwise disposing of the legal or beneficiary interest in any of the assets, business or incomes of the OPCO, or allow any other encumbrance (including security interest) to be created or subsist over such assets, business or incomes of the OPCO.
Death or incapacity of any OPCO Registered Shareholder:	In the event that any OPCO Registered Shareholders is deceased or becomes incapacitated, all the shares in the OPCO held by such OPCO Registered Shareholder shall automatically and unconditionally be transferred to the WFOE or Designee(s) of the WFOE.

(ii) *Exclusive Business Cooperation Agreement*

Parties:	(i) WFOE; and (ii) OPCO
Services:	<p>The OPCO agrees to appoint the WFOE as its exclusive services provider to provide it with comprehensive technical support, business support and relevant consulting services during the term of the Exclusive Business Cooperation Agreement, including but not limited to the following:</p> <ul style="list-style-type: none"> (i) licensing the OPCO to use relevant software and technology legally owned by the WFOE necessary for the OPCO's principal business; (ii) development, maintenance and updating of relevant software necessary for the OPCO's principal business; (iii) design, installation, daily management, maintenance and updating of network systems, hardware and database; (iv) development and testing of new products; (v) technical support and professional training for relevant employees of the OPCO; (vi) assisting the OPCO in consultancy, collection and research of relevant technology and market information (excluding market research that wholly foreign-owned enterprises are restricted from conducting under PRC Laws); (vii) providing corporate management consultation for the OPCO;

(viii) leasing of equipment or assets; and

(ix) other relevant technology and consultancy services requested by the OPCO from time to time to the extent permitted under PRC Laws.

Unless with the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, the OPCO shall not directly or indirectly accept the same or any similar consultancy and/or services provided by any third party and shall not establish any similar cooperation relationships with any third party regarding the matters contemplated by the Exclusive Business Cooperation Agreement. The WFOE and the OPCO agree that the WFOE may appoint other parties to provide the OPCO with the services and/or support under the Exclusive Business Cooperation Agreement.

Fees: Without prejudice to the mandatory provisions of PRC Laws, during the term of the Exclusive Business Cooperation Agreement, the OPCO shall pay the remainder of its annual revenue after deducting costs and expenses recognised by the WFOE as service fee (the “**Service Fee**”) to the WFOE. Besides, the OPCO shall pay a service fee for specific technology service provided by the WFOE at the request of the OPCO from time to time as separately agreed on by the WFOE and the OPCO.

The WFOE and the OPCO agree that the payment of the Service Fee shall in principle not cause the WFOE or the OPCO to suffer difficulty of operation. The WFOE may consent to the postponement of payment of the Service Fee by the OPCO, or may adjust in writing the calculation percentage and/or the specific amount of the Service Fee payable by the OPCO.

Options: The OPCO irrevocably and unconditionally grants to the WFOE or any person(s) designated by the WFOE an exclusive option to purchase (at any time, in one or more times), to the extent permitted by PRC Laws, all or part of the assets owned by the OPCO, and at the lowest purchase price permitted by PRC Laws (the “**Assets Purchase Option**”).

Term: The Exclusive Business Cooperation Agreement shall remain effective unless terminated in the event that (a) the WFOE unilaterally terminates the Exclusive Business Cooperation Agreement; (b) the termination is required by the applicable PRC Laws; or (c) renewal of the expired business period of the OPCO or the WFOE is denied by relevant government authority despite its best endeavors to renew its business period.

(iii) *Share Pledge Agreement*

Parties: (i) WFOE;
(ii) OPCO Registered Shareholders; and
(iii) OPCO

Pledge: The OPCO Registered Shareholders agree to pledge all their respective shares (including any shares subsequently registered or acquired) in the OPCO (the “**Pledged Shares**”) to the WFOE as security (the “**Pledge**”) for the payment of outstanding debts (the “**Secured Indebtedness**”) and the performance of the contractual obligations (the “**Contractual Obligations**”) by the OPCO and the OPCO Registered Shareholders under the Exclusive Business Cooperation Agreement, the Exclusive Purchase Option Agreement and the Powers of Attorney (collectively the “**Transaction Documents**”). The OPCO agrees with the Pledge by the OPCO Registered Shareholders pursuant to the Share Pledge Agreement.

Unless with full performance of the Contractual Obligations under the Transaction Documents and full payment of the Secured Indebtedness, without the prior written consent of the WFOE, the OPCO Registered Shareholders shall not transfer all or any part of the Pledged Shares, create or allow any security interest or other encumbrance on the Pledged Shares. The OPCO shall not assent to or assist in the aforesaid behaviors.

If the OPCO Registered Shareholders and/or the OPCO fail to perform or perform incompletely their obligations under the Transaction Documents and/or the Share Pledge Agreement, or breach any Contractual Obligations, the WFOE, as the pledgee, is entitled to enforce the Pledge under the Share Pledge Agreement.

Term: The Pledge shall take effect upon its registration with the relevant registration authority and shall remain valid until all Secured Indebtedness and Contractual Obligations have been fully repaid and discharged.

(iv) *Powers of Attorney*

Parties: (i) WFOE;
(ii) Each OPCO Registered Shareholder; and
(iii) OPCO

Subject matter: Each OPCO Registered Shareholders shall enter into a Power of Attorney, pursuant to which, each OPCO Registered Shareholder shall irrevocably authorise the WFOE or persons designated by it at its sole discretion (including its successors and liquidator in replacement of the WFOE, if applicable; provided that the persons designated by the WFOE shall be persons unrelated to the OPCO Registered Shareholders) to represent such OPCO Registered Shareholder to exercise all rights in connection with matters concerning his/her rights as shareholder of the OPCO, including without limitation the following rights:

- (i) proposing to convene and attend shareholders' meeting of the OPCO;
- (ii) receiving any notice of the convening of the shareholders' meeting and related discussion procedure;
- (iii) representing such OPCO Registered Shareholder in executing and delivering any written resolution as a shareholder on his/her behalf;
- (iv) voting on any matters discussed in the shareholders' meeting (including without limitation sale, transfer, mortgage, pledge or disposal of any or all assets of the OPCO) personally or by proxy;
- (v) selling, transferring, pledging or otherwise disposing of any or all shares in the OPCO held by such OPCO Registered Shareholder;
- (vi) nominating, electing, designating or appointing and removing the legal representative, directors, general manager, chief financial officer, supervisors and other senior officers of the OPCO;
- (vii) supervising the operating performance of the OPCO, approving annual budget or declaring dividends of the OPCO, and inspecting financial information of the OPCO at any time;

- (viii) representing a shareholder to execute and deliver any written resolutions and minutes on behalf of the shareholder;
- (ix) approving the OPCO to submit any registration documents to competent government authorities;
- (x) representing a shareholder to exercise voting rights with regard to the liquidation matters of the OPCO;
- (xi) when the directors or managers of the OPCO act in a manner harming the interests of the OPCO or its shareholders, filing a lawsuit against such directors or managers as a shareholder or taking other legal actions;
- (xii) approving amendments to the articles of association of the OPCO; and
- (xiii) any other rights vested in the shareholders by the articles of association of the OPCO or relevant laws and regulations.

Further, pursuant to the Powers of Attorney, each OPCO Registered Shareholders undertakes that:

- (i) such OPCO Registered Shareholder acknowledges that his/her spouse has been fully aware of the Structured Contracts and consented that he/she is the sole beneficiary of all the rights and interests and solely assumes obligations under the Structured Contracts; his/her spouse shall not enjoy any interests or rights under the Structured Contracts, nor assume any obligations thereunder; further, such OPCO Registered Shareholder and his/her spouse agree that, in the event of divorce, all the equity interests held by such OPCO Registered Shareholder in the OPCO shall not be deemed as mutual assets, but assets solely owned by such OPCO Registered Shareholder. In the event of divorce, such OPCO Registered Shareholder will ensure that adequate preventive measures are taken to ensure the due performance under the Structured Contracts and will not take any actions or measures in violation with the Structured Contracts; and

- (ii) such shareholder will not take any action deviating from the intention and purposes of the Structured Contracts, which may lead to any conflict of interests between the WFOE and the OPCO. If any conflict of interests occurs during the performance under the Structured Contracts by such OPCO Registered Shareholder, he/she will support the lawful interests of the WFOE and perform actions reasonably required by the WFOE. Unless prior written consent is obtained from the WFOE, such OPCO Registered Shareholder will not engage in, conduct, participate in or use the information obtained from the OPCO to participate in, directly or indirectly, any business or activity which competes or is likely to compete with the business of the OPCO, nor will he/she acquire, hold any interests in or derive any interests from any business which competes or is likely to compete with the business of the OPCO.

Term: The Powers of Attorney shall take effect from the date of execution and shall remain valid irrevocably during the period that such OPCO Registered Shareholders remain as shareholders of the OPCO, unless instructed to the contrary by the WFOE in writing.

Death or incapacity of any OPCO Registered Shareholder: In the case of death, incapacity, or in any other events that affect the exercising of the shareholder's rights in the OPCO by any OPCO Registered Shareholder, his/her successors, guardians or any other person entitled to claim rights or interests in the shares in the OPCO held by him/her shall be deemed as a party to the Power of Attorney and shall inherit all the rights and obligations of such OPCO Registered Shareholder under the Power of Attorney.

(v) *Spousal Consent Letters*

- Parties:
- (i) WFOE;
 - (ii) Each of the OPCO Registered Shareholders who is a married natural person;
 - (iii) The spouse of each such OPCO Registered Shareholders; and
 - (iv) OPCO

Subject matter: The spouse of each of the OPCO Registered Shareholders who is a married natural person unconditionally and irrevocably confirms, undertakes and warrants that:

- (i) each such spouse of relevant OPCO Registered Shareholder has been made fully aware of the Structured Contracts and consented that such relevant OPCO Registered Shareholder is the sole beneficiary of all the rights and interests and solely assumes obligations under the Structured Contracts; further, he/she does not and will not have any interests or rights under the Structured Contracts, nor assumes any obligations thereunder;
- (ii) all the equity interests held by such relevant OPCO Registered Shareholder in the OPCO shall be deemed as assets solely owned by such relevant OPCO Registered Shareholder, not mutual assets jointly owned by him/her and the related OPCO Registered Shareholder;
- (iii) the spouse will not participate in the operation or management of the OPCO, nor will claim any interests or rights in the equities or assets of the OPCO; in the event of divorce (as the case may be), such relevant OPCO Registered Shareholder has sole discretion to decide how to dispose of his/her interests or assets in the OPCO; and
- (iv) in the event that the spouse obtains any interests in the OPCO, he/she will be subject to and abide by the terms of the Structured Contracts as if he/she was a signing party to such Structured Contracts, and at the request of the WFOE, he/she will sign any documents in the form and substance consistent with the Structured Contracts.

Compliance of the Structured Contracts with PRC Laws

There is no deviation of the Structured Contracts from the guidance set out in paragraph 16 of HKEX-GL77-14. Except as disclosed in the section headed “Risk factors in relation to the Structured Contracts” in this announcement and any matters which are set out as qualifications or reservations as to matters of law of general application in the legal opinion issued by the PRC Legal Adviser (in particular, (a) the opinions set forth in the PRC legal opinion are limited to the PRC laws and regulations publicly available and currently in force as at the date of the PRC legal opinion and there is no guarantee that any of such laws and regulations, or the interpretation or enforcement thereof, will not be changed, amended or revoked in the future with or without retrospective effect; and (b) the opinions and interpretations from PRC legislative authorities, administrative authorities, courts or arbitration tribunals may change from time to time, and the PRC Legal Adviser cannot rule out the possibility that the PRC legislative authorities, administrative authorities, courts or arbitration tribunals may have

different interpretations of relevant PRC laws and regulations), the PRC Legal Adviser is of the opinion that, each of the Structured Contracts, upon due execution by the parties thereto and approval by the shareholders and/or board of the relevant parties (if applicable), (i) shall constitute valid, legal and binding obligations enforceable against the parties thereto in accordance with its terms; (ii) shall not be deemed as “concealment of illegal intentions with a lawful form”; and (iii) would not contravene PRC Laws applicable to the WFOE and the OPCO (including the PRC Contract Law), except that (A) the arbitral tribunal has no power to grant injunctive relief, nor will it be able to order the winding up of the OPCO pursuant to the current PRC Laws; and (B) interim remedies or enforcement order granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC. However, there are substantial uncertainties regarding the interpretation and application of PRC Laws and regulations, as a result, the PRC legislative authorities, administrative authorities, courts or arbitration tribunals may hold views contrary to that of the PRC Legal Adviser.

The PRC Legal Adviser is of the opinion that, as of the date of the PRC legal opinion, there are no clear and explicit provisions under applicable PRC Laws that foreign investors are not allowed to gain control of or operate in the businesses conducted by the OPCO through contractual arrangements.

As at the date of this announcement, the OPCO has not encountered any interference or encumbrance from any governing bodies in operating its business.

In light of the above, the Directors believe that save as disclosed, each of the Structured Contracts conferring significant control and economic benefits from the OPCO to the WFOE shall, upon due execution by the parties thereto and approval by the shareholders and/or board of the relevant parties (if applicable), be enforceable under the relevant PRC Laws, and that the Structured Contracts will provide a mechanism that enables the WFOE to exercise effective control over the OPCO.

The Company confirms that there is no deviation from the guidances respectively set out in HKEX-GL77-14 and HKEX-LD43-3.

Manner of settlement of disputes which may arise from the Structured Contracts

Dispute Resolution

Each of the Structured Contracts contains a dispute resolution clause. Pursuant to such clause, in the event of any dispute between the parties to the Structured Contracts regarding the interpretation and performance of the provisions of the relevant Structured Contract, the parties to the dispute shall settle the dispute through amicable negotiation. If an agreement to settle the dispute has not been reached within thirty (30) days after a party has requested for a settlement of the dispute through negotiation, then either party may submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The arbitration shall be conducted in Xiamen and the language for arbitration shall be Chinese. The decision of the arbitration shall be final and binding on the parties. To the extent permitted by PRC Laws, the arbitration tribunal may grant any remedies in accordance with the provisions of the respective Structured Contract and

applicable PRC Laws, including preliminary and permanent injunctive relief (such as for the conduct of business or to compel the transfer of assets), specific performance of contractual obligations, remedies concerning the shares or assets of the OPCO or order the winding up of the OPCO. To the extent permitted by PRC Laws, while pending formation of the arbitral tribunal or in appropriate cases, either party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration. Thus, the parties have reached a consensus that without violating the applicable PRC Laws, the courts of Hong Kong, Cayman Islands, the PRC and the places where the principal assets of the OPCO or the WFOE are located shall all be deemed to have competent jurisdiction.

However, the PRC Legal Adviser has advised that the above provisions may not be enforceable under the PRC Laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the OPCO pursuant to the current PRC Laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC. See paragraph headed “Risk factors in relation to the Structured Contracts – Certain provisions in the Structured Contracts may not be enforceable under PRC Laws” below.

Succession

The provisions set out in the Structured Contracts are also binding on any successors of the OPCO Registered Shareholders (in circumstances, for instances, death or incapacity of any such OPCO Registered Shareholder, as if the successor was a signing party to the Structured Contracts. Although the Structured Contracts do not specify the identity of successors to such OPCO Registered Shareholders, under the succession law of the PRC, statutory successors may include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and as such any breach by the successors would be deemed to be a breach of the Structured Contracts. In case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the Structured Contracts, any successor of an OPCO Registered Shareholder shall assume any and all rights and obligations of such OPCO Registered Shareholder under the Structured Contracts as if the successor was a signing party to such Structured Contracts.

In addition, each of the OPCO Registered Shareholders and their respective spouse have provided irrevocable undertakings which stipulate certain matters to succession of the rights and obligations under the Structured Contracts. See paragraphs headed “Information of the Structured Contracts – Structured Contracts – Powers of Attorney” and “Information of the Structured Contracts – Structured Contracts – Spousal Consent Letters”.

Liquidation

Pursuant to the Exclusive Purchase Option Agreement, in the event of dissolution or liquidation of the OPCO, the OPCO Registered Shareholders shall give all the proceeds they received from liquidation as a gift to the WFOE or any other person(s) designated by the WFOE to the extent permitted by PRC Laws.

Insolvency

In the event that any OPCO Registered Shareholder becomes insolvent (i.e. in a state of having total liabilities exceeding total assets), the WFOE may at any time exercise its Share Purchase Option to cause such OPCO Registered Shareholder to transfer its Optioned Shares to certain Designee(s) of the WFOE pursuant to the Exclusive Purchase Option Agreement, so that the WFOE may appoint new nominee(s) to the OPCO in order to protect the Company's rights under the Structured Contracts.

APPLICATION FOR AND CONDITIONS OF WAIVER

The Company applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable by the OPCO of the WFOE under the relevant Structured Contracts, and (ii) fixing the term of the Structured Contracts and having a term of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, subject to the following conditions:

- (a) *No Change without Independent Non-executive Directors' Approval:* No changes to the terms of any of the Structured Contracts will be made without the approval of the independent non-executive Directors;
- (b) *No Change without Independent Shareholders' Approval:* No changes to the terms of any of the Structured Contracts will be made without the approval of the Independent Shareholders. Once Independent Shareholders' approval of any change has been obtained, no further announcement, circular or approval of the Independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of the Company (as set out in paragraph (d) below) will however continue to be applicable;
- (c) *Economic Benefits Flexibility:* The Structured Contracts shall continue to enable the Group to receive the economic benefits derived by the OPCO through: (i) the Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the all issued shares in the OPCO; (ii) the business structure under which the net profits generated by the OPCO (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by the WFOE (such that no annual caps shall be set on the amount of the Service Fee payable to the WFOE under the relevant Structured Contracts); and (iii) WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the OPCO;
- (d) *Ongoing Reporting and Approvals:* the Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:
 - (i) The Structured Contracts in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

- (ii) The independent non-executive Directors will review the Structured Contracts annually and confirm in the Company's annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the revenue generated by the OPCO has been substantially retained by the WFOE; and (ii) no dividends or other distributions have been made by the OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;
- (iii) The Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange that the transactions carried out pursuant to the Structured Contracts have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by the OPCO to the holders of its equity interests which are not otherwise subsequently assigned/transferred to the Group;
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the OPCO will be treated as the Company's wholly owned subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the OPCO and their respective associates will be treated as the Company's "connected persons". As such, transactions between these connected persons and the Group (including for this purpose the OPCO) other than those under the Structured Contracts shall comply with Chapter 14A of the Listing Rules; and
- (v) The OPCO shall also undertake that, during the term of the relevant Structured Contracts, it will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review on the continuing connected transactions.

RISK FACTORS IN RELATION TO THE STRUCTURED CONTRACTS

If the PRC government finds that the agreements that establish the structure for the Group to operate certain businesses in the PRC through the Structured Contracts do not comply with applicable PRC Laws, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in the OPCO.

Various regulations in the PRC restrict foreign-invested enterprises from holding certain licenses required to operate business in relation to value-added telecommunication services, internet content provision and internet culture operation. The Company is a company incorporated under the laws of the Cayman Islands, and the WFOE, is a foreign-invested enterprise. In light of the abovementioned restrictions, by means of entering into the Structured Contracts, the Company is able to exercise effective control of the OPCO and receive substantially all of the economic benefits from the operation by the OPCO.

However, there are substantial uncertainties regarding the interpretation and application of PRC Laws, including without limitation the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, and other relevant PRC Laws. Accordingly, there can be no assurance that the PRC regulatory authorities that regulate providers of content and application delivery services and other participants in the telecommunications industry, in particular, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry), will ultimately take a view that is consistent with the opinion of the PRC Legal Adviser.

The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC Laws. If the corporate structure and Contractual Arrangements under the Structured Contracts are deemed to be illegal, either in whole or in part, by competent PRC authorities, such corporate structure and/or Contractual Arrangements may have to be modified to comply with regulatory requirements. Further, if such corporate structure and/or Contractual Arrangements were found to be in violation of any existing or future PRC Laws, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including, without limitation:

- (i) revoking the Structured Contracts;
- (ii) revoking the business and operating licenses of the OPCO;
- (iii) discontinuing or restricting the operations of the OPCO in the PRC;
- (iv) imposing fines or confiscating any of the income that they deem to have been obtained through illegal operations;
- (v) imposing conditions or requirements with which the Company and/or the Target Group Companies may not be able to comply;
- (vi) requiring the Company and/or the Target Group Companies to restructure the relevant corporate structure and/or Contractual Arrangements; or
- (vii) taking other regulatory or enforcement actions that could be harmful to the business operation of the Target Group Companies.

Any of these actions could cause significant disruption to the business operation of the Target Group Companies, and may materially and adversely affect the business, financial condition and results of operations of the Company. In addition, it is unclear what impact the PRC government actions would have on the Company and on its ability to consolidate the financial results of the OPCO in the Company's consolidated financial statements, if the PRC governmental authorities find the abovementioned legal structure and Contractual Arrangements to be in violation of PRC Laws, rules and regulations. In addition, if the imposition of any of these penalties or requirement to restructure of corporate structure causes the Company to lose the rights to direct the activities of the OPCO or the Company's right to receive economic benefits from the OPCO, the Company would no longer be able to consolidate the financial results of the OPCO in the Company's financial statements.

The Contractual Arrangements may not be as effective in providing operational control as direct ownership. The OPCO or the OPCO Registered Shareholders may fail to perform their obligations under the Structured Contracts.

Due to the PRC restrictions or prohibitions on foreign ownership of Internet and other related businesses in the PRC, the Company shall engage in the Licensed Operations in the PRC through the OPCO, in which the Company shall have no ownership interest. The Company shall rely on a series of Contractual Arrangements with the OPCO and the OPCO Registered Shareholders to control and operate the Licensed Operations. These Contractual Arrangements are intended to provide the Company with effective control over the OPCO and allow the Company to obtain economic benefits from it (see the section headed “Information of the Structured Contracts” above for more details). Although the Company has been advised by the PRC Legal Adviser, that the Structured Contracts constitute valid and binding obligations enforceable against each party of such Structured Contracts in accordance with their terms (except for certain provisions respectively set out in the sections headed “Compliance of the Structured Contracts with PRC Laws” above and “Risk factors in relation to the Structured Contracts — Certain provisions in the Structured Contracts may not be enforceable under PRC Laws” below), these Structured Contracts may not be as effective in providing control over the OPCO as direct ownership. If any of the OPCO or OPCO Registered Shareholders fails to perform its/his/her respective obligations under the Structured Contracts, the Company may incur substantial costs and expend substantial resources to enforce its rights. All of the Structured Contracts are governed by and interpreted in accordance with PRC Laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in the PRC. However, the legal system in the PRC is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how such contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC Laws. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit the Company’s ability to enforce the Structured Contracts. In the event the Company is unable to enforce the Structured Contracts or experiences significant delays or other obstacles in the process of enforcing the Structured Contracts, the Company may not be able to exert effective control over the OPCO and may lose control over the assets owned by the OPCO. As a result, the Company may be unable to consolidate the OPCO in its consolidated financial statements.

The Company may lose the ability to use and enjoy assets held by the OPCO if the OPCO declares bankruptcy or become subject to a dissolution or liquidation proceeding.

The OPCO holds certain assets that are critical to the Licensed Operations. The Structured Contracts contain terms that specifically obligate the OPCO Registered Shareholders to ensure the valid existence of the OPCO and that it may not be voluntarily liquidated without the consent of the WFOE. However, in the event that the OPCO Registered Shareholders breach this obligation and voluntarily liquidate the OPCO, or the OPCO declares bankruptcy, all or part of the assets of the OPCO may become subject to liens or rights of third-party creditors and the Company may be unable to continue some or all of the Licensed Operations, which could materially and adversely affect the business, financial condition, results of operations and prospects of the Company. If the OPCO Registered Shareholders breach or cause the OPCO to breach the Structured Contracts, the Company would have to rely on legal proceedings, to resolve disputes between the Company, the OPCO and/or the OPCO Registered Shareholders, which may be expensive, time-consuming and disruptive to the

operations of the Company. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of the current corporate structure, Contractual Arrangements, corporate governance and business operations of the Group and the Target Group.

Description of the Foreign Investment Law

On 15 March 2019, the National People's Congress of the PRC approved the foreign investment law (the “**Foreign Investment Law**”), which will come into effect on 1 January 2020 and replace the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

The Foreign Investment Law embodies the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of “foreign investment” in the future. In addition, the aforementioned definition of “foreign investment” contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment.

Impact of the Foreign Investment Law on VIE

The “variable interest entity” (the “**VIE**”) structure has been adopted by many fully or partially foreign-owned companies (including the Target Company by way of the Contractual Arrangements) which, through its subsidiaries in the PRC, assumes control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the “**FIE**”) proposes to conduct business in an industry subject to foreign investment “restrictions” in the “negative list”, the FIE must meet certain conditions under the “negative list” before being established. An FIE shall not conduct or engage in business in an industry subject to foreign investment “prohibitions” in the “negative list”. It is uncertain whether the businesses operated by the OPCO from time to time will be or continue to be subject to the foreign investment restrictions or prohibitions under the “negative list” to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, there will be substantial uncertainties as to whether such actions can be completed by the Group and the Target Group Companies in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the current corporate structure and business operations of the Group and the Target Group, as well as the ability of the Group and the Target Group to be or continue to be engaged in businesses subject to the foreign investment restrictions or prohibitions.

Potential Risks to the Group

The Structured Contracts, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Group may be required to dispose of the business under the Structured Contracts and will lose rights to receive the economic benefits from the OPCO, such that the financial results of the OPCO would no longer be consolidated into the Company’s financial results and the Company will have to de-recognise assets and liabilities of the OPCO according to the relevant accounting standards. If the Company no longer has a sustainable business after such disposal, the Stock Exchange may delist the Company.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

The Foreign Investment Law was approved by the National People’s Congress of the PRC on 15 March 2019 and will come into effect on 1 January 2020. As aforementioned, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the help of the Company’s PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the Foreign Investment Law on the Structured Contracts and the business operation of the Group.

In case there would be material and adverse effect on the Group or the business of the Target Group arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal opinion and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

The OPCO Registered Shareholders may potentially have potential conflicts of interest with the Group.

The Group's control over the OPCO is based on the contractual arrangement under the Structured Contracts. Therefore, conflict of interests of the OPCO Registered Shareholders will adversely affect the interests of the Group. Pursuant to the Powers of Attorney, the OPCO Registered Shareholders shall irrevocably authorise the WFOE or persons designated by the WFOE who are unrelated to the OPCO Registered Shareholders as their representative to exercise all of their rights as shareholders of the OPCO. Therefore, it is unlikely that there will be potential conflict of interests between the Group and the OPCO Registered Shareholders. In the case of conflicts of interest between the OPCO Registered Shareholders and the Group, the OPCO Registered Shareholders have undertaken to support the lawful interests of the WFOE and perform actions reasonably required by the WFOE.

Certain provisions in the Structured Contracts may not be enforceable under PRC Laws

All the agreements which constitute the Structured Contracts are governed by PRC Laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC Laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit the Company's ability to enforce the Structured Contracts. In the event that the Company is unable to enforce the Structured Contracts, or if the Company suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the OPCO, and the Company's ability to conduct certain businesses and the financial condition, results of operations and prospects of the Company may be materially and adversely affected.

The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the OPCO, injunctive relief and/or winding up of the OPCO. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC Laws, these terms may not be enforceable. Under PRC Laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or shares in the OPCO in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC. PRC Laws do not allow the arbitral body to grant an

award of transfer of assets of or shares in the OPCO in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Structured Contracts, and if the Company is unable to enforce the Structured Contracts, the Company may not be able to exert effective control over the OPCO, which could materially and adversely affect the ability to conduct certain businesses by the Company.

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

Under PRC Laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts do not represent an arms-length price and adjust the income of the OPCO in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the OPCO, which could in turn increase its tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to the OPCO for under-paid taxes. The Group's financial results may be materially and adversely affected if the OPCO's tax liabilities increase or if the OPCO is found to be subject to late payment fees or other penalties.

The Group does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any insurance in this regard. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the operation of the OPCO, the financial results and financial position of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

The WFOE's ability to acquire the shares in the OPCO may be subject to various limitations and substantial costs

Pursuant to the Structured Contracts, the WFOE (or its designee(s)) has the exclusive right to purchase all or any part of the shares in the OPCO from the OPCO Registered Shareholders for a price equal to the paid-in capital contribution amount corresponding to such Optioned Shares, unless the relevant government authorities request that a higher amount be used as the purchase price and in which case the purchase price shall be such amount. The OPCO Registered Shareholders will be subject to PRC individual income tax on the difference between the purchase price and the capital contribution amount that has been paid in by such OPCO Registered Shareholders to the OPCO. The OPCO Registered Shareholders will pay, after deducting any such tax and other applicable government fees, the remaining amount to the WFOE as a gift under the Structured Contracts. The amount to be received by the WFOE may also be subject to enterprise income tax. As such, the costs incurred from the WFOE's exercise of the Share Purchase Option under the Structured Contracts could be substantial.

Economic risks the WFOE bears as the primary beneficiary of the OPCO, financial support to the OPCO and potential exposure of the Target Company to losses

As the primary beneficiary of the OPCO, the WFOE will share both profit and loss of the OPCO. Equally, the WFOE bears economic risks which may arise from difficulties in the operation of the OPCO's business. The WFOE may have to provide financial support in the event of financial difficulty of the OPCO. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the OPCO and the need to provide financial support to the OPCO.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

In addition to the internal control measures provided in the Structured Contracts, it is the intention of the Company, following Completion, to implement, through the WFOE, additional internal control measures against the OPCO as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to the following:

Management controls

- (i) The Group will appoint an executive director to the board of the OPCO mainly responsible for enforcing all management controls of the OPCO (the “**Responsible Person**”). The Responsible Person shall be the legal representative of OPCO, and shall be required to conduct monthly reviews on the operations of the OPCO and submit the monthly reviews to the Board;
- (ii) the Responsible Person shall establish a team to be funded by the Group who shall station at the OPCO and shall be actively involved in various aspects of the daily managerial and operational activities of the OPCO;
- (iii) upon receiving notification of any material events of the OPCO, the Responsible Person must report to the Board as soon as practicable;
- (iv) the Responsible Person shall conduct regular site visits to the OPCO and conduct interviews with the relevant senior management of the OPCO every six months and submit the interview notes to the Board;
- (v) all seals, chops, incorporation documents and all other legal documents of the OPCO and its subsidiaries from time to time (if any) must be kept at the office of the WFOE, which shall be separate from the office of the OPCO;
- (vi) the OPCO will amend its articles of association from time to time so that any transfer, mortgage or disposal of the assets, business or income of the OPCO shall be approved by the Responsible Person; and
- (vii) the Group will ensure that at all times after Completion, no person in any way related to any OPCO Registered Shareholder may be appointed as a member of the board of directors or senior management of the WFOE.

Financial controls

- (i) The financial team of the Company shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO within 15 days after each month end for review. The financial team of the Company will seek explanations from the senior management of the OPCO on any material fluctuations of the aforesaid collected items. Upon discovery of any suspicious matters, the financial team of the Company must report to the Responsible Person as soon as practicable, who shall in turn report to the Board;
- (ii) if the payment of the Service Fee from the OPCO to the WFOE is delayed, the financial team of the Company must meet with the OPCO Registered Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the OPCO Registered Shareholders will be removed and replaced under the Structured Contracts; and
- (iii) the OPCO must assist and facilitate the Company to conduct all on-site internal audits on the OPCO if so required by the Company.

Legal review

The Responsible Person will consult the Company's PRC legal adviser from time to time to check if there are any legal developments in the PRC affecting the Structured Contracts, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made.

The Board's view on the Structured Contracts

Based on the above, the Board (excluding the independent non-executive Directors, whose view will, after receiving the advice from the Independent Financial Advisers, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) is of the view that the Structured Contracts are narrowly tailored to achieve the OPCO's business purpose and to minimise the potential conflict with and are enforceable under relevant PRC Laws. The Structured Contracts enable the Target Company to gain control over the financing and business operations of the OPCO, and enjoy the economic benefits generated by the OPCO. The Structured Contracts also provide that the WFOE may unwind the Structured Contracts as soon as relevant PRC Laws allow the WFOE to register itself as the shareholder of the OPCO.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Concert Group is interested in 617,354,500 Shares, representing approximately 39.91% of the total issued share capital of the Company. Vendor-1, being a Controlling Shareholder, and Warrantor-1, being the ultimate beneficial owner of the Controlling Shareholder and an executive Director, are connected persons of the Company. Warrantor-4, being a cousin of Warrantor-1, is a deemed connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Structured Contracts

Warrantor-1, being one of the OPCO Registered Shareholders, is also the ultimate beneficial owner of the Controlling Shareholder and executive Director, and therefore a connected person of the Company. As approximately 80.88% of all issued shares in the OPCO are owned by Warrantor-1 as at the date of this announcement, the OPCO is a connected person of the Company by virtue of its being an associate of Warrantor-1 pursuant to Rule 14A.07(4) of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Structured Contracts is more than 5%, the transactions contemplated under the Structured Contracts constitute continuing connected transactions and are subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Company applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the Service Fee payable by the OPCO to the WFOE under the relevant Structured Contracts, and (ii) fixing the term of the Structured Contracts and having a term of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules.

GENERAL

The Independent Board Committee, comprising Ms. LIU Qianli, Messrs. LAI Xiaoling and MA Suen Yee Andrew, being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Acquisition, the entering into of the Structured Contracts and the application for the Whitewash Waiver, after taking into account the recommendations of the Independent Financial Adviser.

The Company has appointed Euto as its independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver.

A circular containing, among other things, (i) details of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts); (ii) the letter from the Independent Board Committee to the Independent Shareholders setting out its recommendations in respect of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver; (iv) financial information of the Group and the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (vi) the notice of the EGM and forms of proxy, will be despatched to the Shareholders on or before 23 April 2019.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE GRANTING OF THE WHITEWASH WAIVER BY THE EXECUTIVE, AND CONSEQUENTLY THE ACQUISITION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Share Purchase Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code; and the term “ person(s) acting in concert ” shall be construed accordingly
“Acting in Concert Presumptions”	the presumptions of acting in concert set out in the definition of “acting in concert” under the Takeovers Code
“Affiliates”	with respect to any person, any of such person’s connected person(s), any other person directly or indirectly controlling, controlled by, or under common control with such person (including any subsidiary) or any investment funds managed or advised by such person or any of its other Affiliates and, for any person who is an individual, includes such individual’s spouse, children, any person(s) cohabiting as a spouse of such person. “ Affiliated ” shall have correlative meanings. For the purpose of this definition, the term “ control ” (including with correlative meanings, the terms “ controlling ”, “ controlled by ” and “ under common control with ”), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday and public holiday) on which normal commercial banks in Hong Kong are open for ordinary banking services
“Company”	Feiyu Technology International Company Ltd., a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 1022)
“Completion”	completion of the Acquisition
“Completion Date”	the third (3rd) Business Day (or such other date as may be agreed in writing by the Parties) after the date on which all the Conditions have been satisfied or otherwise waived in accordance with the Share Purchase Agreement

“Concert Group”	Vendor-1 and persons acting in concert with it, including but not limited to Mr. Yao, Mr. Bi and BILIN Holdings Limited
“Condition(s)”	the condition(s) precedent set out in the Share Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$286,443,813, being the total consideration for the Acquisition payable by the Purchaser under the Share Purchase Agreement
“Consideration Shares”	an aggregate of 818,410,895 Shares to be issued and allotted at the Issue Price by the Company to the Vendors for the settlement of the Consideration pursuant to the Specific Mandate
“Contractual Arrangements”	the contractual arrangements under the Structured Contracts
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to, among others, Vendor-1, Warrantor-1 and Mr. Bi
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), including but not limited to the Specific Mandate and the Whitewash Waiver
“Enlarged Group”	collectively, the Group and the Target Group upon Completion
“Euto” or “Independent Financial Adviser”	Euto Capital Partners Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the relevant Structured Contracts), the Specific Mandate and the Whitewash Waiver (as the case may be)
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement to be entered into between the WFOE and the OPCO, the details of which are set out in the section headed “Information of the Structured Contracts – Structured Contracts” of this announcement

“Exclusive Purchase Option Agreement”	the exclusive purchase option agreement to be entered into between the WFOE, the OPCO Registered Shareholders and the OPCO, the details of which are set out in the section headed “Information of the Structured Contracts – Structured Contracts” of this announcement
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Company”	Talent Talk Limited, a company incorporated in Hong Kong with limited liability, all issued shares in which are held by the Target Company
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which is established to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), the Specific Mandate and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) members of the Concert Group; (ii) parties presumed to be acting in concert with Mr. Yao and Mr. Bi, including Mr. Chen Jianyu, Mr. Lin Jiabin and Mr. Lin Zhibin; and (iii) all other persons (if any) who are involved or interested in the Share Purchase Agreement, the Structured Contracts and the respective transactions contemplated thereunder (including the Acquisition and the duration of the Structured Contracts), the Specific Mandate and the Whitewash Waiver including without limitation Warrantor-2, Warrantor-3 and Warrantor-4
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are not connected with any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates and not a member of the Concert Group
“Issue Price”	HK\$0.35 per Consideration Share
“Last Trading Day”	1 April 2019, being the last full trading day for the Shares immediately before the date of the Share Purchase Agreement

“Licensed Operations”	the businesses operated by the OPCO for which the Licences are required pursuant to the PRC Laws
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	2 October 2019 (being the date falling six (6) months after the date of this announcement) or such other date as the Parties may agree in writing
“Milin Longling”	Milin Longling Investment Co., Ltd.* (米林隆領投資有限公司), a company established in the PRC with limited liability
“MOFCOM”	Ministry of Commerce of the PRC
“Mr. Bi”	Mr. BI Lin (畢林), an executive Director who is acting in concert with Vendor-1 and other persons acting in concert with it (including Warrantor-1)
“Mr. Cai” or “Warrantor-2”	Mr. CAI Wensheng (蔡文勝), an individual who as at the date of this announcement (i) owns all issued shares in Vendor-2; and (ii) is the legal and beneficial owner of all issued shares in Vendor-2
“Mr. Li” or “Warrantor-3”	Mr. LI Weiping (李偉平), a PRC citizen who as at the date of this announcement (i) is the registered shareholder of approximately 14.71% of all issued shares in the OPCO; and (ii) is the legal and beneficial owner of all issued shares in Vendor-3
“Mr. Yao” or “Warrantor-1”	Mr. YAO Jianjun (姚劍軍), a PRC citizen who as at the date of this announcement (i) is the registered shareholder of approximately 80.88% of all issued shares in the OPCO; and (ii) is one of the beneficiaries of The Yao Family Trust, which indirectly holds all issued shares in Vendor-1
“Ms. Zhou” or “Warrantor-4”	Ms. ZHOU Chunlan (周春蘭), a PRC citizen who as at the date of this announcement (i) is the registered shareholder of approximately 4.41% of all issued shares in the OPCO; and (ii) is the legal and beneficial owner of all issued shares in Vendor-4
“NDRC”	National Development and Reform Commission of the PRC
“OPCO”	Xiamen Xianglian Technology Co., Ltd. (廈門享聯科技股份有限公司), a joint stock limited company established under the law of the PRC

“OPCO Capital Reduction”	the reduction of share capital in the OPCO such that (i) each of Warrantor-1, Warrantor-3 and Warrantor-4 shall hold approximately 80.88%, 14.71% and 4.41% of all issued shares in the OPCO, respectively; and (ii) each of Milin Longling, YU Dongfeng* and QIU Song* having ceased to hold any shares in the OPCO. The OPCO Capital Reduction was completed on 6 March 2019
“OPCO Registered Shareholders”	the registered holders of all the issued shares of the OPCO for the time being, the details of which are set out in the section headed “Information of the Target Group – Information of the OPCO Registered Shareholders” of this announcement
“Party(ies)”	party(ies) to the Share Purchase Agreement
“Power(s) of Attorney”	the power(s) of attorney to be entered into between the WFOE, each OPCO Registered Shareholder and the OPCO, the details of which are set out in the section headed “Information of the Structured Contracts – Structured Contracts” in this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Laws”	any laws, regulations, rules, notices, interpretation or other binding documents issued by any central or local legislative, executive or judicial authorities in the PRC
“PRC Legal Adviser”	Han Kun Law Offices, the legal adviser of the Company in relation as to the laws of the PRC in relation to the Acquisition and the Structured Contracts
“Purchaser”	Star Winner Asia Corporation, a BVI business company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company
“Reorganisation”	the corporate reorganisation of the Target Group, which includes but is not limited to (i) the Target Group having obtained necessary valid approval, permission, registration or filing in relation to the Reorganisation from the relevant governmental or regulatory authorities, agencies or bodies of its applicable jurisdictions; and (ii) the WFOE having entered into legal and valid Structured Contracts with the OPCO and the OPCO Registered Shareholders in accordance with the laws of their applicable jurisdictions, in order to effectively control the Licensed Operations and enjoy all economic benefits generated from the Licensed Operations

“Sale Shares”	collectively, Sale Shares-1, Sale Shares-2, Sale Shares-3 and Sale Shares-4
“Sale Shares-1”	6,066 shares in the Target Company held by Vendor-1, representing 60.66% of the issued share capital of the Target Company
“Sale Shares-2”	2,500 shares in the Target Company held by Vendor-2, representing 25% of the issued share capital of the Target Company
“Sale Shares-3”	1,103 shares in the Target Company held by Vendor-3, representing 11.03% of the issued share capital of the Target Company
“Sale Shares-4”	331 shares in the Target Company held by Vendor-4, representing 3.31% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of US\$0.0000001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Options”	the options granted under share option schemes of the Company
“Share Pledge Agreement”	the share pledge agreement to be entered into between the WFOE, the OPCO Registered Shareholders and the OPCO, the details of which are set out in the section headed “Information of the Structured Contracts – Structured Contracts” of this announcement
“Share Purchase Agreement”	the share purchase agreement dated 2 April 2019 entered into among the Purchaser, the Vendors and the Warrantors in relation to the Acquisition
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Board at the EGM to allot and issue the Consideration Shares at the Issue Price
“Spousal Consent Letter(s)”	letter(s) of consent to be signed by the spouse of each of the OPCO Registered Shareholders who is a married natural person, the details of which are set out in the section headed “Information of the Structured Contracts – Structured Contracts” of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, (i) the Exclusive Purchase Option Agreement; (ii) the Exclusive Business Cooperation Agreement; (iii) the Share Pledge Agreement; (iv) the Powers of Attorney; and (v) the Spousal Consent Letters, as amended and restated from time to time
“Takeovers Code”	the Code on Takeovers and Mergers
“Target Company”	Sharelink Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability, which is owned as to 100% by the Vendors
“Target Group”	collectively, (i) the Target Company; (ii) the HK Company; (iii) the WFOE; and (iv) the OPCO, which shall be controlled by the WFOE through the Structured Contracts
“Target Group Company(ies)”	any member company of the Target Group
“The Yao Family Trust”	a trust established by Mr. Yao (as the settlor) as a discretionary trust for the benefit of Mr. Yao and his family members
“Vendor-1”	YAO Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor-2”	Longling Capital Ltd, a company incorporated in the British Virgin Islands with limited liability
“Vendor-3”	ADVANCED ACCESS INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands with limited liability
“Vendor-4”	BILLION CHAMPION ENTERPRISES CORPORATION 兆安企業有限公司, a company incorporated in the British Virgin Islands with limited liability
“Vendors”	collectively, Vendor-1, Vendor-2, Vendor-3 and Vendor-4

“Vendor Warranties”	the representations, warranties and undertakings provided by the Vendors and/or the Warrantors under the Share Purchase Agreement
“Voting Directors”	the Board (including Mr. Chen Jianyu, Mr. Lin Jiabin and Mr. Lin Zhibin, who do not have a material interest in the Share Purchase Agreement and the transactions contemplated thereunder (including the Acquisition) and are not required to abstain from voting on the Board resolutions in relation thereto, but excluding (i) Mr. Yao, who is the ultimate beneficial owner of Vendor-1 and therefore abstained from voting in the Board meeting to approve the Share Purchase Agreement and the transactions contemplated thereunder (including the Acquisition); (ii) Mr. Bi, who is a person acting in concert with Mr. Yao and therefore abstained from voting in the Board meeting to approve the Share Purchase Agreement and the transactions contemplated thereunder (including the Acquisition); and (iii) the independent non-executive Directors, whose view will, after receiving the advice from the Independent Financial Advisers, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders)
“Warrantors”	collectively, Warrantor-1, Warrantor-2, Warrantor-3 and Warrantor-4
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Vendor-1 to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company (other than those already owned or agreed to be acquired by the Concert Group and parties presumed to be acting in concert with Mr. Yao and/or Mr. Bi) as a result of the allotment and issue of the Consideration Shares
“WFOE”	Xiamen Lianyuan Interactive Technology Co., Ltd.* (廈門聯遠互動科技有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability, the entire issued share capital of which is held by the HK Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“US\$” United States dollar(s), the lawful currency of the United States of America

“%” per cent.

By Order of the Board
Feiyu Technology International Company Ltd.
LIN Jiabin
Executive Director

Hong Kong, 2 April 2019

As at the date of this announcement, the Board comprises Messrs. YAO Jianjun, CHEN Jianyu, BI Lin, LIN Jiabin and LIN Zhibin, as executive Directors; and Ms. LIU Qianli, and Messrs. LAI Xiaoling and MA Suen Yee Andrew, as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Concert Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Mr. YAO Jianjun, being the sole director of Vendor-1, accepts full responsibility for the accuracy of the information contained in this announcement relating to the Concert Group and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* For identification purpose only