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**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
LOOVEE HOLDINGS INC.
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

THE SHARE PURCHASE AGREEMENT

On 21 February 2017 (after trading hours), the Purchaser, the Vendors and the Guarantors entered into the Share Purchase Agreement, pursuant to which the Purchaser conditionally agreed to buy and the Vendors conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the aggregate Consideration of HK\$800,500,000.

The aggregate Consideration for the Sale Shares of HK\$800,500,000 shall be satisfied by (i) the Deposit; (ii) cash consideration of HK\$100 million less the Deposit; and (iii) the allotment and issue of the Consideration Shares by the Company at an issue price of HK\$4.67 per Consideration Share. The Purchaser shall also repay to the Vendors any Shareholder Loans (which shall be unsecured and interest-free) made by the Vendors or their related companies to the Target Group subsequent to 31 December 2016 and immediately before Completion, and the Vendors shall ensure that the total amount of such Shareholder Loans shall not exceed HK\$10 million.

The Consideration Shares comprising 150,000,000 Shares represent approximately 42.5% of the issued share capital of the Company as at the date of this announcement and approximately 29.8% 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 Shareholders at the SGM to be convened by the Company in relation to the Acquisition.

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

THE TARGET GROUP

As at the date of this announcement, the Target Company, through its subsidiary, owns the entire registered capital of the WFOE, which shall enter into a series of the VIE Contracts with the OPCO and the VIE Equity Owners. Through the VIE Contracts, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interest and benefits generated by the OPCO. The OPCO Group is principally engaged in the development and operation of a mobile social networking platform named “Duimian” (“對面”), the largest gamified mobile social networking platform and the second largest stranger-to-stranger mobile social networking platform in the PRC, as measured by the number of downloads on Android devices, according to the Analysys Report.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% and all the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

The issue of the Consideration Shares under the Share Purchase Agreement is subject to the Specific Mandate to be sought from the Shareholders at the SGM. The SGM will be convened at which ordinary resolution(s) will be proposed for the Shareholders to consider, and, if thought fit, approve the Share Purchase Agreement, the Specific Mandate and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transactions contemplated under the Share Purchase Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules on the resolution(s) to be proposed at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Share Purchase Agreement and the transactions contemplated thereunder; (ii) financial information and other information of the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (iv) other information as required under the Listing Rules together with a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 31 March 2017 as additional time is required for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the relevant Conditions, therefore the Share Purchase Agreement may or may not proceed. Accordingly, the Acquisition may or may not materialise. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated 19 January 2017 in relation to the MOU.

INTRODUCTION

On 21 February 2017 (after trading hours), the Purchaser, the Vendors and the Guarantors entered into the Share Purchase Agreement, pursuant to which the Purchaser conditionally agreed to buy and the Vendors conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the aggregate Consideration of HK\$800,500,000.

THE SHARE PURCHASE AGREEMENT

The principal terms and conditions of the Share Purchase Agreement are as follows:

Date:

21 February 2017 (after trading hours)

Parties:

Purchaser : Glory Sino Limited

Vendors : (i) Leqian
(ii) Mike Cai
(iii) Mr. Tsang
(iv) SA1
(v) Lemei
(vi) Letu
(vii) Leguang
(viii) Lehao
(ix) Leming

Guarantors : (i) Mr. Zhou
(ii) Mr. Cai
(iii) Mr. Tsang
(iv) Mr. Sung
(v) Ms. Lai
(vi) Mr. Zhang
(vii) Ms. Zhang
(viii) Mr. Feng
(ix) Mr. Liu

Each of the Guarantors unconditionally and irrevocably guarantees to the Purchaser, jointly and severally, the due and punctual performance by the Vendors their respective obligations under the Share Purchase Agreement.

For details of the Vendors and the Guarantors, please refer to the section headed “Information on the Vendors and the Guarantors” below.

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Purchaser conditionally agreed to buy and the Vendors conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, and together with all rights now and thereafter attaching or accruing thereto (including the right to receive all dividends and distributions declared, made or paid in respect of the Sale Shares on or after 31 December 2016).

Pursuant to the Share Purchase Agreement, the Purchaser is not obliged to complete the Acquisition unless the Purchaser or its designated party can acquire the entire issued share capital of the Target Company upon Completion.

As at the date of this announcement, the Target Company, through its subsidiary, owns the entire registered capital of the WFOE, which shall enter into a series of the VIE Contracts with the OPCO and the VIE Equity Owners. Through the VIE Contracts, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interest and benefits generated by the OPCO. The OPCO Group is principally engaged in the development and operation of a mobile social networking platform named “Duimian” (“對面”), one of the largest gamified (i.e. the application of online game design concepts to social networks) mobile social networking platform and stranger-to-stranger mobile social networking platform in the PRC.

Consideration and Deposit

Pursuant to the Share Purchase Agreement, the aggregate consideration for the Sale Shares shall be HK\$800,500,000. The breakdown of the Consideration is set out below:

Vendors	Beneficial interest in the Target Company (approximate)	Consideration (in million HK\$) (approximate)
Leqian	39.75%	318.2
Mike Cai	17.25%	138.1
Mr. Tsang	17.25%*	138.1
SA1	15.50%	124.1
Lemei	2.94%	23.5
Letu	2.45%	19.6
Leguang	2.39%	19.1
Lehao	1.50%	12.0
Leming	0.97%	7.8
Total	100%	800.5

* Such 17.25% equity interest in the Target Company is nominally held by Mike Cai on trust in favour of Mr. Tsang who is an Independent Third Party.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors after taking into account, among other things, (i) the historical financial results of the Target Group; (ii) the historical operating performance of the OPCO including but not limited to the number of registered users and active users; and (iii) the business prospect of the Target Group.

Given that (i) the Target Group has only launched its Duimian platform since 2013 and has been loss making; (ii) the Target Group is currently in a net liability position; and (iii) the Target Group is experiencing a high growth in revenue, the Directors consider it is appropriate to use price-to-sale multiple (“**P/S ratio**”) to value the Target Group, instead of price-to-earnings and price-to-book multiples. Based on the Consideration and the unaudited consolidated revenue of the Target Group for the year ended 31 December 2016, the implied P/S ratio for the Acquisition is approximately 8.4 times. The Directors consider this is comparable to the median of the P/S ratios of listed companies in Hong Kong and the United States which are principally engaged in operation of a social networking platform.

The Consideration shall be satisfied by the Purchaser to the Vendors by (i) the Deposit; (ii) cash consideration of HK\$100 million less the Deposit; and (iii) the allotment and issue of the Consideration Shares by the Company at an issue price of HK\$4.67 per Consideration Share in the following manner:

	Cash consideration HK\$	Deposit HK\$	Cash consideration less Deposit HK\$	Number of Consideration Shares to be allotted and issued <i>Number of Shares</i>
Vendors				
Leqian	39,750,000	7,950,000	31,800,000	59,625,000
Mike Cai	17,250,000	3,450,000	13,800,000	25,875,000
Mr. Tsang	17,250,000	3,450,000	13,800,000	25,875,000
SA1	15,500,000	3,100,000	12,400,000	23,250,000
Lemei	2,940,000	588,000	2,352,000	4,410,000
Letu	2,450,000	490,000	1,960,000	3,675,000
Leguang	2,390,000	478,000	1,912,000	3,585,000
Lehao	1,500,000	300,000	1,200,000	2,250,000
Leming	970,000	194,000	776,000	1,455,000
Total	<u>100,000,000</u>	<u>20,000,000</u>	<u>80,000,000</u>	<u>150,000,000</u>

The Deposit, which was paid on 20 January 2017 pursuant to the MOU, shall be applied to settle part of the cash consideration of HK\$100 million. The remaining cash consideration of HK\$80 million shall be financed by the internal resources and/or borrowings of the Group.

On the Completion Date, in accordance with the respective beneficial shareholdings of the Vendors in the Target Company, the Purchaser shall (i) transfer an aggregate cash of HK\$40 million; and (ii) deliver the Consideration Shares, to the respective Vendors. The remaining balance of cash consideration, i.e. HK\$40 million, shall be paid by the Purchaser to the Vendors within 90 days after the Completion Date (or such other date as the Purchaser and the Vendors may agree).

The Consideration Shares comprising 150,000,000 Shares represent approximately 42.5% of the issued share capital of the Company as at the date of this announcement and approximately 29.8% 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 Shareholders at the SGM to be convened by the Company in relation to the Acquisition.

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

Shareholder Loans

Pursuant to the Share Purchase Agreement, (i) any outstanding Shareholder Loans as at 31 December 2016 shall be capitalised as additional paid-in capital of the Target Company (or other procedure as agreed between the Purchaser and the Vendors) on or before Completion; and (ii) the Purchaser shall, within 90 days after the Completion Date (or such other date as the Purchaser and the Vendors may agree), repay to the Vendors any Shareholder Loans (which shall be unsecured and interest-free) made by the Vendors or their related companies to the Target Group subsequent to 31 December 2016 and immediately before Completion, and the Vendors shall ensure that the total amount of such Shareholder Loans shall not exceed HK\$10 million. The Vendors shall, upon Completion, provide the Purchaser with a report including the details of the aforesaid Shareholder Loans which shall be reviewed by the auditors designated by the Purchaser.

Issue Price

The Issue Price of HK\$4.67 represents:

- (i) a discount of approximately 34.0% to the closing price of the Shares of HK\$7.08 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 30.4% to the closing price of the Shares of HK\$6.71 per Share as quoted on the Stock Exchange on 19 January 2017, being the date of the MOU Announcement;
- (iii) a discount of approximately 19.3% to the average closing price of the Shares of approximately HK\$5.79 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the MOU Announcement;
- (iv) a discount of approximately 8.8% to the average closing price of the Shares of approximately HK\$5.12 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the date of the MOU Announcement; and
- (v) a premium of approximately 17.9% over the average closing price of the Shares of approximately HK\$3.96 per Share as quoted on the Stock Exchange for the last 60 trading days up to and including the date of the MOU Announcement.

Conditions

Completion is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following Conditions:

- (i) the Purchaser being satisfied with the results of the due diligence review on the financial, technological, business and legal aspects of the Target Group;
- (ii) the Shareholders having approved at the SGM the transactions contemplated under the Share Purchase Agreement, including the acquisition of the Sale Shares by the Purchaser and the allotment and issue of the Consideration Shares to the Vendors;
- (iii) the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (iv) the representations, warranties and undertakings given by the Vendors under the Share Purchase Agreement being true, correct and accurate in all respects at all times;
- (v) there having not occurred since 31 December 2016 any unusual operations or any significant incidents in relation to work safety or any material adverse changes or any material risks which were not previously disclosed in relation to the business, assets and operations of any member of the Target Group;
- (vi) the Existing VIE Contracts being legally valid and binding as at the date of the Share Purchase Agreement, and prior to Completion, the Existing VIE Contracts having been terminated and replaced by the VIE Contracts being duly executed in form and content satisfactory to the Purchaser;
- (vii) the Vendors having fulfilled their obligations under the Share Purchase Agreement;
- (viii) all third-party, governmental and/or regulatory approvals, consents, permissions and filings necessary for the Acquisition (if any) having been obtained;
- (ix) the Vendors providing the Purchaser with the unaudited consolidated financial statements of the Target Group for the three months ended 31 March 2017;
- (x) completion of the transfer of the equity interest in the OPCO from Mr. Zhou and Mr. Cai (as sellers) to the VIE Equity Owners (as purchasers) under share purchase agreements in form and content satisfactory to the Purchaser, with the completion of the registration with the local Administration of Industry and Commerce in connection with such transfer;
- (xi) a certificate of incumbency dated the Completion Date or one Business Day prior to Completion issued by the registered agent of the Target Company, the content of which shall be consistent with the information of the Target Company disclosed in the Share Purchase Agreement, having been obtained;
- (xii) capitalisation of any outstanding Shareholder Loans as at 31 December 2016 as additional paid-in capital (or other procedure that the Purchaser and the Vendors may agree in respect of such Shareholder Loans); and

(xiii) the Vendors providing the Purchaser with a report including the details of the Shareholder Loans as at 31 December 2016 and the Shareholder Loans made by the Vendors or their related companies to the Target Group subsequent to 31 December 2016 and immediately before Completion which shall be reviewed by the auditors designated by the Purchaser.

The Conditions can be waived in whole or in part by the Purchaser except for Conditions (ii), (iii), (vi) and (viii). The Vendors shall endeavour to assist the Purchaser in completing all necessary procedures for the transfer of the Sale Shares.

In the event that Completion cannot take place due to the intentional act or omission of the Purchaser, but the Existing VIE Contracts have already been terminated and replaced by the VIE Contracts, and/or the transfer of the equity interest in the OPCO from Mr. Zhou and Mr. Cai to the VIE Equity Owners has been completed in accordance with Conditions (vi) and (x) above, the Purchaser shall use reasonable efforts to assist the Vendors in (i) terminating the VIE Contracts and executing relevant agreements to restore the Target Group to the condition immediately prior to the termination of the Existing VIE Contracts; and (ii) transferring the equity interest in the OPCO back to the person(s) nominated by the Vendors, and the Purchaser shall bear reasonable expenses arising from the above.

Long stop date

If all the above Conditions are not fulfilled or waived (as the case may be) by the Purchaser on or before 25 April 2017 or such later date as the parties may agree, the Purchaser has the right to unilaterally terminate the Share Purchase Agreement and no party shall have any liability to the other party save in respect of antecedent breaches of the Share Purchase Agreement. The Deposit (together with any interest) shall be returned to the Company within one Business Day after such termination. If the Purchaser unilaterally terminates the Share Purchase Agreement without reasonable cause, the Vendors shall not be required to return the Deposit to the Company.

Completion

Subject to all the above Conditions being fulfilled (or waived by the Purchaser as applicable), Completion shall take place on the Completion Date.

Lock-up undertakings

Pursuant to the Share Purchase Agreement, each of the Vendors undertakes to the Purchaser that the Consideration Shares held by each of the Vendors shall be locked up for a period of six months commencing from the Completion Date and the Vendors shall not transfer, dispose of or pledge the Consideration Shares in any form during such period.

Service contracts

Each of the Vendors shall, on or before Completion, procure certain key management and technical staff of the Target Group (the “**Key Employees**”) to execute service contracts for a term of three years on terms and forms satisfactory to the Purchaser. The notice period for termination of these service contracts shall be at least 180 days. In any event, the Key Employees shall not resign in the first year from the effective date of the service contracts.

Non-competition undertakings

Pursuant to the Share Purchase Agreement, each of the Vendors shall execute and procure each of the Guarantors to execute a non-competition undertaking prior to Completion, under which each of them undertakes that (i) for a period of three years after the date of the non-competition undertaking, each of them shall not (a) engage in any business, whether directly or indirectly through any other person or company as a shareholder, director, employee, partner, agency or any other ways, that competes with all the businesses of the Target Group in the PRC (except holding an interest in any company listed on any stock exchange not exceeding 5% of the issued share capital of the company in question); (b) solicit or induce any existing or prospective customer of the Target Group or any person or company with whom the Target Group has usual dealings in the last three years prior to the date of the non-competition undertaking to enter into any contract or accept any business from them; and (c) employ or solicit or induce any officer, employee or consultant of the Target Group to leave, whether directly or indirectly through any other person or company; (ii) at any time after the date of the non-competition undertaking, each of them shall not (a) use or disclose to any third party any information in relation to the Target Group (including the intellectual property rights owned by the Target Group) except that such information is publicly available or is required to be disclosed by court orders; (b) use or procure any other person or company to use any name or symbol in relation to any trade or business or application which is sufficient or is likely to cause confusion with that of the Target Group; and (c) use any technology and product owned or any extended technology and product to be owned by the Target Group for any business activity other than that of the Target Group; and (iii) it shall procure its affiliates to comply with the contents of the non-competition undertaking.

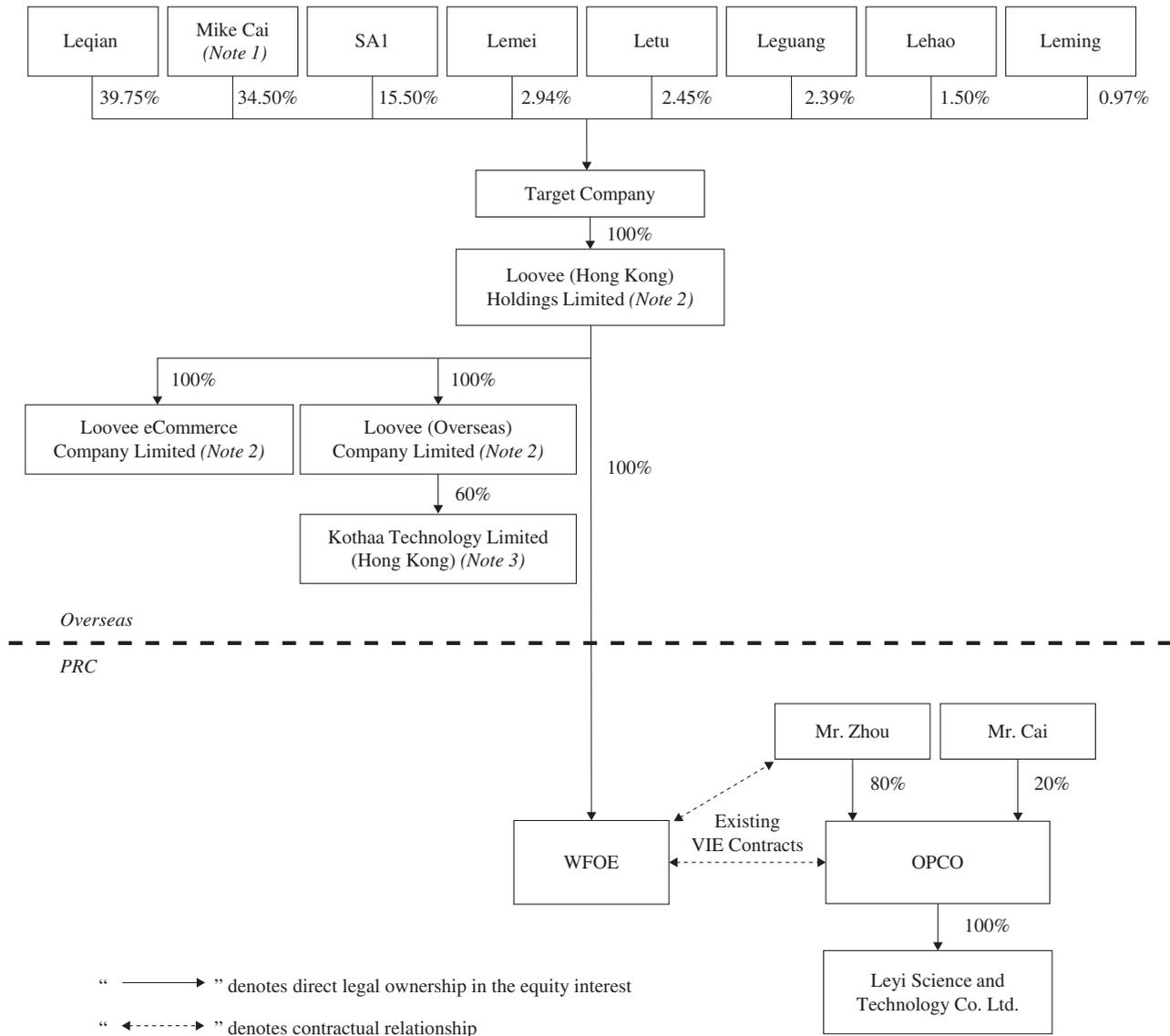
INFORMATION OF THE TARGET GROUP

Shareholding structure and corporate structure

The Target Company is a company incorporated in the Cayman Islands with limited liability. The entire issued share capital of the Target Company is held by the Vendors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors and their beneficial owners is an Independent Third Party.

As at the date of this announcement, the Target Company, through its subsidiary, owns the entire registered capital of the WFOE, which shall enter into a series of the VIE Contracts with the OPCO and the VIE Equity Owners. Through the VIE Contracts, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interest and benefits generated by the OPCO.

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



Notes:

1. 17.25% is held by Mike Cai on trust in favour of Mr. Tsang, being the beneficial owner of such shares in the Target Company.
2. The principal business activity is investment holding.
3. The principal business activity is provision of internet value-added services.

Business model

The Target Group, through the OPCO, is principally engaged in the development and operation of a mobile social networking platform named “Duimian” (“對面”), the largest gamified mobile social networking platform and the second largest stranger-to-stranger mobile social networking platform in the PRC, as measured by the number of downloads on Android devices, according to the Analysys Report. The Target Group has started its operation since July 2011. The user base of the Duimian platform has grown rapidly since the Duimian platform was launched in 2013. As at 31 December 2016, it had approximately 99.7 million registered users.

The Duimian platform is scalable and can be expanded to accommodate a fast growing number of users, offer additional gamification features and facilitate various monetisation models. The Target Group has developed proprietary technology to support the growth of its business. Its cloud-based server and network infrastructure enables the Duimian platform to simultaneously and reliably deliver entertainment contents to millions of domestic and overseas users.

Under the Duimian platform, users are given specific tasks and awarded points to encourage social interaction, such as speaking to a stranger, joining a social group and giving and receiving virtual gifts. Users are encouraged to apply these skills towards creating and cultivating virtual relationships and communities, which enhances user stickiness. Using their personal pages, community activities and interaction with other participants, users can accumulate points, attract followers and receive gifts, medals and recognition, potentially becoming online celebrities, who are identified and recognised through various lists and award of medals and banners. These gamification features allow the Duimian platform to engage users and enhance interaction among them. Offline events, such as speed dating events, are also organised where users can gather and meet in person.

The Target Group generates revenue from the sale of virtual items and providing advertising services. Virtual items include VIP membership subscriptions, virtual gifts, special effects and other value-added services. The Target Group also allows advertisers to promote their products on its Duimian platform.

Industry overview

Gamified social networking combines the data-driven techniques that game designers use to engage players and applies them to the mobile social networking experience. Gamified social networking platforms expand on this concept by extensively incorporating game mechanics into the mobile social networking experience to encourage user participation, engagement and loyalty. These gaming techniques include in-app games, tasks, badges, leveling up, competition, rankings, points, and virtual relationships and communities.

According to the Analysys Report, the mobile gamified social networking industry in the PRC continues to grow as the industry begins to consolidate and emerging technologies drive market growth. The size of the PRC’s mobile gamified social networking market increased in value by 136.6% from RMB56 million in 2014 to RMB133 million in 2015, according to the Analysys Report. Moreover, it is expected to further increase to RMB375 million in 2016, RMB1,023 million in 2017 and RMB2,086 million in 2018, representing a compound annual growth rate of 147.1% for the period from 2014 to 2018.

Gamified social networking platforms help users to improve social and communication skills that conservative Chinese culture does not emphasise, incentivise users to interact with each other through gamification features and build on the fundamental human need to socialise, compete and be recognised. Keys to success in the PRC’s mobile gamified social networking industry include having a clear value proposition, offering user-orientated products and services, integrating new technology and successful and scalable monetisation models.

Financial information of the Target Group

The following table sets out the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2016:

	For the year ended 31 December	
	2015	2016
	<i>RMB</i>	<i>RMB</i>
Net revenue	33,090,030	85,485,058
Loss before tax	5,511,915	10,983,792
Loss after tax	5,511,915	10,983,792
		As at 31 December 2016 <i>RMB</i>
Net liabilities attributable to shareholders		16,159,455

Pursuant to the VIE Contracts, the WFOE will be able to control the finance and operation of the OPCO so as to obtain its entire economic interest and benefits despite the lack of registered equity ownership. The Directors have discussed with the auditors of the Company and are of the view that the financial results and position of the OPCO are capable of being consolidated into the financial statements of the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company.

Information on the shareholders of the OPCO

As at the date of this announcement, the shareholders of the OPCO are Mr. Zhou and Mr. Cai, who held 80% and 20% equity interest in the OPCO, respectively. For details of Mr. Zhou and Mr. Cai, please refer to the section headed “Information on the Vendors and the Guarantors” below.

Information on the VIE Equity Owners

Pursuant to the Share Purchase Agreement, the VIE Equity Owners shall be nominated by the Company to be the equity owners of the OPCO on or before Completion, who shall be Independent Third Parties and PRC citizens.

INFORMATION ON THE VENDORS AND THE GUARANTORS

Other than Mr. Tsang, each of the Vendors is a BVI incorporated company and is principally engaged in investment holding.

The Guarantors are shareholders and beneficial owners of the Vendors.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Guarantors, the Vendors and their beneficial owners is an Independent Third Party.

Leqian and Mr. Zhou

Leqian is wholly-owned by Mr. Zhou, who is the chief executive officer and chairman of the Target Company. Mr. Zhou owns 80% equity interest in the OPCO as at the date of this announcement.

Mike Cai and Mr. Cai

Mike Cai is wholly-owned by Mr. Cai, who is the chief marketing officer and a director of the Target Company. Mr. Cai owns 20% equity interest in the OPCO as at the date of this announcement.

Mr. Tsang

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Tsang is an Independent Third Party.

SA1 and Mr. Sung

SA1 is wholly-owned by Mr. Sung, who is the chief financial officer and a director of the Target Company.

Lemei and Ms. Lai

Lemei is wholly-owned by Ms. Lai, who is the chief accountant of the OPCO.

Letu and Mr. Zhang

Letu is wholly-owned by Mr. Zhang, who is the chief technology officer of the Target Company.

Leguang and Ms. Zhang

Leguang is wholly-owned by Ms. Zhang, who is the chief operational officer of the Target Company.

Lehao and Mr. Feng

Lehao is wholly-owned by Mr. Feng who, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is an Independent Third Party.

Leming and Mr. Liu

Leming is wholly-owned by Mr. Liu, who is the project manager of the Target Company.

THE VIE CONTRACTS

Background and reasons for use of the VIE Contracts

The OPCO currently possesses (i) 中華人民共和國增值電信業務經營許可證 (the PRC's License for Value-Added Telecommunications Business*) issued by 廣東省通信管理局 (Communications Administration of Guangdong Province*) which permits the OPCO to engage in information service business of class two value-added telecommunications business; and (ii) 網絡文化經營許可證 (the Online Culture Operating License*) issued by 廣東省文化廳 (Department of Culture of Guangdong Province*) which permits the OPCO to operate gaming products with the use of online information including distribution of online game virtual currency and engage in performance.

According to 《外商投資產業指導目錄(2015年修訂)》 (The Guidance Catalogue of Industries for Foreign Investment (2015 Amended*)) (the “**Catalogue**”), value-added telecommunications service business is restricted for foreign investors and foreign ownership in such business (except e-commerce) cannot exceed 50%, and in particular, internet cultural business (except for music) is prohibited for foreign investors. Moreover, under 《外商投資電信企業管理規定》 (The Provisions on the Administration of Foreign-Invested Telecommunications Enterprises*), the major foreign investor should possess a good track record and operational experience of the operations of value-added telecommunication services (the “**Qualifications**”).

The OPCO Group is principally engaged in the development and operation of a mobile social networking platform named “Duimian” (“**對面**”) which is considered to be engaged in the provision of value-added telecommunications services and the internet cultural business, a restricted and prohibited business respectively for foreign investors pursuant to the Catalogue. Moreover, the Company and its subsidiaries do not possess the required Qualifications. As such, the Target Company as a foreign investor cannot directly or indirectly hold the equity interest in the OPCO.

As a result, to comply with the applicable PRC laws and regulations, the WFOE, the OPCO and the VIE Equity Owners shall enter into the VIE Contracts on or before Completion to enable the financial results, the entire economic benefits and the risks of the business of the OPCO to flow onto the WFOE and to enable the WFOE to gain control over the OPCO.

Based on the terms and reasons set out below, the Directors are of the view that the VIE Contracts will allow the entire economic benefits and the risks of the business of the OPCO to flow onto the WFOE and to enable the WFOE to gain control over the OPCO.

Details of the VIE Contracts

The proposed terms of the VIE Contracts are summarised as follows:

(i) *The Exclusive Technology Consulting and Services Agreement*

Parties: (i) WFOE; and

(ii) OPCO

Services: The WFOE has the exclusive right to provide the OPCO with the following consulting services: (i) research and development of relevant software and technology in accordance with the business needs of the OPCO and licensing the OPCO to use such software and technology; (ii) design, monitoring, testing and maintenance of the OPCO's computer network equipment and webpages; (iii) technical training and support for employees of the OPCO; (iv) repair and maintenance, safety and testing services for the OPCO's Internet systems; (v) hardware and software purchasing consulting services; (vi) market development and marketing of application software; (vii) industry consulting and product development; (viii) business cooperation opportunities such as customers, business partners and related market information; and (ix) other related consulting and technical services in accordance with the business needs of the OPCO.

Without the prior written consent of the WFOE, the OPCO cannot engage any third party to provide the same or similar technical and consulting services provided by the WFOE under the Exclusive Technology Consulting and Services Agreement.

Fees: For the services provided by the WFOE under the Exclusive Technology Consulting and Services Agreement, the OPCO shall pay, on a quarterly basis, to the WFOE a service fee that equal to 100% of the net profit of the OPCO after deducting taxes, costs and expenses incurred during the course of business.

The WFOE has the right to adjust the service fee in accordance with the actual services provided to the OPCO as well as the operating condition and development needs of the OPCO.

Term: The Exclusive Technology Consulting and Services Agreement has an initial term of ten years from the date of execution, and may be extended at the sole discretion of the WFOE.

The WFOE has the right to terminate the Exclusive Technology Consulting and Services Agreement at any time with a prior 30-day written notice to the OPCO. The OPCO, in any event, shall not have the right to unilaterally terminate the Exclusive Technology Consulting and Services Agreement or to declare it invalid.

(ii) The Business Operation Agreement

Parties: (i) WFOE;
(ii) OPCO; and
(iii) VIE Equity Owners

Subject matter: The VIE Equity Owners agree that, without the prior written consent from the WFOE, the OPCO would not enter into any transaction or perform any act that could materially affect its assets, business, personnel, undertakings, rights or operations, including but not limited to the following transactions or acts:

- (i) conducting business beyond the usual and normal scope or inconsistent with past practice;
- (ii) entering into any loan or other debtor-creditor relationship with any third party or assuming any debt;
- (iii) appointing or dismissing any director or senior management of OPCO;
- (iv) selling, transferring or acquiring assets or rights or dispose of them in any other way, including but not limited to intellectual property rights, to any third party;
- (v) providing any form of guarantee in favor of any third party with its assets or intellectual property rights or creating any other encumbrance on any of its assets;
- (vi) modifying the articles of association, business scope, normal business procedure or internal rules or guidance of the OPCO;
- (vii) assigning any right and obligation under the Business Operation Agreement to any third party;

(viii) making material changes to the business model, marketing strategy, operational guidelines or client relationships of the OPCO; and

(ix) distributing bonuses or dividends to shareholders.

The VIE Equity Owners also agree:

(i) to vote for or appoint nominees designated by the WFOE to serve as the directors, chairman, general managers, financial controllers and other senior managers of the OPCO;

(ii) to accept and implement proposals set forth by the WFOE regarding employment, day-to-day business operations and financial management; and

(iii) to unconditionally transfer any dividend or other interest declared by the OPCO to the WFOE.

Term:

The Business Operation Agreement has an initial term of ten years from the date of execution, and may be extended at the discretion of the WFOE.

The WFOE has the right to terminate the Business Operation Agreement at any time by giving a prior 30-day written notice to the OPCO and the VIE Equity Owners. Neither the OPCO nor the VIE Equity Owners can terminate the Business Operation Agreement prior to the expiry of its term.

(iii) The Exclusive Call Option Agreement

- Parties: (i) WFOE;
- (ii) OPCO; and
- (iii) VIE Equity Owners
- Option: The VIE Equity Owners unconditionally and irrevocably grant the WFOE an irrevocable and exclusive option to purchase or designate one or more persons to purchase, to the extent permitted under the relevant PRC laws and regulations, all or part of their equity interests in the OPCO.
- The OPCO also grants the WFOE an irrevocable and exclusive option to purchase or designate another party to purchase, to the extent permitted under the relevant PRC laws and regulations, any or all of the assets owned by the OPCO (including its equity interest in 深圳市樂宜科技有限公司 (Leyi Science and Technology Co. Ltd.*)).
- Without the WFOE's prior written consent, the OPCO and the VIE Equity Owners will not themselves or procure others to sell, transfer, mortgage or otherwise dispose of all or part of the equity interests in or assets of the OPCO.
- Exercise price: For acquisition of the entire equity interests in the OPCO, if the PRC law does not require an evaluation of the equity interests in or assets of the OPCO when the option is exercised, the total purchase price shall be RMB10,000 for 100% of the equity interests.
- If the PRC law requires such an evaluation, the total purchase price shall be (i) 1% of the evaluation price; or (ii) the minimum price permitted by the then applicable PRC law.
- For acquisition of assets of the OPCO, the purchase price shall be the lower of (i) the book value; and (ii) the minimum price permitted by the then applicable PRC law.
- The proceeds received by the OPCO and the VIE Equity Owners from the exercise of the option under the Exclusive Call Option Agreement shall be unconditionally returned to the WFOE or its designated party.

Term: The Exclusive Call Option Agreement shall remain effective until all the equity interests in the OPCO held by the VIE Equity Owners are transferred or assigned to the WFOE or its designated party.

The WFOE has the right to terminate the Exclusive Call Option Agreement at any time with a prior 30-day written notice to the OPCO and the VIE Equity Owners. Save as the WFOE, no other party shall have the right to unilaterally terminate the Exclusive Call Option Agreement.

(iv) The Equity Interest Pledge Agreement

Parties: (i) WFOE (as pledgee); and
(ii) VIE Equity Owners (as pledgors)

Pledge: The VIE Equity Owners agree to pledge all of their equity interests in the OPCO (including any equity interest subsequently acquired or subscribed) to the WFOE to guarantee the performance by the OPCO and the VIE Equity Owners of their respective obligations under the Contractual Arrangements.

If the OPCO or the VIE Equity Owners breach their obligations under the Contractual Arrangements, the WFOE, as the pledgee, shall be entitled to certain rights and remedies, including priority in receiving the proceeds from the auction or disposal of the pledged equity interests in the OPCO.

The VIE Equity Owners shall instruct the OPCO not to distribute any dividend, bonus or other forms of profits during the term of the pledge. Any economic benefit (other than the above) generated by the pledged equity interests during the term of the pledge shall be returned to the WFOE.

Term: The Equity Interest Pledge Agreement shall become effective on the date when the pledge of the equity interests in the OPCO is registered on the register of members of the OPCO and shall remain binding until the VIE Equity Owners discharge all their obligations under the Contractual Arrangements or the termination of the VIE Contracts (other than the Equity Interest Pledge Agreement).

During the term of the Equity Interest Pledge Agreement, the VIE Equity Owners shall take all actions to ensure that the registration of the pledge of the equity interests in the OPCO on the register of members of the OPCO continues to be valid.

(v) *The Powers of Attorney*

Parties: VIE Equity Owners (each of the VIE Equity Owners executed a Power of Attorney separately)

Subject matter: Each of the VIE Equity Owners irrevocably appoints the WFOE as their attorney-in-fact to act for all matters pertaining to the OPCO and to exercise all of their rights as shareholders of the OPCO, including but not limited to:

- (i) proposing to convene and attend shareholders' meetings of the OPCO;
- (ii) receiving notice of convening and proceedings of shareholders' meetings of the OPCO;
- (iii) exercising all the voting rights as shareholders of the OPCO (including appointment of directors, general managers, financial controllers and other senior managers of the OPCO and distribution of bonuses) and signing minutes of shareholders' meetings;
- (iv) selling, transferring, pledging or disposing of the shares of the OPCO, executing all necessary documents and performing all necessary procedures;
- (v) executing all documents required to be signed by the shareholders of the OPCO and submitting any documents to relevant company registration authorities for filing purpose; and
- (vi) exercising all other shareholders' rights under other applicable PRC laws and regulations and the articles of association (as amended from time to time) of the OPCO.

The WFOE shall have the right to designate certain person appointed by the board of directors or executive director to exercise rights granted by the VIE Equity Owners under the Powers of Attorney.

Term: Unless the Business Operation Agreement is terminated for any reason, the Powers of Attorney executed by each of the VIE Equity Owner has an initial term of ten years from the date of execution, and may be extended at the discretion of the WFOE.

(vi) The Commitment Letters

Parties: VIE Equity Owners (each of the VIE Equity Owners executed a Commitment Letter separately)

Subject matter: The VIE Equity Owners irrevocably undertake that:

- (i) for whatever reason the equity interests in the OPCO are transferred or inherited to other person(s) (including but not limited to bankruptcy, divorce or death of the VIE Equity Owners), such transferee(s) or successor(s) shall be legally bound by the VIE Contracts (as appropriate) and such transfer or inheritance or other relevant arrangement shall not contravene the VIE Contracts unless with the prior written consent from the WFOE;
- (ii) all the equity interests held in the OPCO shall not form part of their matrimonial property and all decision made by them in the OPCO shall not be affected by their spouses;
- (iii) they shall not, whether directly or indirectly through any other person or entity, participate in, carry out, acquire or hold any interest in any business which is or may be in competition with the OPCO or its related companies, and shall not do anything which gives rise to any conflict of interest between them and the WFOE;
- (iv) they shall transfer any assets obtained as a result of the liquidation of the OPCO to the WFOE at nil consideration or the lowest price permitted by the applicable law; and
- (v) they shall unconditionally return any proceeds received as a result of the exercise of the option under the Exclusive Call Option Agreement to the WFOE or its designated party.

(vii) The Spousal Consent Letters

- Parties: The spouses of the VIE Equity Owners (the spouse of each of the VIE Equity Owners executed a Spousal Consent Letter separately)
- Subject matter: The spouse of each of the VIE Equity Owners irrevocably agrees that:
- (i) all the equity interests held by the VIE Equity Owners in the OPCO and all the benefits generated from these equity interests do not form part of their matrimonial property;
 - (ii) all the benefits generated from the equity interests in the OPCO belong to the VIE Equity Owners and can be dealt with in any way by the VIE Equity Owners without the consent of their spouses;
 - (iii) the VIE Equity Owners may execute any supplemental document to the relevant VIE Contracts without the signature, confirmation, consent and approval from their spouses; and
 - (iv) they shall be bound by the relevant VIE Contracts in the event that they obtain any equity interest in the OPCO held by the VIE Equity Owners for any reason.

Compliance of VIE Contracts with PRC laws, rules and regulations

As advised by the PRC Legal Adviser, the VIE Contracts do not violate mandatory provisions of laws and regulations of validity nature, including those applicable to the business of the WFOE and the OPCO, and the articles of association of the WFOE and the OPCO. The VIE Contracts to be entered into are legally binding on each relevant party to the VIE Contracts and shall not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC contract law.

The GAAP’s Notice 13 prohibits foreign investors from using any agreements or contractual agreements to gain control of or operate an online game business in the PRC. Taking into account that details of the implementation and the scope for execution of the GAAP’s Notice 13 have not yet been issued by the relevant authorities and based on confirmations by the relevant authorities in the interviews with the same, the PRC Legal Adviser is of the view that the VIE Contracts would not constitute a violation of the GAAP’s Notice 13.

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

Dispute resolutions in the VIE Contracts

The VIE Contracts are governed by and will be constructed in accordance with the PRC laws and contain a provision for resolving disputes by arbitration at 華南國際經濟貿易仲裁委員會 (South China International Economic and Trade Arbitration Commission) in accordance with its arbitration rules. The VIE Contracts provide that the arbitration tribunal may award remedies over the equity interests or assets of the OPCO, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO. The VIE Contracts also include a clause in relation to dispute resolution among the parties where, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, Bermuda, the PRC and the locations where the principal assets of the Company or the OPCO are located. However, the PRC Legal Adviser is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the OPCO. In addition, even though the VIE Contracts provide that overseas courts (e.g. courts in Hong Kong and Bermuda) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the PRC laws.

Possible impact of the Draft Law (as defined below) on the VIE Contracts and the business of the Target Group

On 19 January 2015, the Ministry of Commerce of the PRC published 《中華人民共和國外國投資法(草案徵求意見稿)》(the draft PRC Foreign Investment Law*) and 《關於〈中華人民共和國外國投資法(草案徵求意見稿)〉的說明》(the Explanation on the draft PRC Foreign Investment Law*) (collectively the “**Draft Law**”), which contain changes to the PRC foreign investment legal regime and the treatment of the VIE arrangement. The Draft Law clearly defines the VIE arrangement as a form of foreign investment. When the Draft Law is adopted, 《中華人民共和國外國投資法》(the PRC Foreign Investment Law*) shall apply to investments using the VIE arrangements.

There is no concrete guidance on how the existing and new VIE arrangements should be treated in the Draft Law. For investments using the VIE arrangements which exist before the Draft Law is adopted and becomes law, if the underlying businesses are still being categorised as prohibited or restricted foreign investment businesses after the Draft Law is adopted and becomes law, there are three suggested available alternatives in dealing with such VIE arrangements pursuant to the Draft Law:

- (i) The foreign investment enterprise under the VIE arrangement shall declare to the foreign investment authority under the State Council of the PRC that it is effectively controlled by PRC investors. After such declaration, the VIE arrangement can be retained and the relevant parties can continue the operation;
- (ii) The foreign investment enterprise under the VIE arrangement shall file an application with the foreign investment authority under the State Council of the PRC for being recognised as a party under the effective control of PRC investors. If the foreign investment authority recognises it as being effectively controlled by PRC investors, the VIE arrangement can be retained and the relevant parties can continue the operation; or

- (iii) The foreign investment enterprise under the VIE arrangement shall apply for entry permit from the foreign investment authority under the State Council of the PRC, and the foreign investment authority and relevant authorities will consider factors including the actual controller of the foreign investment enterprise and make a decision on how the relevant VIE arrangement should be handled.

For the purpose of the Draft Law, “control” refers to the circumstances that any of the following conditions is met with respect to an enterprise: (i) holding, directly or indirectly, not less than 50% of shares, equities, share of properties, voting rights or other similar rights of the enterprise; (ii) holding, directly or indirectly, less than 50% of shares, equities, share of properties, voting rights or other similar rights of the enterprise, but falling under any of the following circumstances: (a) having the right to directly or indirectly appoint not less than half of the members of the board of directors or other similar decision-making body of the enterprise; (b) having the ability to ensure that its nominees occupy not less than half of the seats on the board of directors or other similar decision-making body of the enterprise; or (c) holding voting rights sufficient to impose significant impacts on any resolution of the meetings of shareholders, at the general meeting of shareholders, or of the board of directors or other decision-making body of the enterprise; or (iii) imposing decisive impacts on the operation, finance, personnel or technology of the enterprise by contract, trust, or other means. For the purpose of the Draft Law, “actual controllers” refer to natural persons or enterprises that directly or indirectly control any foreign investor or foreign-invested enterprise.

As defined in the Draft Law, “PRC investors” refer to the following subjects: (i) natural persons with PRC nationality; (ii) the PRC government and the departments or agencies there under; or (iii) domestic enterprises under the control of the subjects as mentioned in the preceding two categories. Meanwhile, “foreign investors” refer to the following subjects making investments within the territory of the PRC: (i) natural persons without the PRC nationality; (ii) enterprises incorporated under the laws of countries or regions other than the PRC; (iii) the governments of countries or regions other than the PRC and the departments or agencies thereunder; or (iv) international organisations. Domestic enterprises under the control of foreign investors as mentioned in the preceding sentence are deemed as foreign investors.

Upon Completion, each of the Target Company and the WFOE will become a wholly-owned subsidiary of the Company. The Company may not, upon Completion, be controlled by the PRC investors. According to the PRC Legal Adviser, upon Completion, the WFOE may not be considered as being controlled by PRC investors as currently defined under the Draft Law. As a result, assuming value-added telecommunications and internet cultural businesses are still categorised as a restricted and prohibited business respectively and the Draft Law is finally adopted and becomes law, there remains uncertainty that whether the WFOE can engage in such businesses through the VIE Contracts given that the WFOE may not be considered as being controlled by PRC investors as currently defined under the Draft Law.

However, according to the PRC Legal Adviser, the Draft Law is published for consultation purpose and has not yet been legally binding. As there are uncertainties on the final content and interpretations of the Draft Law if and when it is adopted and becomes law, there is no assurance that the VIE Contracts and the business of the Target Group will not be materially affected in the future. In order to continuously monitor the development of the Draft Law to assess the possible impact on the VIE Contracts and the business of the Target Group, the Board will monitor the updates of the Draft Law and discuss with the Company's PRC legal adviser. In case there would be material impact on the Group or the business of the Target Group, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

The Board's view on the VIE Contracts

Based on the above, the Board is of the view that the VIE Contracts are an effective mechanism to facilitate the WFOE's control over the finance and operation of the OPCO so as to obtain the entire economic interest and benefits generated by the OPCO despite the lack of registered equity ownership in the OPCO and are enforceable under the relevant PRC laws and regulations (save for the dispute resolution clauses as contained in the VIE Contracts, details of which are set out in the section headed "The VIE Contracts — Dispute resolutions in the VIE Contracts" above and the section headed "Risk factors in relation to the VIE Contracts — Certain provisions in the VIE Contracts may not be enforceable under PRC laws" below). Pursuant to the relevant provisions of the VIE Contracts, the WFOE has the right to unwind the VIE Contracts as soon as the relevant PRC laws allow the WFOE to register itself as the shareholder of the OPCO. The VIE Equity Owners have also undertaken that in the event the relevant PRC laws allow the WFOE to operate the business of the OPCO without the VIE Contracts in the future, they shall unwind the VIE Contracts and return any consideration received if the WFOE or its designated party acquires the equity interests in the OPCO from them.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) sales of merchandise including garments, fashion accessories, hardgoods and labels; (ii) provision of services including procurement and value-added services relating to the procurement agency business; and (iii) money lending business. As disclosed in the interim report of the Company for the six months ended 31 October 2016, the Company will continue to explore potential investment opportunities aiming to bring a greater return to the Shareholders.

Taking into account, among other things:

- (i) the competitive strengths of the Duimian platform as the largest gamified mobile social networking platform and the second largest stranger-to-stranger mobile social networking platform in the PRC with a rapidly growing and highly engaged user base according to the Analysys Report;
- (ii) the market potential of the mobile gamified social networking industry in the PRC as detailed in the section headed "Information on the Target Group — Industry overview" above;

- (iii) the Consideration will be substantially settled by way of the Consideration Shares which will enlarge the equity base of the Company while preserving the Company's liquidity;
- (iv) the decreasing profit of the Group in the past few years; and
- (v) the Acquisition will enable the Group to diversify its businesses and broaden its revenue source,

the Directors consider that the terms of the Share Purchase Agreement (including the Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RISK FACTORS IN RELATION TO THE VIE CONTRACTS

There is no assurance that the VIE Contracts could comply with future changes in the PRC foreign investment legal regime and the PRC government may determine that the VIE Contracts do not comply with applicable regulations.

Save for the dispute resolution clauses as contained in the VIE Contracts, the PRC Legal Adviser is of the opinion that the VIE Contracts are legally binding on each relevant party to the VIE Contracts. The VIE Contracts do not violate mandatory provisions of laws and regulations of validity nature, including those applicable to the business of the WFOE and the OPCO, and the articles of association of the WFOE and the OPCO, and shall not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law. However, there can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

On 19 January 2015, the Ministry of Commerce of the PRC published the Draft Law pursuant to which foreign companies gaining control over domestic companies via VIE arrangement will be regarded as foreign investments and will be governed by the Draft Law when it is adopted and becomes law. According to the PRC Legal Adviser, the Draft Law is published for consultation purpose and has not yet been legally binding. As there are uncertainties on the final content and interpretations of the Draft Law if and when it is adopted and becomes law, there is no assurance that the VIE Contracts will comply with the Draft Law when it is adopted and becomes law.

If the authorities deny the validity, effectiveness and enforceability of the VIE Contracts, the Group would (i) lose control of the OPCO; and (ii) be unable to consolidate the financial results of the OPCO or properly safeguard or control the assets of the OPCO, which would result in a material adverse effect on the Group's business, financial condition and results of operations.

The Company will, from time to time, together with its PRC legal adviser, check if there are any legal developments in the PRC affecting the arrangements contemplated under the VIE Contracts, and the Board will determine if any modification or amendment are required to be made.

The VIE Contracts may not be as effective as direct ownership in providing control over the OPCO

The Group relies on the contractual arrangement under the VIE Contracts to operate the business of the OPCO. Such contractual arrangement may not be as effective in providing the WFOE with control over the OPCO as direct ownership. If the WFOE has direct ownership of the OPCO, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of the OPCO, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the VIE Contracts, the Group relies on the performance by the VIE Equity Owners of their obligations under the VIE Contracts to exercise control over the OPCO. Therefore, the VIE Contracts with the VIE Equity Owners may not be as effective in ensuring the WFOE's control over the OPCO as direct ownership would be.

The VIE Equity Owners 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 VIE Contracts. Therefore, conflict of interests of the VIE Equity Owners will adversely affect the interests of the Group. Pursuant to the Powers of Attorney, the VIE Equity Owners shall irrevocably appoint the WFOE as their attorney-in-fact to act for all matters pertaining to the OPCO and 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 VIE Equity Owners. However, in the unlikely event that conflicts of interest arise between the VIE Equity Owners and the Group and such conflicts cannot be resolved, the Company will consider to remove and replace the VIE Equity Owners under the VIE Contracts.

Certain provisions in the VIE Contracts may not be enforceable under PRC laws

The VIE Contracts provide that the arbitration tribunal may award remedies over the equity interests or assets of the OPCO or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO. The VIE Contracts also include a clause in relation to dispute resolution among the parties where, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, Bermuda, the PRC and the location where the principal assets of the Company or the OPCO are located.

However, the PRC Legal Adviser is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the OPCO. In addition, even though the VIE Contracts provide that overseas courts (e.g. courts in Hong Kong and Bermuda) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the PRC laws. As a result, in the event that the OPCO or any of the VIE Equity Owners breaches the terms of the VIE Contracts, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCO could be materially and adversely affected.

The contractual arrangement under the VIE Contracts may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangement under the VIE Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust the income and expenses of the WFOE and/or the OPCO for PRC tax purposes, which could result in higher tax liabilities on the WFOE and/or the OPCO.

The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the OPCO or those of the WFOE increase significantly or if they are required to pay interest on late payments.

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

The insurance of the Group does not cover the risks relating to the VIE 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 VIE Contracts in the future, such as those affecting the enforceability of the VIE 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.

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

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

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.

There is a lack of clear guidance or interpretation on the Qualifications which may cast uncertainty to the Group when the foreign ownership restriction in value-added telecommunications is relaxed

In respect of the Qualifications, there is no clear formal guideline and provision on what constitutes “a good track record” and “operational experience”. Despite the lack of clear guidance or interpretation on the Qualifications, the Company intends to acquire the entire equity interests in the OPCO when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC. The Group plans to take steps to build up its track record of overseas value-added telecommunications business operations in an attempt to comply with the Qualifications, so as to be qualified to acquire the entire equity interests in the OPCO when the restrictions on the percentage of foreign ownership in value-added telecommunications services and on foreign ownership in value-added telecommunication enterprises are lifted. The Company, however, cannot assure that such measures are ultimately sufficient to comply with the Qualifications. If the restriction on foreign ownership in companies providing value-added telecommunications services under the current PRC laws is lifted, the Group may still not be in a position to comply with the Qualifications and not qualified to acquire the entire equity interests in the OPCO.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

In addition to the internal control measures provided in the VIE 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 or senior management to the board of the OPCO mainly responsible for enforcing all management controls of the OPCO (the “**Responsible Director**”). The Responsible Director is required to conduct monthly reviews on the operations of the OPCO and shall submit the monthly reviews to the Board;
- (ii) The Responsible Director 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 Director must report to the Board as soon as practicable;
- (iv) The Responsible Director 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; and
- (v) All seals, chops, incorporation documents and all other legal documents of the OPCO and its subsidiary must be kept at the office 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 Director as soon as practicable, who shall in turn report to the Board;
- (ii) If the payment of the service fees from the OPCO to the WFOE is delayed, the financial team of the Company must meet with the VIE Equity Owners to investigate, and should report any suspicious matters to the Board. In extreme cases, the VIE Equity Owners will be removed and replaced under the VIE 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 Director 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 arrangement contemplated under the VIE 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.

EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Consideration Shares (assuming no exercise of the Share Options); and (iii) immediately after the allotment and issue of the Consideration Shares (assuming full exercise of the Share Options):

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares (assuming no exercise of the Share Options)		Immediately after the allotment and issue of the Consideration Shares (assuming full exercise of the Share Options)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Daohe Global Investment Holding Limited (Note 1)						
Sino Remittance Holding Limited	170,750,000	48.35%	170,750,000	33.93%	170,750,000	33.76%
Oceanic Force Limited	30,680,964	8.69%	30,680,964	6.10%	30,680,964	6.07%
Fame City Developments Limited	19,896,845	5.63%	19,896,845	3.95%	19,896,845	3.93%
Winning Port International Limited	46,000	0.01%	46,000	0.01%	46,000	0.01%
	<u>221,373,809</u>	<u>62.68%</u>	<u>221,373,809</u>	<u>43.99%</u>	<u>221,373,809</u>	<u>43.77%</u>
Wong Hing Lin, Dennis (Note 2)	1,250,000	0.35%	1,250,000	0.25%	1,250,000	0.25%
Wang Arthur Minshiang (Note 3)	130,000	0.04%	130,000	0.03%	130,000	0.03%
A director of the Company's subsidiary	5,000	0.00%	5,000	0.00%	5,000	0.00%
Vendors (Note 4)						
Leqian	—	—	59,625,000	11.85%	59,625,000	11.79%
*Mike Cai	—	—	25,875,000	5.14%	25,875,000	5.12%
*Mr. Tsang	—	—	25,875,000	5.14%	25,875,000	5.12%
*SA1	—	—	23,250,000	4.62%	23,250,000	4.60%
*Lemei	—	—	4,410,000	0.88%	4,410,000	0.87%
*Letu	—	—	3,675,000	0.73%	3,675,000	0.73%
*Lequang	—	—	3,585,000	0.71%	3,585,000	0.71%
*Lehao	—	—	2,250,000	0.45%	2,250,000	0.44%
*Leming	—	—	1,455,000	0.29%	1,455,000	0.29%
*Holders of the Share Options						
	—	—	—	—	2,500,000	0.49%
Existing public Shareholders	<u>130,438,758</u>	<u>36.93%</u>	<u>130,438,758</u>	<u>25.92%</u>	<u>130,438,758</u>	<u>25.79%</u>
Total	<u><u>353,197,567</u></u>	<u><u>100.00%</u></u>	<u><u>503,197,567</u></u>	<u><u>100.00%</u></u>	<u><u>505,697,567</u></u>	<u><u>100%</u></u>

* These shareholders are considered to be public Shareholders upon Completion.

Notes:

1. Each of Sino Remittance Holding Limited, Fame City Developments Limited, Oceanic Force Limited and Winning Port International Limited is wholly-owned by Daohe Global Investment Holding Limited, which is in turn 80%-owned by Mr. Zhou Xijian and 20%-owned by Mr. Zhang Qi. Mr. Zhou Xijian and Mr. Zhang Qi are Directors.
2. Mr. Wong Hing Lin, Dennis, is an executive director and president of the Company.
3. Mr. Wang Arthur Minshiang is an independent non-executive Director.
4. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors is an Independent Third Party and is independent of each other.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% and all the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The issue of the Consideration Shares under the Share Purchase Agreement is subject to the Specific Mandate to be sought from the Shareholders at the SGM. The SGM will be convened at which ordinary resolution(s) will be proposed for the Shareholders to consider, and, if thought fit, approve the Share Purchase Agreement, the Specific Mandate and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transactions contemplated under the Share Purchase Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules on the resolution(s) to be proposed at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Share Purchase Agreement and the transactions contemplated thereunder; (ii) financial information and other information of the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (iv) other information as required under the Listing Rules together with a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 31 March 2017 as additional time is required for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the relevant Conditions, therefore the Share Purchase Agreement may or may not proceed. Accordingly, the Acquisition may or may not materialise. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	The proposed acquisition of the Sale Shares by the Company from the Vendors pursuant to the terms and conditions of the Share Purchase Agreement
“Analysys Report”	a report prepared by Analysys International, an independent market research firm, in September 2016
“associate(s)”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business in Hong Kong
“Business Operation Agreement”	the business operation agreement to be entered into between the WFOE, the OPCO and the VIE Equity Owners, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“BVI”	the British Virgin Islands
“Commitment Letter(s)”	the commitment letter(s) to be entered into by each of the VIE Equity Owners, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“Company”	Daohe Global Group Limited, a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange (stock code: 915)
“Completion”	completion of the transactions contemplated under the Share Purchase Agreement
“Completion Date”	a date falling within 10 Business Days after the date on which all the Conditions are fulfilled or waived in writing (as the case may be) or such other date the Vendors and the Purchaser may agree
“Conditions”	the conditions precedent to the Share Purchase Agreement, details of which are set out in the section headed “The Share Purchase Agreement — Conditions” in this announcement
“connected person(s)”	has the meaning as ascribed thereto in the Listing Rules

“Consideration”	the aggregate consideration for the Sale Shares payable by the Purchaser pursuant to the Share Purchase Agreement in an aggregate sum of HK\$800,500,000
“Consideration Shares”	an aggregate of 150,000,000 Shares to be issued and allotted by the Company to the Vendors for the settlement of part of the Consideration
“Contractual Arrangements”	the contractual arrangements under the VIE Contracts
“Deposit”	the sum of HK\$20,000,000 paid by the Company on 20 January 2017 pursuant to the MOU
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“Equity Interest Pledge Agreement”	the equity interest pledge agreement to be entered into between the WFOE and the VIE Equity Owners, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“Exclusive Call Option Agreement”	the exclusive call option agreement to be entered into between the WFOE, the OPCO and the VIE Equity Owners, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“Exclusive Technology Consulting and Services Agreement”	the exclusive technology consulting and services agreement to be entered into between the WFOE and the OPCO, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“Existing VIE Contracts”	a set of structured contracts entered into by and among the WFOE, the OPCO, Mr. Zhou, Mr. Cai and spouses thereof (if applicable) in July 2015 and October 2016 and would be terminated on or before Completion

“GAAP’s Notice 13”	《關於貫徹落實國務院〈「三定」規定〉和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》(新出聯[2009]13號) (Notice Regarding the Consistent Implementation of the “Stipulations on “Three Provisions”” of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (Xin Chu Lian [2009] No. 13)*) published jointly by 中華人民共和國新聞出版總署 (PRC General Administration of Press and Publication*), 國家版權局 (National Copyright Administration*), and 全國「掃黃打非」工作小組辦公室 (National Office of Combating Pornography and Illegal Publications*) on 28 September 2009 (as amended from time to time)
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Zhou, Mr. Cai, Mr. Tsang, Mr. Sung, Ms. Lai, Mr. Zhang, Ms. Zhang, Mr. Feng and Mr. Liu, being the beneficial owners of the Target Company as at the date of this announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual or a company and the ultimate beneficial owner who are third parties independent of the Company and its connected persons
“Issue Price”	the issue price of HK\$4.67 per Consideration Share
“Last Trading Day”	21 February 2017, being last trading day immediately prior to the entering into of the Share Purchase Agreement
“Leguang”	Leguang Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Ms. Zhang, being one of the Vendors
“Lehao”	Lehao Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Feng, being one of the Vendors
“Lemei”	Lemei Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Ms. Lai, being one of the Vendors

“Leming”	Leming Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Liu, being one of the Vendors
“Leqian”	Leqian Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Zhou, being one of the Vendors
“Letu”	Letu Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Zhang, being one of the Vendors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mike Cai”	Mike Cai Investment Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Cai, being one of the Vendors
“MOU”	the memorandum of understanding as defined in the MOU Announcement
“MOU Announcement”	the announcement of the Company dated 19 January 2017
“Mr. Cai”	Mr. Shengqi Cai (蔡勝祺), an individual who owns the entire issued share capital of Mike Cai and 20% equity interest in the OPCO as at the date of this announcement and an Independent Third Party
“Mr. Feng”	Mr. Qi Feng (馮祺), an individual who owns the entire issued share capital of Lehao as at the date of this announcement and an Independent Third Party
“Mr. Liu”	Mr. Jinfeng Liu (劉金鋒), an individual who owns the entire issued share capital of Leming as at the date of this announcement and an Independent Third Party
“Mr. Sung”	Mr. Sung Lee Ming Alfred (宋理明), an individual who owns the entire issued share capital of SA1 as at the date of this announcement and an Independent Third Party
“Mr. Tsang”	Mr. Tsang Chun Ho Anthony (曾俊豪), an individual who beneficially owns 17.25% equity interest in the Target Company as at the date of this announcement and an Independent Third Party. Such equity interest in the Target Company was held by Mike Cai on trust in favour of Mr. Tsang as at the date of this announcement

“Mr. Zhang”	Mr. Youming Zhang (張友明), an individual who owns the entire issued share capital of Letu as at the date of this announcement and an Independent Third Party
“Mr. Zhou”	Mr. Congwei Zhou (周聰偉), an individual who owns the entire issued share capital of Leqian and 80% equity interest in the OPCO as at the date of this announcement and an Independent Third Party
“Ms. Lai”	Ms. Jinchun Lai (賴金春), an individual who owns the entire issued share capital of Lemei as at the date of this announcement and an Independent Third Party
“Ms. Zhang”	Ms. Xin Zhang (張欣), an individual who owns the entire issued share capital of Leguang as at the date of this announcement and an Independent Third Party
“OPCO”	深圳市樂唯科技開發有限公司 (Loovee Science and Technology Development Co. Ltd.*), a limited liability company established under the laws of the PRC and is owned as to 80% by Mr. Zhou and 20% by Mr. Cai as at the date of this announcement
“OPCO Group”	the OPCO and its wholly-owned subsidiary, 深圳市樂宜科技有限公司 (Leyi Science and Technology Co. Ltd.*), a limited liability company established under the laws of the PRC
“Power(s) of Attorney”	the power(s) of attorney to be entered into by each of the VIE Equity Owners, details of which are set out in the section headed “The VIE Contracts — Details of the VIE 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 Legal Adviser”	King & Wood Mallesons, the legal adviser to the Company as to PRC laws
“Purchaser”	Glory Sino Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SA1”	SA1 Investments Inc., a company incorporated in BVI with limited liability and is wholly-owned by Mr. Sung, being one of the Vendors

“Sale Shares”	16,000 shares in the Target Company held by the Vendors, representing the entire issued share capital of the Target Company
“SGM”	the special general meeting of the Company to be convened to approve the Share Purchase Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Share(s)”	the ordinary share(s) with par value of US\$0.04 each in the share capital of the Company
“Share Options”	the outstanding share options granted under the share option scheme of the Company adopted on 29 August 2011 by the Company
“Share Purchase Agreement”	the conditional share purchase agreement dated 21 February 2017 entered into among the Purchaser, the Vendors and the Guarantors in respect of the Acquisition
“Shareholder(s)”	the holder(s) of Shares
“Shareholder Loans”	the outstanding loans owed by the Target Group to the shareholders of the Target Company or their related companies
“Specific Mandate”	the specific mandate proposed to be granted by the Shareholders to the Directors at the SGM to allot and issue the Consideration Shares at the Issue Price
“Spousal Consent Letter(s)”	the spousal consent letter(s) to be entered into by the spouse of each of the VIE Equity Owners, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Loovee Holdings Inc., a company incorporated in the Cayman Islands with limited liability, which is beneficially owned as to 39.75% by Leqian, 17.25% by Mike Cai, 17.25% by Mr. Tsang, 15.50% by SA1, 2.94% by Lemei, 2.45% by Letu, 2.39% by Leguang, 1.50% by Lehao and 0.97% by Leming as at the date of this announcement
“Target Group”	the Target Company, together with its subsidiaries and the OPCO Group
“US\$”	United States dollar(s), the lawful currency of the United States of America

“Vendors”	Leqian, Mike Cai, Mr. Tsang, SA1, Lemei, Letu, Leguang, Lehao and Leming, which beneficially own 39.75%, 17.25%, 17.25%, 15.50%, 2.94%, 2.45%, 2.39%, 1.50% and 0.97% of the issued share capital of the Target Company, respectively, as at the date of this announcement
“VIE”	Variable Interest Entity, being an entity (the investee) in which the investor holds a controlling interest that is not based on the majority of voting rights
“VIE Contracts”	the Exclusive Technology Consulting and Services Agreement, the Business Operation Agreement, the Exclusive Call Option Agreement, the Equity Interest Pledge Agreements, the Powers of Attorney, the Commitment Letters and the Spousal Consent Letters (or any other agreement reasonably requested by the Purchaser) to be entered into by the relevant parties on or before Completion, details of which are set out in the section headed “The VIE Contracts — Details of the VIE Contracts” in this announcement
“VIE Equity Owner(s)”	the person(s) to be nominated by the Company to be the equity owner(s) of the OPCO on or before Completion, which shall be Independent Third Party(ies) and PRC citizen(s)
“WFOE”	樂唯科技（深圳）有限公司 (Loovee Science and Technology (Shenzhen) Co., Ltd.*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Target Company
“%”	per cent

By Order of the Board
Daohe Global Group Limited
ZHOU Xijian
Chairman and non-executive Director

Hong Kong, 21 February 2017

As at the date of this announcement, the Board comprises one non-executive Director, being Mr. ZHOU Xijian (Chairman); three executive Directors, being Mr. ZHANG Qi (Chief Executive Officer), Mr. WONG Hing Lin, Dennis (President) and Mr. ZHANG Jifeng; and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Mr. LAU Shu Yan and Mr. ZHANG Huijun.

* *The English translations of the Chinese names and words are for illustrative purpose only.*