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MASCOTTE HOLDINGS LIMITED

馬斯葛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

(Stock Code of Warrants: 1493)

ANNOUNCEMENT

- (1) PURSUANT TO RULE 13.09 OF THE LISTING RULES,
AND THE INSIDE INFORMATION PROVISIONS UNDER
PART XIVA OF THE SFO;**
 - (2) ISSUE AND SUBSCRIPTION OF NEW SHARES AND UNLISTED
NEW WARRANTS;**
 - (3) APPLICATION FOR THE GRANTING OF THE WHITEWASH
WAIVER;**
 - (4) CAPITAL REORGANIZATION;**
 - (5) SHARE CONSOLIDATION;**
 - (6) MAJOR TRANSACTION IN RELATION TO PURCHASE OF
TECHNOLOGY EQUIPMENT;**
- AND**
- (7) RESUMPTION OF TRADING**

* *For identification purpose only*

Reference is made to the announcements of the Company dated 9 June 2015 and 23 June 2015 in relation to, among other things, the suspension of trading in the securities of the Company pending release of this announcement. As disclosed in the announcement of the Company dated 23 June 2015, on 15 June 2015, the Company, the Guarantors and the Subscribers entered into the Subscription Agreement in relation to the Subscription.

ISSUE AND SUBSCRIPTION OF THE SUBSCRIPTION SHARES AND THE NEW WARRANTS

On 15 June 2015, the Subscribers entered into the Subscription Agreement with the Guarantors and the Company, pursuant to which the Company agreed to allot and issue, and the Subscribers agreed to subscribe for, at Completion, (a) the Subscription Shares representing 75.0% of the enlarged total issued share capital of the Company immediately after Completion at HK\$0.0061 per Share; and (b) the New Warrants at an aggregate nominal consideration of HK\$2.00, subject to the terms of the Subscription Agreement.

Completion shall be conditional upon the completion conditions as described in the sub-section headed “Completion Conditions” under the section headed “Principal Terms of the Subscription Agreement” in this announcement.

Immediately after Completion, the Subscribers and parties acting in concert with them will, in aggregate, hold 75.0% of the enlarged total issued share capital of the Company and this will give rise to (in the absence of the Whitewash Waiver) an obligation for the Subscribers to make a mandatory offer for all the Shares (not already owned or agreed to be acquired by the Subscribers) under Rule 26 of the Takeovers Code. An application will be made by the Subscribers to the Executive for the Whitewash Waiver which, if granted, will be subject to the approval by the Independent Shareholders of the Company by way of a poll at the SGM. The Subscribers may jointly waive the completion condition to obtain the Whitewash Waiver, and if it is so waived and they elect to proceed with the Subscription, they will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code and further announcement(s). In accordance with the Listing Rules and the Takeovers Code, Shareholders who are (i) the Subscribers or their respective associates; (ii) any parties acting in concert with the Subscribers; or (iii) parties involved or interested in the Subscription or the Whitewash Waiver are required to abstain from voting at the SGM.

PROPOSED ISSUE OF UNLISTED NEW WARRANTS

The Subscription Agreement provides that, on the date of Completion, the Company will execute by way of deed poll the New Warrant Instrument pursuant to which the Company will issue to the Subscribers, and the Subscribers will subscribe for, the New Warrants, at an aggregate nominal consideration of HK\$2.00. The New Warrants will have (i) an aggregate value equal to the product of the number of the New Warrant Shares and HK\$0.0061, (ii) an initial exercise price of HK\$0.0061 per New Warrant Share and (iii) a subscription period of five (5) years from the date of Completion. The New Warrants are designed to give the Subscribers the right to subscribe for additional Shares to bring their shareholding in the Company back to 75.0% in the event that the shareholding of the Subscribers is diluted following the allotment and issuance of new Shares as a result of the exercise of one or more of the Existing Warrants after Completion. However, the Subscribers may exercise the New Warrants at their discretion at any time, provided that the New Warrants may not be exercised if it will result in the Company not being able to comply with the public float requirement under the Listing Rules immediately following such exercise. Please refer to the sub-section headed “(6) Rationale of the New Warrants” under the section headed “Principal Terms of the New Warrants” in this announcement for further details of this arrangement. The Company is seeking to obtain the Specific Mandate (and not relying on its general mandate) because it is issuing and allotting the New Warrants for nominal consideration (being HK\$2.00 in aggregate) and the Listing Rules require any issue of warrants at less than their fair value to be made pursuant to a specific mandate.

PROPOSED CAPITAL REORGANIZATION

The Board proposes to place before the Shareholders a proposal for the Capital Reorganization, pursuant to which, among other things, the par value of each existing issued Share will be reduced from HK\$0.01 to HK\$0.001 by the cancellation of the paid-up capital to the extent of HK\$0.009 on each existing issued Share and the authorised but unissued Shares of HK\$0.01 each will be subdivided into ten (10) Shares of HK\$0.001 each. Immediately after the Capital Reorganization taking effect, and on the basis that (i) the Company will not allot or issue any new Shares or repurchase any existing Shares prior thereto and (ii) none of the Existing Warrants will be exercised prior thereto, the Company’s issued and paid-up share capital shall be HK\$36,138,779.081 comprising 36,138,779,081 Shares, each with a par value of HK\$0.001. In other words, the number of Shares in issue of the Company immediately before and following the Capital Reorganization will remain the same. Please refer to the section headed “Proposed Capital Reorganization” in this announcement for further details of the Capital Reorganization. On the basis that the Capital Reorganization will be implemented and will become effective before the Completion, the Board also proposes to implement the Share Consolidation which will take effect on the first business day immediately after the date of Completion and will have an effect on the number of Shares in issue of the Company. Please refer to the section headed “Proposed Share Consolidation” in this announcement for further details of the Share Consolidation.

USE OF PROCEEDS FROM THE SUBSCRIPTION

The maximum proceeds from the Subscription (including any issue of New Warrant Shares) is expected to amount to approximately HK\$750.7 million. In the event that none of the Existing Warrants is exercised prior to Completion and the New Warrants issued upon Completion are not exercised thereafter, such proceeds will be reduced to approximately HK\$661.34 million. The Company's intended use of such proceeds is set out in the section headed "Use of Proceeds from the Subscription" in this announcement.

MEETING OF THE HOLDERS OF THE EXISTING WARRANTS

Under the terms of the Existing Warrants, holders of the Existing Warrants are entitled to have the exercise price of the Existing Warrants adjusted upon the occurrence of certain adjustment events. They include, among other things, (i) the Company altering the nominal amount of each Share by way of a consolidation or subdivision, (ii) the Company issuing any warrants to subscribe for new Shares and the total effective consideration per new Share receivable by the Company for such warrants is less than 80% of the market price of the Shares, and (iii) the Company issuing for cash any Shares at a price which is less than 80% of the market price of the Shares. Pursuant to the Subscription Agreement, the Company shall, among other things, (a) issue the Subscription Shares at a price which is less than 80% of the market price of the Shares, (b) issue the New Warrants to subscribe for new Shares at an exercise price which is less than 80% of the market price of the Shares and (c) undertake the Capital Reorganization, which will constitute Price Adjustment Events as mentioned in (i), (ii) and (iii) above.

One of the completion conditions of the Subscription Agreement is for the Company to obtain approval of not less than 75.0% of the votes of the holders of the Existing Warrants to waive their entitlement to price adjustments as a result of the Price Adjustment Events. As such, the Company is proposing to obtain a one-off waiver from the holders of the Existing Warrants of their entitlement to price adjustments as a result of the Subscription and the transactions contemplated thereunder. The Company is seeking this waiver pursuant to the terms of the Existing Warrants which provide that holders of the Existing Warrants, through the passing of a special resolution, may abrogate, vary or compromise or otherwise enter into any arrangement in respect of the rights of the holders of the Existing Warrants against the Company.

PROPOSED SHARE CONSOLIDATION

As mentioned above, on the basis that the Capital Reorganization will be implemented pursuant to the Subscription and will become effective before Completion, the Board proposes to implement the Share Consolidation which will take effect on the first business day immediately after the date of Completion by consolidating every 2 issued and unissued Shares of HK\$0.001 each in the share capital of the Company into 1 Consolidated Share of HK\$0.002 each and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation.

Upon the fulfillment of the conditions set out in the sub-section headed “Conditions to the Share Consolidation” under the section headed “Proposed Share Consolidation” in this announcement, the Share Consolidation will take effect on the first business day immediately after the date of Completion.

MAJOR TRANSACTION IN RELATION TO PURCHASE OF TECHNOLOGY EQUIPMENT

On 9 July 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Agreements pursuant to which the Purchaser agreed to purchase certain technology equipment in anticipation of the establishment of the ICS Online Platform by the Group after Completion. See the section headed “Use of Proceeds from the Subscription” in this announcement for further details of the ICS Online Platform. The effectiveness of the Purchase Agreements is conditional upon (i) the Shareholders’ approval of the entering into of such agreements at the SGM; and (ii) the Company becoming a subsidiary (as defined in the Listing Rules) of Evergrande. As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Purchases, on an aggregated basis, exceeds 25% but is below 100%, the Purchases constitute a major transaction for the Company under Rule 14.06 of the Listing Rules and are subject to the notification, reporting, announcement and shareholders’ approval requirements under the Listing Rules.

SGM AND SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES, THE NEW WARRANTS AND THE NEW WARRANT SHARES

The SGM will be convened and held to consider and, if thought fit, pass the requisite resolutions to approve, among other things, the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements, the Whitewash Waiver and the respective transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares, the New Warrants and the New Warrant Shares to be allotted and issued upon exercise of the New Warrants. The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription and the Whitewash Waiver as to acceptance and voting. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver as to acceptance and voting.

Given that the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument (which will be entered into by the Company at Completion as contemplated under the Subscription Agreement), the Purchase Agreements and the respective transactions contemplated thereunder are all transactions related to each other forming one significant proposal, the Independent Shareholders will consider, and if thought fit, approve such transactions as one special resolution (with respect to the Capital Reorganization and the Share Consolidation) and one ordinary resolution (with respect to the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements and the respective transactions contemplated thereunder) at the SGM, and the effectiveness of such resolutions will be inter-conditional upon each other. The Independent Shareholders will also consider, and if thought fit, approve the Whitewash Waiver as a separate ordinary resolution at the SGM.

The Circular containing, among other things, details of the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements, the Whitewash Waiver, the recommendation of the Independent Board Committee and the advice of the independent financial adviser on the Subscription and the Whitewash Waiver and a notice convening the SGM will be despatched to the Shareholders as soon as practicable and in compliance with the Listing Rules and the Takeovers Code. The Circular is required to be despatched to the Shareholders within 15 business days from the date of this announcement pursuant to the Listing Rules or 21 days from the date of this announcement pursuant to the Takeovers Code, whichever is earlier.

In accordance with the Listing Rules and the Takeovers Code, Shareholders who are (i) the Subscribers or their respective associates; (ii) any parties acting in concert with the Subscribers; or (iii) parties involved or interested in the Subscription or the Whitewash Waiver are required to abstain from voting on (a) the special resolution to approve the Capital Reorganization and the Share Consolidation; (b) the ordinary resolution to approve the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements and the respective transactions contemplated thereunder; and (c) the ordinary resolution to approve the Whitewash Waiver, at the SGM. As (i) HEC Capital Limited and Dr. Kwong Kai Sing, Benny are guarantors of the Company's obligations under the Subscription Agreement, and (ii) Mr. Hui Quincy Kwong Hei, a director of the parent company of Smart Jump Corporation, referred the Subscribers to the Company and attended the MOU meeting, each of Murtsa Capital Management Limited (an indirect wholly-owned subsidiary of HEC Capital Limited), Dr. Kwong Kai Sing, Benny and Smart Jump Corporation will abstain from voting at the SGM on the aforementioned resolutions.

RESUMPTION OF TRADING

At the request of the Company, trading in the securities of the Company has been suspended from 9:00 a.m. on 9 June 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 August 2015.

Shareholders and potential investors of the Company should note that each of the Completion, the Capital Reorganization, the Share Consolidation and the Purchases is subject to certain conditions being fulfilled or waived (if applicable) and may or may not be completed and hence Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcements of the Company dated 9 June 2015 and 23 June 2015 in relation to, among other things, the suspension of trading in the securities of the Company pending release of this announcement. As disclosed in the announcement of the Company dated 23 June 2015, on 15 June 2015, the Company, the Guarantors and the Subscribers entered into the Subscription Agreement in relation to the Subscription.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date

15 June 2015

Issuer

The Company

Guarantors

- (1) HEC Capital Limited, a substantial Shareholder of the Company
- (2) Mr. Chung Yuk Lun, an executive Director
- (3) Dr. Kwong Kai Sing, Benny, an executive Director
- (4) Mr. Chow Chi Wah, Vincent, an executive Director

The Guarantors have agreed to jointly and severally guarantee the obligations of the Company and provide certain indemnities under the Subscription Agreement.

Subscribers

- (1) Evergrande
- (2) Mount Yandang, a wholly-owned subsidiary of Tencent

The Subscribers are independent of, not connected with and not acting in concert with any of the Directors, the chief executives or the substantial Shareholders of the Company or its subsidiaries or any of their respective associates. As at the date of this announcement, the Subscribers and their respective concert parties do not hold any existing Shares.

HEC Capital Limited, Mr. Chung Yuk Lun, Dr. Kwong Kai Sing, Benny, Mr. Chow Chi Wah, Vincent, Evergrande and Mount Yandang have informed the Company that they are independent of, and not connected with each other, and (save for the Subscription Agreement), there is no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between HEC Capital Limited, Mr. Chung Yuk Lun, Dr. Kwong Kai Sing, Benny, Mr. Chow Chi Wah, Vincent, Evergrande and Mount Yandang in relation to any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Issue and Subscription of the Subscription Shares and the New Warrants

Pursuant to the Subscription Agreement, the Subscribers have agreed to subscribe for, and the Company has agreed to allot and issue, at Completion, (a) such number of Subscription Shares representing 75.0% of the enlarged total issued share capital of the Company immediately after Completion at an issue price of HK\$0.0061 per Share; and (b) the New Warrants at an aggregate nominal consideration of HK\$2.00 subject to the term of the Subscription Agreement. Immediately after Completion, Evergrande and Mount Yandang will respectively hold 55.0% and 20.0% of the enlarged total issued share capital of the Company. The New Warrants will have (i) an aggregate value equal to the product of the number of the New Warrant Shares and HK\$0.0061, (ii) an initial exercise price of HK\$0.0061 per New Warrant Share and (iii) a subscription period of five (5) years from the date of Completion. The total amount of New Warrants and the total number of Subscription Shares to be issued and allotted to the Subscribers at Completion are dependent on how many Existing Warrants, if any, are exercised prior to Completion. The total number of Subscription Shares and New Warrant Shares issuable upon full exercise of the New Warrants (based on their initial exercise price equal to the Subscription Price per Share) shall be equal to 123,065,538,666 Shares (representing approximately 340.5% of the total issued share capital of the Company as at the date of this announcement and, assuming the Existing Warrants are also exercised in full and there are no other changes in the issued Shares of the Company, 75.0% of the enlarged total issued share capital of the Company immediately after such exercise of the New Warrants and the Existing Warrants). Assuming all Existing Warrants are exercised prior to Completion and there is no other change in the issued Shares of the Company, (i) no New Warrant and (ii) 123,065,538,666 Shares, representing the maximum number of Subscription Shares, will be issued and allotted to the Subscribers at Completion. Assuming none of the Existing Warrants is exercised before Completion and there is no other change in the issued Shares of the Company, (i) New Warrants with a face value of approximately HK\$89,360,129, under which 14,649,201,423 New Warrants Shares are issuable upon full exercise (based on the initial exercise price equal to the Subscription Price per Share), and (ii) 108,416,337,243 Shares (representing approximately 300.0% of the total issued share capital of the Company as at the date of this announcement and, assuming none of the New Warrants is exercised and there are no other changes in the issued Shares of the Company, 75.0% of the enlarged total issued share capital of the Company immediately upon the issuance and allotment of such Shares), being the minimum number of Subscription Shares, will be issued and allotted to the Subscribers at Completion.

The New Warrants can be exercised at any time within five (5) years of the Completion in order to enable the Subscribers to maintain an aggregate shareholding of 75.0% of the issued and outstanding share capital of the Company. Each New Warrant will have an initial exercise price equal to the Subscription Price per Share.

The Subscription Shares and the New Warrants (if any) will be issued to the Subscribers simultaneously upon Completion. The number of Subscription Shares and the amount of New Warrants to be issued to the Subscribers upon Completion are dependent on how many, if any, subscription rights attaching to the Existing Warrants are exercised prior to Completion. See the section headed “Effect of the Subscription on the Shareholding Structure of the Company” in this announcement for more details.

The effect on the changes in the Company's shareholding structure immediately upon the allotment and issue of the Subscription Shares at Completion is set out in the section headed "Effect of the Subscription on the Shareholding Structure of the Company" in this announcement.

The Subscription Shares and the New Warrant Shares, when issued and fully-paid, will rank equally in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The Subscription Price

The Subscription Price per Share, being HK\$0.0061, represents:

- (i) a discount of approximately 97.9% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 97.6% to the average closing price of approximately HK\$0.251 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day; and
- (iii) a discount of approximately 97.5% to the average closing price of approximately HK\$0.244 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day.

The Subscription Price per Share of HK\$0.0061 was arrived at after arm's length negotiations between the Subscribers and the Company. The Board took into account the following factors in deciding the Subscription Price per Share of HK\$0.0061:

- the unaudited financial information of the Company for the year ended 31 March 2015 available to the Board at the time of negotiation;
- the audited financial information of the Company for the year ended 31 March 2014, in particular:
 - as of 31 March 2014, the Group had incurred a consolidated net liabilities of approximately HK\$99.93 million;
 - for the year ended 31 March 2014, the Group generated a loss of approximately HK\$547 million;
 - the Group did not generate any net cash from its operating activities for the year ended 31 March 2014; and
 - as of 31 March 2014, the Group had bank balances and cash of only approximately HK\$59.1 million;

- the Company's core business of production and sale of photographic accessories is facing sluggish market demand and keen competition from competitors, and, following the cessation of its solar grade polycrystalline business in June 2014, the Board believes that the Company will benefit from new business opportunities that the Subscribers may introduce to the Company, considering the Subscribers' scope of operations in the PRC, compared to those of the Company;
- long-term shareholder support from the Subscribers (for example, the Company may be able to benefit from lower financing cost from commercial banks given that the creditworthiness of the Subscribers is better than that of the Company);
- the Subscription will enable the Company to benefit strategically from the synergies of Evergrande and Tencent by contributing their resources and respective expertise in the business of property development and management and provision of Internet services; and
- the Subscribers' commitment to acquire more than 50% interest in the Company.

Although the Subscription Price per Share of HK\$0.0061 represents a significant discount to the closing price of HK\$0.285 per Share on the Last Trading Day, the Board is of the view that in light of the above factors, the terms of the Subscription are fair and reasonable and in the best interest of the Shareholders as a whole.

Completion Conditions

Pursuant to the Subscription Agreement, Completion is conditional upon the following completion conditions being fulfilled or waived (as the case may be):

- (a) each of the Subscribers having notified the Company in writing that it is satisfied, in its absolute discretion, with the results of the due diligence review conducted or to be conducted on the Group and its business and operations (including but not limited to the financials, corporate information, taxation, business, operations and assets of each member of the Group);
- (b) the holders of Existing Warrants having passed the necessary resolution(s) at a special general meeting of such holders to be convened and held to approve: (i) the waiver of any adjustment to the exercise price of the Existing Warrants as a result of the Subscription and (if applicable) the Capital Reorganization; (ii) the Capital Reorganization and (iii) (if required) the Whitewash Waiver, and the exercise price of the Existing Warrants remaining to be HK\$0.10 per Share;
- (c) the Capital Reorganization having become effective in compliance with applicable laws and the Shareholders having passed the necessary resolution at the SGM to be convened and held to approve the Capital Reorganization;

- (d) the Independent Shareholders having passed the necessary resolution(s) at the SGM to be convened and held to approve the Subscription and the granting of a specific mandate to the Board to allot and issue the Subscription Shares, the New Warrants and the New Warrant Shares;
- (e) the Independent Shareholders having passed the necessary resolutions at the SGM to be convened and held to approve the Whitewash Waiver and the Executive having granted the Whitewash Waiver;
- (f) the Listing Committee of the Stock Exchange granting or (subject to the allotment and issuance) agreeing to grant the approval for the listing of, and permission to deal in, the Subscription Shares and the New Warrant Shares issuable upon exercise of all the New Warrants (and such approval not being subsequently revoked or withdrawn);
- (g) the relevant authorities of Bermuda granting consent to the issue of the Shares pursuant to the Subscription (if required);
- (h) the subscription by the Subscribers being inter-conditional upon each other and having completed simultaneously;
- (i) if required, the relevant person(s) (other than the Subscribers) who would be treated as substantial Shareholder(s) immediately following Completion (if any), and the relevant Director(s), having agreed to take all necessary steps and actions (subject to satisfaction of the Stock Exchange and the Subscribers) to ensure that the Company would be in compliance with the minimum public float requirement under the Listing Rules immediately after Completion;
- (j) the current listing of the Shares not having been withdrawn, the Shares continuing to be traded on the Stock Exchange on and prior to the date of Completion (save for (i) any temporary trading halt or suspension in trading for no longer than ten (10) consecutive trading days; or (ii) suspension in trading for no longer than fifteen (15) consecutive trading days in connection with transactions contemplated under the Subscription Agreement, or (iii) such other period or in such other circumstances as the Subscribers may agree) and neither the Stock Exchange nor the SFC having indicated that it will object to such continued listing for any reason;
- (k) each of the Subscribers having received legal opinions, in form and substance satisfactory to the Subscribers, dated the date of Completion, of the Company's counsels addressed to the Subscribers as to the laws of Bermuda on matters relating to the transactions contemplated under the Subscription Agreement;
- (l) each of the warranties under the Subscription Agreement remaining true, complete and accurate and not misleading at the Completion as if repeated at the Completion and at all times between the date of the Subscription Agreement and the Completion;

- (m) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to Completion under the Subscription Agreement; and
- (n) there having been no material adverse changes prior to the Completion.

The Subscribers may jointly waive (in full or in part) any of the completion conditions set out in paragraphs (a), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) above. The completion conditions set out in paragraphs (d), (f) and (g) above cannot be waived by the Company or the Subscribers. In the event that the Subscribers jointly waive the satisfaction of completion conditions set out in paragraphs (b)(iii) and (e) above and elect to proceed with the Subscription, the Subscribers will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code and further announcement(s).

With respect to the completion condition set out in paragraph b(iii) above, the Whitewash Waiver is not required to be approved by the holders of Existing Warrants.

If any of the above completion condition(s) has not been fulfilled (or waived, if applicable) on or prior to the Long Stop Date, then neither the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement.

Since the Subscribers will hold 75.0% of the enlarged total issued share capital of the Company immediately after Completion, the completion condition set out in paragraph (i) above was included to ensure that (a) the existing Directors who hold Shares; and (b) existing substantial Shareholders, will undertake to ensure that the remaining 25.0% of the enlarged total issued share capital of the Company after Completion will be in public hands. As set out in the section headed “Public Float and Maintaining the Listing Status of the Company” in this announcement, immediately following Completion, there should not be any core connected person of the Company holding Shares (other than the Subscribers), thus, the public float of 25.0% of the Company will be achieved. As such, no undertaking pursuant to the completion condition set out in paragraph (i) is expected to be required, and on this basis, the parties have agreed such completion condition to be waivable. It is expected that the public float requirement of the Company can be satisfied with or without such completion condition which was intended to be a pre-cautionary measure to ensure public float requirement of the Company will be satisfied while giving effect to the intended structure of the Subscription (i.e. the Subscribers will hold 75.0%, and the public will hold 25.0%, of the enlarged total issued share capital of the Company after Completion).

Reasons for the Subscription

The Company has been loss-making for a long period of time and its financial position is not satisfactory. The Directors consider that the Subscription represents a valuable opportunity for the Group to bring in two strategic investors with extensive expertise and business network in their respective industries to develop new businesses and income streams for the Group. The Directors consider that the entering into of the Subscription Agreement represents a good opportunity to (i) significantly raise the shareholder profile of the Company; (ii) raise a substantial amount of additional funds for the Company; (iii) improve the financial position and liquidity of the Group; and (iv) provide the Group with the needed management capability and resources, and financial flexibility for future business development and capturing prospective investment opportunities when they arise. The Directors are of the view that the Subscribers will not only provide additional funding to the Company and improve its financial position but also introduce valuable investment opportunities to the Company which will be beneficial to the Company and the Shareholders as a whole in the long term. See the section headed “Intentions of the Subscribers Regarding the Group” in this announcement for further details. In connection with the Subscription, the Directors have also considered the factors set out in the sub-section headed “The Subscription Price” under the section headed “Principal Terms of the Subscription Agreement” in this announcement. The Directors (excluding the members of the Independent Board Committee, who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) are therefore of the view that the transactions contemplated under the Subscription Agreement are in the interest of the Company and the Shareholders as a whole.

The Directors have not considered alternative fund raising methods, such as bank borrowing and pre-emptive fund raising exercise such as rights issue as the terms of the Subscription were negotiated and concluded in a short period of time. Besides, the Directors are of the view that such alternative fund raising methods are not feasible to the Company. The Company does not have sufficient collaterals that can be offered to banks for obtaining financing on terms and conditions acceptable to the Company. For pre-emptive fund raising exercise such as rights issue, which offers all Shareholders to subscribe for the rights shares in proportion to their existing shareholding in the Company, the Directors are of the view that it will involve existing Shareholders increasing their amount of investment in the Company, which may not be their original intention, and for Shareholders who do not participate in such a rights issue, their shareholding in the Company will be diluted. The Directors believe that in most cases Shareholders would have decided on the maximum amount of their investment in the Shares before they make their decision to invest in the Shares. The Directors are of the view that it would be very unlikely that a Shareholder would reserve funding for future investment in the Shares just in case there is a rights issue, which may or may not

be announced. Therefore, the Directors are of the view that, if the Company proceeds with a rights issue (which the Directors did not consider), the Shareholders may need to arrange funding through borrowings, disposal of other investments, or utilisation of cash and bank balances, which in turn may interrupt their financial position or investment portfolio as they were not expecting to have to fund such rights issue. As such, the Directors are of the view that the Shareholders may not be willing to increase their investment amount in the Shares if the Company proceeds with a rights issue. Furthermore, as the Company has been loss-making for a long period of time and its existing businesses are not expected to achieve significant growth in the short term to be able to improve its financial condition, the Directors are of the view that the Shareholders would be unlikely to be willing to increase their investment amount in the Shares even though new Shares will be issued at a discount. Furthermore, before negotiations of the Subscription began, the Directors did not identify a particular purpose (such as an appropriate business investment opportunity) that is a justification to raise funds with a rights issue, which would have been, in the Directors' view, an important factor for the Shareholders in deciding whether to participate in a rights issue. Based on the above explanation, the Directors are of the view that alternative fund raising methods, such as bank borrowing and pre-emptive fund raising exercise, such as rights issue, are not feasible to the Company. The Directors are of the view that, if the Company proceeds to pursue the alternative fund raising methods mentioned above, the time and resources that the Company has to commit in soliciting banks and underwriters for such purpose, the outcome of which is not certain, may not be worthwhile.

Furthermore, the Directors believe that the Subscription represents a significant opportunity to the Company. Following the Subscription, the Company will be able to benefit from the potential business opportunities made available by the Subscribers. The Directors expect the Company to be able to benefit from (i) new business opportunities in the PRC that may be made available to it by the Subscribers (considering the Subscribers' scope of operations in the PRC compared to those of the Company); and (ii) lower financing cost from commercial banks (given that the creditworthiness of the Subscribers is better than that of the Company).

The Directors believe that the terms of the Subscription represent the best terms available to it. The Company has always been receptive to financing and acquisition offers from third parties, but over the past three years, the Company has not received any offer, the terms of which are more favorable than those being offered by the Subscribers. In addition, the terms of the Subscription were negotiated and concluded in a short period of time during which it was impracticable for the Directors to consider alternative fund raising methods. Given (i) the Company had not been able to find alternative investors on comparable terms over the prior three-year period, (ii) the Subscribers' desire to conclude a transaction quickly and (iii) the fact that there were no favorable alternatives available to the Company, the Directors considers the Subscription to be in the best interest of the Company and the Shareholders as a whole. The Directors also believe that the Subscription has significant positive implications to the Company that go beyond a fund raising exercise. Following the Subscription, the Company will be associated with the Subscribers, and may be able to benefit from the resources of, the opportunities to be made available by, and the profile of, the Subscribers, which is an opportunity that other fund raising methods (if any were available) may not be able to offer.

Furthermore, the Directors believe that, when assessing fund raising methods, reliance should be made on the prospects and opportunities to be made available to the Company through the Subscription, instead of only on financial terms. Upon consummation of the Subscription, Evergrande and Tencent will become Shareholders, and they have stated that they are committed to introduce new business opportunities to the Group to broaden and diversify its income streams and contribute their respective expertise in property development and management and provision of Internet services to the Group. The Group may also benefit, in the long term, from the shareholder profile of the Subscribers in obtaining more favourable financing terms from commercial banks and trading terms from suppliers and contractors. The Directors are of the view the new business opportunities that are expected to be introduced by the Subscribers to the Company will diversify and broaden the income streams of the Company.

Therefore, the Directors believe that, taking into consideration the existing financial condition and businesses of the Group (which are not expected to grow significantly to be able to improve the financial condition of the Group), the current terms of the Subscription considered as a whole (including the long term strategic value and business opportunities that the Subscribers are expected to introduce to the Group) represent the best available terms to the Company.

The Directors consider that they have fulfilled their fiduciary duties and duties of skill, care and diligence with respect to the Subscription. The Directors recognize that the Subscription has significant positive implications to the Company that go beyond a fund raising exercise and have taken a holistic approach in evaluating the Subscription, in particular, the future strategic value of the Subscribers and the existing state of the Company (in terms of its financial condition and prospect of its existing businesses), as set out above.

The Directors have participated in extensive negotiations on the terms of the Subscription with the Subscribers, and in conducting such negotiations, the Directors were seeking to obtain the best possible terms for the Shareholders and the Company as a whole.

Furthermore, given the significant positive implications the Subscription may have on the Company, the Directors consider that it was, and continues to be, consistent with the discharge of their fiduciary duties to the Company and in the best interest of the Company and the Shareholders as a whole to (i) enter into the MOU; (ii) conduct further negotiations with the Subscribers to seek the best available terms and secure their binding commitment by entering into the Subscription Agreement; and (iii) propose the Subscription to the Shareholders for their approval. The Directors intend to include in the Circular sufficient information for the Independent Shareholders, who will also benefit from the advice from the Independent Board Committee and an independent financial adviser to be appointed by the Company to evaluate the

Subscription, to enable the Independent Shareholders to make an informed decision as to acceptance and voting on the relevant resolutions at the SGM, after weighing the pros and cons of the various terms of the Subscription.

Prior to the signing of the MOU, the Directors did not participate in any discussion with other third party investors involving a change of control in the Company.

Use of Proceeds from the Subscription

The maximum proceeds from the Subscription (including any issue of New Warrant Shares) is expected to amount to approximately HK\$750.7 million (assuming (1) all Existing Warrants are exercised prior to Completion, so that the maximum number of Subscription Shares are issued; or, otherwise, (2) full exercise of any New Warrants subsequent to Completion), representing a net issue price of approximately HK\$0.0061 per Subscription Share.

It is the intention of the Subscribers to procure the Company to begin implementing a 12-month business plan immediately after Completion as the first and critical stage of the development (the “**First Stage Development Plan**”) of an internet community service online platform (the “**ICS Online Platform**”). The plan is to establish an open and collaborative platform with both online and offline community services focusing on the Hengda Community (恒大社區) as its first batch of users, so that various consumer-related needs of the community service users can be fulfilled and integrated in one-stop, ranging from ordering, logistical arrangement and delivery of products or services. It is expected that upon successful implementation of the ICS Online Platform, such platform will be expanded to other housing estates in the PRC outside the Hengda Community. The community service users are expected to benefit from the advanced internet technology brought by the platform to their daily life, and they are expected to enjoy the convenience from the provision of one-stop service in the long term. While certain preparatory works have been performed by a wholly-owned subsidiary of Evergrande, the Purchase Agreements (as described in the section headed “Purchase Agreements” in this announcement) have been entered into directly by the Group with the relevant third parties for the purpose of implementing the First Stage Development Plan. Other contracts relevant to the First Stage Development Plan will also be entered into directly by the Group. As such, the Subscribers do not consider that there will be any competition between the Subscribers and the Company regarding the business of the ICS Online Platform immediately upon Completion. As set out in the section headed “Information of the Company and the Subscribers” in this announcement, Tencent is a leading provider of Internet services in China. As such, Tencent may in future engage in businesses which may potentially compete with, or which are similar in nature to, the business of ICS Online Platform which the Company will begin to implement immediately after Completion.

Set out below are the planned use of the maximum proceeds from the Subscription (including any issue of New Warrant Shares) of approximately HK\$750.7 million assuming Completion will take place in September 2015, and the actual steps taken by the Company and the Subscribers up to the date of this announcement in preparation for implementing the First Stage Development Plan:

1. approximately HK\$256 million for the research and development of the ICS Online Platform and related systems technology:
 - (a) For the purpose of developing the core technology in-house, research and development of mobile terminals and data mining have already begun as of the date of this announcement. Approximately 300 professionals are expected to be employed by the Group within the 12 months following Completion. It is expected that the aggregate staff remuneration, together with other research expenses and patent application fees for the relevant products, would amount to approximately HK\$130 million for the first 12 months after Completion;
 - (b) As disclosed in the section headed “Purchase Agreements” in this announcement, the Purchaser has entered into the Carpark Management Systems Agreement on 9 July 2015 with Guangdong Anjubao, for the purchase of carpark management systems for a cash consideration of approximately HK\$41 million (or approximately RMB32.6 million). Separately, on the same date, a non-binding letter of intent was entered into between the Purchaser and Guangdong Anjubao in connection with a possible purchase of a carpark intelligence navigation system from Guangdong Anjubao, for an estimated cash consideration of approximately HK\$77 million (or approximately RMB60.4 million). If such transaction is implemented, payments are expected to be made by the Group between December 2015 and September 2016;
 - (c) Feasibility studies have been conducted on the implementation of the internet community services in certain pilot housing estates of Evergrande. It is expected that payments related to the further feasibility studies to be conducted by the Group after Completion would amount to approximately HK\$5 million, which is expected to be made by the Group between October 2015 and September 2016; and
 - (d) On 9 July 2015, a non-binding letter of intent was entered into between the Purchaser and Zhuhai Bilinke E-Commerce Co., Ltd.* (珠海比鄰客電子商務有限公司), an independent third party, in connection with a possible purchase of software for the development and implementation of the ICS Online Platform, for an estimated cash consideration of approximately HK\$3 million (or approximately RMB2.0 million). If such transaction is implemented, payments are expected to be made by the Group by October 2015;

2. approximately HK\$173 million for the implementation of the ICS Online Platform in the housing estates of Evergrande and for other potential users:
 - (a) Invitations to various service providers have been sent for the joining of the ICS Online Platform in certain pilot housing estates of Evergrande. In this connection, it is expected that approximately HK\$77 million of marketing expenses will be utilised to attract service providers, which is expected to be paid by the Group between October 2015 and September 2016;
 - (b) Approximately 100 households in certain pilot housing estates of Evergrande have been invited to join the pilot scheme in relation to the ICS Online Platform. It is expected that approximately HK\$50 million of marketing expenses will be utilised by the Group for further invitation of households to join the ICS Online Platform between November 2015 and September 2016;
 - (c) It is expected that upon successful implementation of the ICS Online Platform in the pilot housing estates of Evergrande, the project will be expanded to other housing estates in the PRC. Approximately HK\$30 million is expected to be utilised by the Group to (i) obtain management rights of third party housing estates, and (ii) upgrade and install the required infrastructure in those third party housing estates. It is expected that relevant payments will be made between December 2015 and September 2016; and
 - (d) Approximately HK\$16 million is expected to be utilised by the Group to engage a marketing and advertising agency to promote the branding and image of the ICS Online Platform, through marketing campaigns and advertisements in the PRC. Related payments are expected to be made between December 2015 and September 2016;
3. approximately HK\$191 million for the development of supporting infrastructure for the participants in the ICS Online Platform:
 - (a) As disclosed in the section headed “Purchase Agreements” in this announcement, the Purchaser has entered into the HP Server Systems Agreement, the NetApp Storage Systems Agreement and the Network Systems Agreement on 9 July 2015 with Guangzhou Kanghui, Guangzhou Gengheima and Gaowei Telecommunication, respectively, for the purchase of computer servers, computer storage devices and network components, with an aggregate cash consideration of approximately HK\$75 million (or approximately RMB59.1 million);

- (b) On 9 July 2015, a non-binding letter of intent has been entered into between the Purchaser and an independent third party, namely Hetian Investment Group Co., Ltd.* (禾田投資集團有限公司), in connection with a possible purchase of certain units in a science technology park for the purpose of setting up a cloud computing center, for an estimated purchase price of approximately HK\$70 million (or approximately RMB55.4 million). If such transaction is implemented, payments are expected to be made by the Group between October 2015 and March 2016;
 - (c) On 9 July 2015, a non-binding letter of intent has been entered into between the Purchaser and an independent third party, namely Guangdong Planning and Designing Institute of Telecommunications Co., Ltd.* (廣東省電信規劃設計院有限公司), in connection with the design and installation of a cloud computing center of the Group, for an estimated cash consideration of approximately HK\$38 million (or approximately RMB30.0 million). If such transaction is implemented, payments are expected to be made by the Group between October 2015 and September 2016;
 - (d) On 9 July 2015, a non-binding letter of intent has been entered into between the Purchaser and an independent third party, namely Guangdong Jinnaohui Information Technology Co., Ltd.* (廣東金腦惠信息科技有限公司), in connection with a possible purchase of certain computer equipment for the cloud computing center to be set up by the Group, with an estimated purchase price of approximately HK\$7 million (or approximately RMB5.8 million). If such transaction is implemented, payments are expected to be made by the Group between October 2015 and September 2016; and
 - (e) As disclosed in the section headed “Purchase Agreements” in this announcement, the Purchaser has entered into the Data Backup Systems Agreement on 9 July 2015 with Guangzhou Gengheima, for the purchase of data backup solutions, for a total cash consideration of approximately HK\$1 million (or approximately RMB0.8 million);
4. approximately HK\$64 million for acquisitions and investments in selected service providers:

Discussions are currently in progress with certain selected service providers, as regards (i) potential strategic investments by the Group which may create synergies for the ICS Online Platform, and (ii) potential acquisition of certain network installation and smart home businesses, with an aggregate expected investment amount of approximately HK\$64 million. If such transactions materialise, payments are expected to be settled by the Group between December 2015 and September 2016; and

5. approximately HK\$67 million for general working capital requirements of the Group to support both the business of the ICS Online Platform and the existing businesses of the Group.

The above First Stage Development Plan is formulated by the Subscribers based on their current assessment of the commercial circumstances. As soon as practicable after Completion, the Subscribers intend to set up a working group with the Company's management team to further evaluate the First Stage Development Plan based on the then prevailing circumstances, and to make such adjustments and modifications to the plan as may be necessary after Completion according to the then commercial circumstances. The above timetable may also be subject to changes, due to, among other things, changes in market condition, increase in labour and material costs, inflation, unforeseen difficulties and the success of the platform. Further announcement(s) will be made by the Company to update the Shareholders and investors of any significant developments relating to the ICS Online Platform, as and when appropriate. Assuming that Completion takes place in September 2015, the Subscribers expect that the maximum proceeds from the Subscription (including any issue of New Warrant Shares), being approximately HK\$750.7 million, will be fully utilised within the next 12 months from Completion (i.e. by September 2016).

As disclosed above and in the section headed "Purchase Agreements" in this announcement, Purchase Agreements with an aggregate amount of approximately HK\$117 million have already been entered into by the Group for the implementation of the First Stage Development Plan, which demonstrates the Company's commitment in the establishment of the ICS Online Platform.

In the event that none of the Existing Warrants is exercised prior to Completion and the New Warrants issued upon Completion are not exercised thereafter, the proceeds from the Subscription will be reduced by approximately HK\$89.36 million to approximately HK\$661.34 million, and the Board has been informed by the Subscribers that the Subscribers' intention is to reduce the planned use of proceeds, on a proportional basis, from (i) the employment of professionals as described in item 1 above, (ii) the expected marketing expenses as described in items 2(a) and 2(b) above, and (iii) the general working capital as described in item 5 above. The Company has been informed by the Subscribers that they believe the difference between the maximum and minimum proceeds from the Subscription of approximately HK\$89.36 million is relatively small compared to the Company's capital requirements for the business of the ICS Online Platform, and as such, the planned use of proceeds set out above will not be materially affected.

Barring unforeseen circumstances, the Company does not anticipate the need to conduct any fund raising exercise for the next 12 months given the prevailing financial and business conditions of the Group, and the expected proceeds from the Subscription.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the New Warrant Shares.

Effect of the Subscription on the Shareholding Structure of the Company

As at the date of this announcement, the Company has a total of 36,138,779,081 issued Shares and the Existing Warrants entitling the holders thereof to subscribe for a total of 4,883,067,141 Shares. Save for the above, the Company does not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.

The number of Subscription Shares and the amount of New Warrants to be issued to the Subscribers upon Completion are dependent on how many, if any, Existing Warrants are exercised before Completion. For the purposes of illustration:

- (a) if the Existing Warrants are fully exercised before Completion and there is no other change in the issued Shares of the Company, upon Completion, no New Warrants will be issued to the Subscribers and, 123,065,538,666 Shares, representing the maximum number of Subscription Shares, will be issued and allotted to the Subscribers; or
- (b) if none of the Existing Warrants is exercised before Completion and there is no other change in the issued Shares of the Company, upon Completion, the maximum amount of New Warrants, being HK\$89,360,129 New Warrants under which 14,649,201,423 New Warrants Shares will be issuable upon full exercise (based on the initial exercise price equal to the Subscription Price per Share), will be issued to the Subscribers and the minimum number of Subscription Shares, being 108,416,337,243 Shares, will be issued and allotted to the Subscribers.

The following table sets out the existing shareholding structure of the Company and the changes thereto as a result of the Subscription:

	As at the date of this announcement		Scenario 1: Immediately after the issue of the Subscription Shares on Completion (assuming the Existing Warrants are not exercised before Completion and the New Warrants issued upon Completion are not exercised)		Scenario 2: Immediately after the issue of the Subscription Shares on Completion (assuming full exercise of the Existing Warrants before Completion in which case no New Warrants will be issued)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Existing substantial Shareholders						
Smart Jump Corporation ^{1,7}	4,708,656,694	13.03	4,708,656,694	3.26 (public)	4,708,656,694	2.87 (public)
VMS Investment Group Limited ^{2,8}	4,375,000,000	12.11	4,375,000,000	3.02 (public)	4,375,000,000	2.67 (public)
Murtsa Capital Management Limited ^{3,7}	4,189,548,500	11.59	4,189,548,500	2.90 (public)	4,334,680,422	2.64 (public)
Sub-total	13,273,205,194	36.73	13,273,205,194	9.18	13,418,337,116	8.18
Existing Directors						
Dr. Kwong Kai Sing, Benny ^{4,7}	8,560,000	0.02	8,560,000	0.01 (public)	13,040,000	0.01 (public)
Mr. Frank H. Miu ^{5,8}	872,000	0.00	872,000	0.00 (public)	1,046,400	0.00 (public)
Sub-total	9,432,000	0.02	9,432,000	0.01	14,086,400	0.01
Other Shareholders	22,856,141,887	63.25 (public)	22,856,141,887	15.81 (public)	27,589,422,706	16.81 (public)
Subscribers and parties acting in concert with them						
Evergrande	–	–	79,505,313,978	55.00	90,248,061,688	55.00
Mount Yandang ⁶	–	–	28,911,023,265	20.00	32,817,476,978	20.00
Sub-total	–	–	108,416,337,243	75.00	123,065,538,666	75.00
Total	36,138,779,081	100.00	144,555,116,324	100.00	164,087,384,888	100.00

1. Smart Jump Corporation is an indirect wholly-owned subsidiary of Freeman Financial Corporation Limited, a company listed on the Main Board of the Stock Exchange.
2. VMS Investment Group Limited is indirectly wholly-owned by Ms. Mak Siu Hang Viola.
3. Murtsa Capital Management Limited is an indirect wholly-owned subsidiary of HEC Capital Limited. The single largest shareholder holding approximately 32.5% of HEC Capital Limited is Freewill Holding Limited, which is in turn beneficially owned as to 41.37%, 27.20%, 18.97%, 9.01% and 3.45% respectively by Freeman Financial Corporation Limited, Mason Financial Holdings Limited, Mission Capital Holdings Limited, Enerchina Holdings Limited and China Optoelectronics Holding Group Co., Limited, all of which are companies listed on the Main Board of the Stock Exchange.
4. As at the date of this announcement, Dr. Kwong Kai Sing, Benny, an executive Director, holds 8,560,000 Shares and Existing Warrants with a face value of HK\$448,000 under which 4,480,000 Shares are issuable upon full exercise. According to the terms of the Subscription Agreement, unless otherwise agreed by the Subscribers, Dr. Kwong Kai Sing, Benny shall resign as a Director with effect from Completion (or where applicable, such earliest date as permitted by the Takeovers Code). Following his resignation, Dr. Kwong Kai Sing, Benny will cease to be a core connected person of the Company and his shareholding in the Company will be counted towards public float of the Company.
5. As at the date of this announcement, Mr. Frank H. Miu, an independent non-executive Director holds 872,000 Shares and Existing Warrants with a face value of HK\$17,440 under which 174,400 Shares are issuable upon full exercise. According to the terms of the Subscription Agreement, unless otherwise agreed by the Subscribers, Mr. Frank H. Miu shall resign as a Director with effect from Completion (or where applicable, such earliest date as permitted by the Takeovers Code). Following his resignation, Mr. Frank H. Miu will cease to be a core connected person of the Company and his shareholding in the Company will be counted towards public float of the Company.
6. Mount Yandang is a wholly-owned subsidiary of Tencent.
7. As (i) HEC Capital Limited and Dr. Kwong Kai Sing, Benny are guarantors of the Company's obligations under the Subscription Agreement, and (ii) Mr. Hui Quincy Kwong Hei, a director of the parent company of Smart Jump Corporation referred the Subscribers to the Company and attended the MOU meeting, each of Murtsa Capital Management Limited (an indirect wholly-owned subsidiary of HEC Capital Limited), Dr. Kwong Kai Sing, Benny and Smart Jump Corporation will abstain from voting on (a) the special resolution to approve the Capital Reorganization and the Share Consolidation; (b) the ordinary resolution to approve the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements and the respective transactions contemplated thereunder; and (c) the ordinary resolution to approve the Whitewash Waiver, at the SGM.

8. Each of VMS Investment Group Limited and Mr. Frank H. Miu is not involved in the negotiation of, nor interested in, the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements and the respective transactions contemplated thereunder and they are not required to abstain from voting on (a) the special resolution to approve the Capital Reorganization and the Share Consolidation; (b) the ordinary resolution to approve the Subscription Agreement, the New Warrant Instrument, and the Purchase Agreements and the respective transactions contemplated thereunder; and (c) the ordinary resolution to approve the Whitewash Waiver, at the SGM.

Assuming the Existing Warrants and the New Warrants in Scenario 1 of the above table are subsequently fully-exercised after Completion and there is no other change in the issued Shares, the shareholding structure of the Company will be the same as that in Scenario 2.

APPLICATION FOR WHITEWASH WAIVER

Immediately after Completion, the Subscribers and parties acting in concert with them will, in aggregate, hold 75.0% of the enlarged total issued share capital of the Company and this will give rise to (in the absence of the Whitewash Waiver) an obligation for the Subscribers and parties acting in concert with any of them to make a mandatory offer for the Shares (not already owned or agreed to be acquired by the Subscribers and parties acting in concert with them) under Rule 26 of the Takeovers Code. The Subscription Agreement provides that the Whitewash Waiver is a completion condition that can be waived jointly by the Subscribers at their discretion. If such condition is waived, the Subscribers and the parties acting in concert with them (if any) will be obliged to conduct a mandatory offer for the Shares (not already owned or agreed to be acquired by the Subscribers and parties acting in concert with them) under Rule 26 of the Takeovers Code.

PROPOSED CAPITAL REORGANIZATION

The Board proposes to place before the Shareholders a proposal for the Capital Reorganization, pursuant to which the par value of each existing issued Share will be reduced from HK\$0.01 to HK\$0.001 by the cancellation of the paid-up capital to the extent of HK\$0.009 on each existing issued Share and the authorised but unissued Shares of HK\$0.01 each will be subdivided into ten (10) Shares of HK\$0.001 each. Immediately after the Capital Reorganization taking effect, and on the basis that (i) the Company will not allot or issue any new Shares or repurchase any existing Shares prior thereto and (ii) none of the Existing Warrants will be exercised prior thereto, the Company's issued and paid-up share capital shall be HK\$36,138,779.081 comprising 36,138,779,081 Shares, each with a par value of HK\$0.001.

Effect of the Capital Reorganization

As at the date of this announcement, the authorised share capital of the Company amounted to HK\$2,000,000,000 divided into 200,000,000,000 Shares of HK\$0.01 each, of which 36,138,779,081 Shares of HK\$0.01 each had been allotted and issued as fully paid or credited as fully paid.

The Capital Reorganization has the following implications:

- (1) capital reduction where the par value of each existing issued Share will be reduced from HK\$0.01 to HK\$0.001 by the cancellation of the paid-up capital to the extent of HK\$0.009 on each existing issued Share;
- (2) sub-division where each of the authorised but unissued Shares in the capital of the Company of par value HK\$0.01 will be sub-divided into ten (10) Shares of par value HK\$0.001 each; and
- (3) (if required) increase of authorised share capital of the Company to an amount sufficient for the issue and allotment of the Subscription Shares and the New Warrant Shares.

For the avoidance of doubt, the number of Shares in issue of the Company immediately before and following the Capital Reorganization will remain the same.

Status of new Shares after Capital Reorganization

The new Shares after Capital Reorganization will be identical and rank pari passu in all respects with each other and the Capital Reorganization will not result in any change in the relative rights of the Shareholders.

Conditions of the Capital Reorganization

The implementation of the Capital Reorganization and the listing of the new Shares are conditional upon:

- (1) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganization;
- (2) the compliance with the relevant procedures and the requirements under the laws of Bermuda and the Listing Rules to effect the Capital Reorganization;
- (3) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued arising from the Capital Reorganization.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the new Shares to be issued arising from the Capital Reorganization.

Upon the conditions mentioned above being fulfilled, the Capital Reorganization and the listing of the new Shares will become effective.

Reasons for the Capital Reorganization

The Capital Reorganization is a completion condition to the Completion under the Subscription Agreement. Pursuant to the Subscription Agreement, the Subscribers are subscribing for the Subscription Shares at a price of HK\$0.0061 per Share (and the initial exercise price of the New Warrants in effect as at Completion will also be HK\$0.0061 per Share), which amount is less than the current par value of HK\$0.01 for each Share. Accordingly, it is necessary to reduce the par value of the Shares to below HK\$0.0061 to give effect to the Subscription.

PRINCIPAL TERMS OF THE NEW WARRANTS

(1) Amount of New Warrants

In the event that none of the Existing Warrants is exercised before the Completion, the maximum amount of New Warrants, being HK\$89,360,129 New Warrants, will be issued to the Subscribers, which will confer the rights of the Subscribers to subscribe for up to an aggregate of 14,649,201,423 New Warrant Shares (based on the initial exercise price equal to the Subscription Price per Share (subject to adjustments)). For the avoidance of doubt, in case of the exercise price being adjusted down, a higher number of Shares will be issuable upon full exercise of the New Warrants.

For illustration purpose only and assuming full exercise of the New Warrants in the scenario described above immediately after Completion, the Company will issue 14,649,201,423 New Warrant Shares (based on the initial exercise price equal to the Subscription Price per Share), representing (a) approximately 10.13% of the issued share capital of the Company immediately after Completion (i.e. immediately after the issue of the Subscription Shares), or (b) approximately 8.93% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares and all the New Warrant Shares (assuming full exercise of the Existing Warrants after Completion).

(2) *Issue Price of the New Warrants and Exercise Price of the New Warrant Shares*

The New Warrants will be issued to the Subscribers at a nominal issue price being HK\$2.00 in aggregate.

The initial exercise price is HK\$0.0061 per New Warrant Share, subject to adjustments upon the occurrence of any of the adjustment events during the period of five (5) years from the date of Completion.

Assuming no change to the initial exercise price of HK\$0.0061 per New Warrant Share, and taking into account the nominal issue price of the New Warrants at HK\$2.00, the effective price per New Warrant Share payable by the Subscribers (assuming the New Warrants are exercised in full) is approximately HK\$0.0061.

The initial exercise price of HK\$0.0061 per New Warrant Share represents:

- (i) a discount of approximately 97.9% over the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 97.6% over the average closing price of HK\$0.251 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to and including the Last Trading Day; and
- (iii) a discount of approximately 97.5% over the average closing price of HK\$0.244 per Share as quoted on the Stock Exchange for the ten trading days of the Shares immediately prior to and including the Last Trading Day.

The Board considers that both the exercise price per New Warrant Share and the nominal issue price of the New Warrants were determined with a view to giving effect to the transaction structure contemplated under the Subscription and as a whole, were determined after arm's length negotiations between the Company and the Subscribers, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

For illustration purpose only and assuming none of the Existing Warrants is exercised before Completion and the maximum amount of New Warrants (being HK\$89,360,129 New Warrants, under which 14,649,201,423 New Warrant Shares will be issuable upon exercise of the New Warrants in full (based on the initial exercise price equal to the Subscription Price per Share)) issued on Completion are subsequently exercised at the Subscription Price per Share, it is expected that approximately HK\$89.36 million will be raised as part of the proceeds. See the section headed "Use of Proceeds from the Subscription" in this announcement for further details.

With a view to enabling the Shareholders to consider and evaluate the New Warrants on an informed basis, the Company has appointed an independent valuer, Asset Appraisal Limited, to perform a valuation of the New Warrants. The valuer has adopted the “Binomial Model” in its valuation and is of the opinion that, assuming the New Warrants were granted on 7 July 2015, the fair value of the New Warrants as at 7 July 2015 was HK\$0.2795 per New Warrant Share. The valuer has assumed, among other things, the risk free rate of 1.157%, volatility of 76.086% (being the annualized standard deviation of the continuously compounded rates of return on the daily adjusted share prices of the Company over the past 1,300 trading days) and no dividend is expected to be distributed by the Company in the foreseeable future. The effective price per New Warrant Share of approximately HK\$0.0061 payable by the Subscribers (assuming the New Warrants are exercised in full) represents a discount of approximately 97.82% over the fair value of the New Warrants of HK\$0.2795 per New Warrant Share. The “Binomial Model” values a warrant based on how the price of its underlying shares may change over the warrant’s term and allows for changes to input assumptions (e.g. risk free rate, volatility, and dividends) over time. Asset Appraisal Limited has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of a summary of its valuation report on the New Warrants and references to its name in the form and context in which they are included.

The Company has engaged Akron Corporate Finance Limited (a corporation licensed to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO) to report on the valuation report on the New Warrants produced by Asset Appraisal Limited in accordance with Rule 11.1(b) of the Takeovers Code. Akron Corporate Finance Limited has reported on the valuation report of the New Warrants produced by Asset Appraisal Limited in accordance with Rule 11.1(b) of the Takeovers Code. On the basis of the review work conducted by it, Akron Corporate Finance Limited is satisfied that Asset Appraisal Limited has the qualifications and experience to conduct the valuation of the New Warrants.

However, the Directors did not consider the valuation of the New Warrants in determining the initial exercise price of HK\$0.0061. As disclosed in the sub-sections headed “(6) Rationale of the New Warrants” and “Reasons for the Issue of the New Warrants” under the section headed “Principal Terms of the New Warrants” below, the Directors consider that the issue of New Warrants is designed to give effect to the structure of the Subscription, thus it should not be considered in isolation in the context of a fund raising exercise, but as an integral part of the Subscription. Moreover, the terms of the Subscription, including the New Warrants, were negotiated and concluded in a short period of time, and as such, the Company did not engage the valuer until after the terms of the Subscription were agreed. As such, it is impracticable for the Directors to consider the valuation of the New Warrants before the execution of the Subscription Agreement. As disclosed in the preceding paragraph, the Company subsequently appointed Asset Appraisal Limited to perform a valuation of the New Warrants with a view to enabling the Shareholders to consider and evaluate the New Warrants on an informed basis.

The Directors take the view that the issuance of the New Warrants is not designed as a means for the Company to raise capital, but instead it is a part of the Subscription, without which the Company would not have been able to put the transactions associated with the Subscription to the Shareholders for consideration and approval at the SGM. Accordingly, the Directors agreed to fix an initial exercise price of the New Warrants at HK\$0.0061 (which is the same as the Subscription Price per Share) without taking into account of their theoretical valuation.

The Directors consider that the terms of the New Warrants were adequately, reasonably and necessarily tailored to give effect to the structure of the Subscription, in particular, (i) the New Warrants may not be exercised by the holders thereof if it would result in the Company being unable to comply with the public float requirement under the Listing Rules, (ii) the initial exercise price of HK\$0.0061 is equal to the Subscription Price per Share, (iii) the maximum number of Shares that may be subscribed by the Subscribers upon full exercise of all New Warrants (if any) will always be 123,065,538,666 Shares (provided there are no other changes to the share capital structure of the Company), and (iv) the maximum proceeds from the Subscription (including any issue of New Warrant Shares) will always be approximately HK\$750.7 million. If the Directors had to consider the valuation of the New Warrants when determining the relevant terms, the New Warrants may not be able to achieve the desired objective of giving effect to the structure of the Subscription, and the Company would not be able to secure the binding commitment of the Subscribers by entering into the Subscription Agreement. For the foregoing reasons, the Directors did not consider the valuation of the New Warrants in determining the initial exercise price of HK\$0.0061 of the New Warrants.

In determining the initial exercise price of HK\$0.0061 of the New Warrants, the Directors considered the following major factors:

- (i) the commercial decision among the parties on the terms and structure of the Subscription, in particular, upon full exercise of all New Warrants (if any), the maximum number of Shares that may be subscribed by the Subscribers is 123,065,538,666 Shares, and the maximum amount of proceeds of the Subscription is approximately HK\$750.7 million, thus, the initial exercise price of HK\$0.0061 of the New Warrants should be equal to the Subscription Price per Share by dividing HK\$750.7 million by 123,065,538,666 Shares;
- (ii) the rationale of the New Warrants and reasons for the issue of the New Warrants as respectively disclosed in the sub-sections headed “(6) Rationale of the New Warrants” and “Reasons for the Issue of the New Warrants” under the section headed “Principal Terms of the New Warrants” in this announcement;
- (iii) the factors considered in determining the Subscription Price per Share as disclosed in the sub-section headed “The Subscription Price” under the section headed “Principal Terms of the Subscription Agreement” in this announcement; and
- (iv) the significant positive implications that the Subscription may have on the Company, as disclosed in the sub-section headed “Reasons for the Subscription” under the section headed “Principal Terms of the Subscription Agreement” in this announcement.

The Directors consider that the initial exercise price of HK\$0.0061 of the New Warrants, which was determined based on the terms of the Subscription, when assessed with the Subscription as a whole, are fair and reasonable to the Company and the Shareholders as a whole. As set out in the preceding paragraphs, the Directors consider that New Warrants should not be assessed based on their valuation, given that they are a necessary part of the Subscription. In determining the initial exercise price of the New Warrants, the Directors also considered the factors in determining the Subscription Price per Share as disclosed in the section headed “The Subscription Price” under the section headed “Principal Terms of the Subscription Agreement” in this announcement, including the existing financial condition and businesses of the Group (neither of which was expected to grow significantly in the short term to be able to improve the financial condition of the Group). If the Company had refused to issue the New Warrants based on these terms (including the initial exercise price), it would not have been able to sign the Subscription Agreement and the Shareholders would not have been able to be given the opportunity to consider and vote on the Subscription at the SGM.

(3) *The New Warrant Instrument*

The New Warrants will be issued to the Subscribers on the date of Completion in registered form and constituted by way of deed poll to be executed by the Company. The New Warrants will rank pari passu in all respects among themselves.

(4) *Ranking of the New Warrant Shares*

The New Warrant Shares to be allotted and issued upon the exercise of the subscription rights attaching to the New Warrants will rank pari passu in all respects with the Shares in issue (except for any right the record date for which precedes such subscription date).

(5) *Subscription Period*

The New Warrants may be exercised at any time during a period of five years commencing from the date of issue of the New Warrants. Upon expiry of the said period, any New Warrants which have not been exercised will lapse and cease to be valid for any purpose.

(6) *Rationale of the New Warrants*

The New Warrants are designed to give the Subscribers the right to subscribe for additional Shares to bring their shareholding back to 75.0% in the event that the shareholding of the Subscribers is diluted following the allotment and issuance of new Shares as a result of the exercise of one or more of the Existing Warrants after Completion. However, the Subscribers may exercise the New Warrants at their discretion, at any time during the 5-year subscription period, provided that the New Warrants may not be exercised if it will result in the Company not being able to comply with the public float requirement under the Listing Rules immediately following such exercise.

The original commercial intention of the Subscribers is to acquire immediately upon Completion such number of Shares representing 75.0% of the enlarged total issued share capital of the Company on a fully-diluted basis (i.e. assuming all of the Existing Warrants, being the only outstanding securities as of the date of the Subscription Agreement which are convertible into ordinary shares of the Company, are fully exercised), which would amount to 123,065,538,666 Shares (the “**Maximum Number of Shares**”), at HK\$0.0061 per Share. However, if the Existing Warrants are not exercised by their holders fully or at all prior to Completion, the Maximum Number of Shares would represent more than 75% of the enlarged total issued share capital of the Company immediately after Completion and would render the Company in a breach of the 25% public float requirement. Hence, the New Warrants approach was proposed to the Subscribers as a commercial alternative, so that in the event that the Subscribers are unable to acquire up to the Maximum Number of Shares upon Completion because of the 25% public float requirement, they would be given the right to acquire further Shares up to the Maximum Number of Shares from time to time after Completion, but only to the extent it would not result in the Company breaching the 25% public float requirement. As a result of arms’ length negotiation of the terms of the Subscription (including the terms of the New Warrants), the parties agreed that the Subscribers should be given the flexibility to exercise the New Warrants at their discretion at any time during the 5-year exercise period from Completion, so long as the 25% public float can be maintained (and should not be required to exercise the New Warrants only when there is a shareholding dilution resulting from an exercise of the Existing Warrants), as part of a packaged deal acceptable to all the parties. As explained in the section headed “Reasons for the Issue of the New Warrants” in this announcement, if the Company had refused to agree to these terms for the New Warrants, the Subscribers would not have entered into the Subscription Agreement, and as such, the Company would not be able to benefit from the new business opportunities associated with the Subscription. Moreover, the flexibility to exercise the New Warrants by the Subscribers (which is at all times subject to the Company complying with the public float requirement) is not expected to be detrimental to the Company (other than the uncertainty to the Company as to when and whether the New Warrants will be exercised by the Subscribers), since the number of Shares deliverable upon the full exercise of the New Warrants (based on the initial exercise price of HK\$0.0061 per Share) will not exceed the Maximum Number of Shares. Given that this is the case, the Directors believe that the terms of the New Warrants are in the interest of the Company and the Shareholders as a whole.

(7) *Adjustments to the Exercise Price*

The exercise price per New Warrant Share will be adjusted in accordance with the relevant provisions under the terms and conditions of the New Warrant Instrument upon occurrence of, among other things, the following events:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account fund);
- (iii) a capital distribution being made by the Company (other than in lieu of a cash dividend), whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such or the grant to the Shareholders the right to acquire for cash assets of the Company;
- (iv) an offer or grant being made by the Company to the Shareholders by way of rights or options or warrants to subscribe for new Shares at a price which is less than 80% of the market price of the Shares on the date of the announcement of such offer or grant;
- (v) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share is less than 80% of the market price of the Shares on the date of the announcement of the terms of such issue, or the terms of any such issue being altered so that the said total effective consideration is less than 80% of the market price of the Shares on the date of the announcement of such alteration;
- (vi) an issue being made by the Company wholly for cash of Shares at a price less than 80% of the market price of the Shares on the date of the announcement of the terms of such issue; and
- (vii) a cancellation of any Shares or securities convertible into Shares or any rights to acquire Shares repurchased by the Company in circumstance where the Directors consider that it may be appropriate to make an adjustment to the exercise price.

(8) *Transferability*

Each New Warrant is transferable in integral multiples of HK\$0.1 by instrument of transfer in any usual or common form or such other form as may be approved by the Directors.

(9) *Rights of the Holders of the New Warrants*

The holders of the New Warrants will not have any right to attend or vote at any shareholders meeting of the Company by virtue of them being the holders of the New Warrants. The holders of the New Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

(10) *Public Float of the Company*

One of the conditions to the New Warrants provides that the holders thereof may not exercise the New Warrants if it would result in the Company being unable to comply with the public float requirement under the Listing Rules.

Reasons for the Issue of the New Warrants

The Company is required by the terms of the Subscription Agreement to execute the New Warrant Instrument and issue the New Warrants, simultaneously with the issue of the Subscription Shares, upon Completion. The New Warrants will not be issued unless Completion takes place. See the section headed “Principal Terms of the Subscription Agreement” in this announcement for further details.

The Directors consider that the terms of the New Warrant Instrument are, in view of the transactions contemplated under the Subscription Agreement as a whole, fair and reasonable and the issue of the New Warrants is on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The proceeds from the issue and allotment of the New Warrants and the New Warrant Shares, if any, represent part of the proceeds from the Subscription. See the section headed “Use of Proceeds from the Subscription” in this announcement for further details.

The Directors believe the issue of the New Warrants is in the interest of the Company and the Shareholders as a whole. This is because the issue of the New Warrants is an integral part of the Subscription. If the Company had refused to issue the New Warrants to the Subscribers, it would not be able to consummate the Subscription, and as such, it would not be able to benefit from the new business opportunities associated with the Subscription. As such, after considering the advantages associated with the Subscription, the Directors have decided that such advantages outweigh the disadvantages associated with the New Warrants being able to be exercised at the discretion of the Subscribers. Please refer to the section “(6) Rationale of the New Warrants” under the section headed “Principal terms of the New Warrants” for further details of this arrangement. Furthermore, the Directors noted that the last trading price of the Shares of HK\$0.285 is significantly higher than the exercise price of the Existing Warrants of HK\$0.1. The Directors reasonably expect that all of the Existing Warrants will be exercised if this price differential continues to exist. On this basis, the Directors contemplated two scenarios when agreeing to the terms of the New Warrants:

1. All the Existing Warrants are exercised prior to Completion, in which case no New Warrants will be issued to the Subscribers at Completion.
2. Some of the Existing Warrants remain unexercised at Completion, in which case the New Warrants will be issued to the Subscribers at Completion.

Given the price differential, the Directors expect that (i) any remaining Existing Warrants will be exercised before the expiry of the exercise period and (ii) the Subscribers may choose to exercise all the New Warrants (which are at all times subject to the Company’s public float requirement) to maintain their shareholding of the Company at 75.0%. The Directors noted that, in either scenario, based on the initial exercise price of HK\$0.0061 per New Warrant Share under the New Warrants, the total maximum number of Shares that the Subscribers can subscribe for will be the same (i.e. 123,065,538,666 Shares) and the maximum amount of proceeds to the Company will also be the same (i.e. approximately HK\$750.7 million). Therefore, the Directors consider that the issue of New Warrants will function to facilitate the structure of the Subscription, and in the scheme of the Subscription as a whole, is in the best interest of the Company and the Shareholders as a whole.

The Directors consider that they have fulfilled their fiduciary duties and duties of skill, care and diligence with respect to the issue of the New Warrants. The Directors recognize that the issue of the New Warrants is an integral part of the Subscription and the rationale of the New Warrants is to allow the Subscribers to bring their shareholding in the Company back to 75.0% notwithstanding any exercise of the Existing Warrants, which is what the Company has agreed the Subscribers will subscribe for at Completion. Furthermore, it is a condition to the New Warrants that the New Warrants may not be exercised by the Subscribers if it would result in the public float requirement under the Listing Rules not complied with, which is consistent with the rationale of the New Warrants under the Subscription. See the sub-section headed “(6) Rationale of the New Warrants” in the section headed “Principal Terms of the New Warrants” in this announcement for details. Taking a holistic approach in evaluating the issue of the New Warrants as an integral part of the Subscription and the rationale thereof, the Directors consider that they have negotiated the terms of the Subscription (including the issue of the New Warrants) with a view to obtaining the best possible terms for the Shareholders and the Company as a whole.

Furthermore, as set out in the section headed “Reasons for the Subscription” in this announcement, given the significant positive implications the Subscription may have on the Company, the Directors consider that it was, and continues to be, consistent with the discharge of their fiduciary duties to the Company and in the best interest of the Company and the Shareholders as a whole to (i) enter into the MOU; (ii) conduct further negotiations with the Subscribers to seek the best available terms and secure their binding commitment by entering into the Subscription Agreement; and (iii) propose the Subscription (including the terms of the New Warrants) to the Shareholders for their approval. The Directors intend to include in the Circular sufficient information (including advantages and disadvantages of the New Warrants) for the Independent Shareholders, who will also benefit from the advice from the Independent Board Committee and an independent financial adviser to be appointed by the Company to evaluate the Subscription, to enable the Independent Shareholders to make an informed decision as to acceptance and voting on the relevant resolutions at the SGM, after weighing the pros and cons of the various terms of the Subscription (including the issue of the New Warrants).

The Company has been informed by the Subscribers that, save as disclosed in this announcement, they are not in possession of any material information about the Company, which in the Subscribers’ opinion is relevant in determining whether or not to exercise the New Warrants, that might crystallize over the exercise period of the New Warrants.

Effect of the Issue of the New Warrants on Shareholding Structure of the Company

As at the date of this announcement, the Company has 36,138,779,081 Shares in issue. Under the Existing Warrants, the total number of new Shares that will be issued upon full exercise is 4,883,067,141 Shares. Except as stated above, as at the date of this announcement, there were no other outstanding options, warrants, derivatives or other securities which carried rights to subscribe for or convertible into Shares.

For illustration purpose only, refer to the section headed “Effect of the Subscription on the Shareholding Structure of the Company” in this announcement for the effect of the New Warrants on the shareholding structure of the Company.

Issue of New Warrant Shares

Pursuant to Rule 15.02(1) of the Listing Rules, the New Warrant Shares to be issued upon exercise of the New Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the New Warrants are issued.

The Company has issued Existing Warrants and as at the date of this announcement, there are outstanding Existing Warrants with conversion rights not yet exercised. The number of new Shares which will be issued upon full exercise of the Existing Warrants is 4,883,067,141 new Shares as at the date of this announcement.

Assuming that the Existing Warrants are not exercised prior to Completion and the maximum amount of New Warrants contemplated under the transaction structure of the Subscription, being approximately HK\$89,360,129 New Warrants, under which 14,649,201,423 New Warrant Shares are issuable upon exercise of the New Warrants in full (based on the initial exercise price equal to the Subscription Price per Share), are issued to the Subscribers, the aggregate new Shares which will be issued upon full exercise of the Existing Warrants and such New Warrants is 19,532,268,564 new Shares, which will be less than 20% of the enlarged issued share capital of the Company immediately after Completion. Accordingly, the issue of the New Warrants will comply with Rule 15.02(1) of the Listing Rules. See the section headed “Effect of the Subscription on the Shareholding Structure of the Company” in this announcement for further details.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Save for the Subscription, the Company has conducted fund raising activities by way of issuing equity securities in the twelve-month period immediately preceding the date of this announcement, and the details of which are as follows:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
11 September 2014	Placing of 847,015,679 placing shares at the placing price of HK\$0.09 per placing share	Approximately HK\$73.44 million	Intended to be used for the repayment of the outstanding indebtedness of approximately HK\$44.3 million and the balance in the sum of approximately HK\$29.14 million for general working capital of the Group	Used as intended
24 December 2014	Bonus warrants issue of 1 warrant for every 5 Shares; 5,378,641,037 warrants were issued to subscribe in cash for 5,378,641,037 new Shares	Approximately HK\$48.50 million (up to the date of this announcement)	To finance the interest expenses to be incurred on the outstanding convertible bonds of the Company, or to capture any potential investments that may arise or as general working capital of the Group	Approximately HK\$5.8 million used to finance the interest expenses incurred on the convertible bonds of the Company, approximately HK\$36.2 million used for investment, approximately HK\$5.4 million used as general working capital of the Group, and approximately HK\$1.1 million held as bank deposit

INFORMATION OF THE COMPANY AND THE SUBSCRIBERS

The Company and its subsidiaries are principally engaged in the investment and trading of securities, provision of finance, property investment and manufacturing and sale of accessories for photographic products.

Evergrande is principally engaged in the development of large scale residential properties and integrated commercial properties in the PRC. It adopts a standardised operational model in the PRC to manage various projects in different cities across the PRC. It is also engaged in other new industries in the PRC including spring water, grain and oil, dairy and health. The ultimate controlling shareholder of Evergrande is Dr. Hui Ka Yan, who is also the chairman and an executive director of Evergrande.

Mount Yandang is a wholly-owned subsidiary of Tencent. Tencent is a leading provider of Internet services in China. The ultimate controlling shareholder of Tencent is Naspers Limited.

As at the date of this announcement, save for the Subscription, (i) the Subscribers and parties acting in concert with them do not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any outstanding derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (ii) the Subscribers and parties acting in concert with them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (iii) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscribers and parties acting in concert with them, which might be material to the Subscription and the Whitewash Waiver, with any other persons; (iv) there is no agreement or arrangement to which any of the Subscribers and parties acting in concert with them which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and (v) none of the Subscribers and parties acting in concert with them has received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

Except for entering into of the Subscription Agreement, none of the Subscribers and parties acting in concert with them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the period commencing on the date six months prior to the date of the holding announcement relating to the Subscription dated 23 June 2015 and up to the date of this announcement.

INTENTIONS OF THE SUBSCRIBERS REGARDING THE GROUP

The Board was informed by the Subscribers that, upon obtaining control of the Company, the Subscribers intend to utilise their respective resources to co-develop the Group into an ICS Online Platform. Please refer to the section headed “Use of Proceeds from the Subscription” in this announcement for a detailed description of the 12-month First Stage Development Plan in relation to the development of the ICS Online Platform. In this regard, Evergrande can deploy their strengths in community scale and property management services, whereas Tencent can use their expertise and scale in Internet for the co-development of the platform.

Since Evergrande and Tencent are primarily engaged in the fields of property development and management and provision of Internet services, respectively, they possess the relevant expertise, experience, track record, business and marketing network which enable them to introduce potential business opportunities to the Company which may diversify and broaden the income streams of the Company.

The Subscribers have informed the Company that, following Completion, they will assign senior managers and officers to the Company to assist with its operations. The Company has been informed by the Subscribers that these managers and officers will be existing staff members of either of the Subscribers (or staff members of competitors of either Subscriber). The Directors believe that these managers and officers will be of significant help to the Company in seizing the new business opportunities that are expected to be made available through the Subscribers.

CHANGES TO BOARD COMPOSITION OF THE COMPANY

Mr. Chung Yuk Lun, an executive Director and Chairman of the Board, was previously an executive director of a listed property development, investment and management company for approximately five years. Mr. Robert James Iaia II, an independent non-executive Director, has previously worked in the real estate investment field for his prior employers. The other Directors do not have expertise in the new business to be conducted by the Company after the Completion. As set out in the section headed “Intentions of the Subscribers regarding the Group” in this announcement, following the Subscription, the Subscribers are expected to assign senior managers and officers to the Company to assist with the new business. Pursuant to the Subscription Agreement, each of the current Directors, being, Mr. Chung Yuk Lun, Dr. Kwong Kai Sing, Benny, Mr. Chow Chi Wah, Vincent, Mr. Frank H. Miu, Mr. Robert James Iaia II, Mr. Hung Cho Sing and Mr. Chung Kong Fei, Stephen (unless otherwise agreed by the Subscribers) shall resign as a Director with effect from Completion (or where applicable, such earliest date as permitted by the Takeovers Code). It is expected that new Directors nominated by the Subscribers will be appointed to the Board with effect from the Completion (or where applicable, such earliest date as permitted by the Takeovers Code). Further announcements will be made by the Company in this regard as and when appropriate. Details of the proposed changes to the composition of the Board and information regarding the proposed Directors will be contained in the Circular.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Company will be able to maintain the public float requirement under Rule 8.08(1)(a) of the Listing Rules immediately after Completion for the following reasons:

- (a) as set out in the table in the section headed “Effect of the Subscription on the Shareholding Structure of the Company”, immediately after Completion, the shareholding of each of the existing substantial Shareholders, namely Smart Jump Corporation, VMS Investment Group Limited and Murtsa Capital Management Limited will be diluted to below 10%, thus, each of them will no longer be a substantial Shareholder and a core connected person of the Company and, accordingly, their shareholding will be counted towards public float;
- (b) according to the Subscription Agreement, each of Dr. Kwong Kai Sing, Benny, an executive Director and Mr. Frank H. Miu, an independent non-executive Director, unless otherwise agreed by the Subscribers, shall resign as a Director with effect from Completion. Following their resignations, Dr. Kwong Kai Sing, Benny and Mr. Frank H. Miu will cease to be core connected persons of the Company and their shareholding in the Company will be counted towards public float of the Company. As of the date hereof, Dr. Kwong Kai Sing, Benny and Mr. Frank H. Miu hold an aggregate of 9,432,000 Shares and Existing Warrants with a face value of HK\$465,440 under which 4,654,400 Shares are issuable upon full exercise; and
- (c) in light of the above, immediately after Completion, other than the Subscribers, there should not be any core connected person of the Company holding Shares, and given that the Subscribers are expected to hold an aggregate 75.0% interest in the Company, the remaining 25.0% will be held by Shareholders who are independent third parties to the Company, thus satisfying the public float requirement under Rule 8.08(1)(a).

Furthermore, in respect of the period after Completion, the terms of the New Warrants provide that the New Warrants may not be exercised by the Subscribers if such exercise will result in the Company not being able to comply with the public float requirement under the Listing Rules.

The Board was informed by the Subscribers that the Subscribers intend to maintain the listing of the Shares on the Stock Exchange after Completion.

MEETING OF THE HOLDERS OF THE EXISTING WARRANTS

Under the terms of the Existing Warrants, holders of the Existing Warrants are entitled to have the exercise price of the Existing Warrants adjusted upon the occurrence of certain adjustment events. They include, among other things, (i) the Company altering the nominal amount of each Share by way of a consolidation or subdivision, (ii) the Company issuing any warrants to subscribe for new Shares and the total effective consideration per new Share receivable by the Company for such warrants is less than 80% of the market price of the Shares, and (iii) the Company issuing for cash any Shares at a price which is less than 80% of the market price of the Shares (collectively, the “**Price Adjustment Events**”). Pursuant to the Subscription Agreement, the Company shall, among other things, (a) issue the Subscription Shares at a price which is less than 80% of the market price of the Shares, (b) issue New Warrants to subscribe for new Shares at an exercise price which is less than 80% of the market price of the Shares and (c) undertake the Capital Reorganization, which will constitute Price Adjustment Events as mentioned in (i), (ii) and (iii) above.

One of the completion conditions of the Subscription Agreement is for the Company to obtain approval of not less than 75.0% of the votes of the holders of the Existing Warrants to waive their entitlement to price adjustments as a result of the Price Adjustment Events. As such, the Company is proposing to obtain a one-off waiver from the holders of the Existing Warrants of their entitlement to price adjustments due to the Price Adjustment Events as a result of the Subscription and the transactions contemplated thereunder. The Company is seeking this waiver pursuant to the terms of the Existing Warrants which provide that holders of the Existing Warrants, through the passing of a special resolution, may abrogate, vary or compromise or otherwise enter into any arrangement in respect of the rights of the holders of the Existing Warrants against the Company.

PROPOSED SHARE CONSOLIDATION

On the basis that the Capital Reorganization will be implemented pursuant to the Subscription and will become effective before Completion, the Board proposes to implement the Share Consolidation on the first business day immediately following the date of Completion on the basis that every 2 issued and unissued Shares of HK\$0.001 each will be consolidated into 1 Consolidated Share of HK\$0.002 each and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation.

Conditions to the Share Consolidation

The Share Consolidation is conditional upon:

- (1) the Capital Reorganization becoming effective and the Completion;
- (2) the passing of the necessary special resolution by the Shareholders to approve the Share Consolidation;
- (3) the compliance with the relevant procedures and the requirements under the laws of Bermuda and the Listing Rules to effect the Share Consolidation; and
- (4) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on the first business day immediately following the date of Completion.

Effects of the Share Consolidation

Upon the Capital Reorganization becoming effective and immediately after Completion (but before the Share Consolidation), on the basis that (i) the Company will not allot, issue or repurchase any Share prior thereto and (ii) none of the Existing Warrants will be exercised thereto, the authorised share capital of the Company will be HK\$2,000,000,000 divided into 2,000,000,000,000 Shares of HK\$0.001 each, of which 144,555,116,324 Shares of HK\$0.001 each will have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, on the basis that (i) the Company will not allot, issue or repurchase any Shares prior thereto and (ii) none of the Existing Warrants or New Warrants will be exercised thereto, the authorised share capital of the Company will be HK\$2,000,000,000 divided into 1,000,000,000,000 Consolidated Shares of HK\$0.002 each, of which 72,277,558,162 Consolidated Shares of HK\$0.002 each will have been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other in accordance with the Company's By-laws. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders.

The Shares are currently traded in board lots of 4,000 Shares. Upon the Share Consolidation becoming effective, the board lot size will remain unchanged and the Consolidated Shares will be traded in board lots of 4,000 Consolidated Shares.

Application for listing of the Consolidated Shares

An application will be made by the Company to the Listing Division of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares in issue and to be in issue upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be set out in the Circular.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

Expected timetable

Set out below is the expected timetable for the implementation of the Share Consolidation. The below expected timetable is subject to the satisfaction (or waiver, if applicable) of all the completion conditions to the Capital Reorganization, the Subscription and all the conditions to the Share Consolidation, and is therefore for indicative purpose only. Further announcement(s) will be made by the Company regarding any significant change to the following expected timetable as and when appropriate:

Event	Date and time
	<i>2015</i>
Despatch of Circular and notice of the SGM.....	Friday, 21 August
Latest time for lodging the form of proxy for the SGM.....	10:30 a.m. on Saturday, 12 September
Expected date and time of the SGM.....	10:30 a.m. on Monday, 14 September
Announcement of voting results of the SGM.....	Monday, 14 September
Expected effective date for the Capital Reorganization	Tuesday, 15 September
Expected date and time of Completion.....	after 4:00 p.m. on Monday, 21 September
Expected effective date for the Share Consolidation	Tuesday, 22 September
First day of free exchange of existing share certificates for new share certificates	Tuesday, 22 September
Commencement of dealing in Consolidated Shares	9:00 a.m. on Tuesday, 22 September
Original counter for trading in Shares in board lots of 4,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 22 September
Temporary counter for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) opens.....	9:00 a.m. on Tuesday, 22 September

Original counter for trading in Consolidated Shares
in board lots of 4,000 Consolidated Shares
(in the form of new share certificates) re-opens 9:00 a.m. on Thursday,
8 October

Parallel trading in Consolidated Shares (in the form of new share
certificates and existing share certificates) commences 9:00 a.m. on Thursday,
8 October

Designated broker starts to provide matching services
for odd lots of Consolidated Shares 9:00 a.m. on Thursday,
8 October

Temporary counter for trading in Consolidated Shares
in board lots of 2,000 Consolidated Shares
(in the form of existing share certificates) closes 4:00 p.m. on Thursday,
29 October

Parallel trading in Consolidated Shares (in the form of
new share certificates and
existing share certificates) ends 4:00 p.m. on Thursday,
29 October

Designated broker ceases to provide matching services
for odd lots of Consolidated Shares 4:00 p.m. on Thursday,
29 October

Last day for free exchange of existing share certificates
for new share certificates Monday, 2 November

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may during the specified period submit share certificates for existing Shares to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for Consolidated Shares with new nominal value of HK\$0.002 each. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for existing Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Consolidated Shares at any time.

Adjustments in relation to other securities of the Company

As at the date of this announcement, the Company has Existing Warrants entitling the holders thereof to subscribe for a total of 4,883,067,141 Shares. Depending on the amount of Existing Warrants outstanding at Completion, the New Warrants will be issued by the Company pursuant to the Subscription at Completion. The Share Consolidation, which is expected to be effective on the first business day immediately following the Completion will result in adjustments to the exercise price and/or the number of Consolidated Shares to be issued upon the exercise of the Existing Warrants or the New Warrants. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Reasons for the Share Consolidation

Rule 13.64 of the Listing Rules provides that the Stock Exchange may require a listed issuer to change its trading method or proceed with a consolidation or splitting of its securities if the market price of such securities approaches the extremities of HK\$0.01 or HK\$9,995. In view of (a) the Subscription Price per Share of HK\$0.0061; (b) the Subscribers will subscribe for such number of Shares as shall represent 75.0% of the enlarged total issued share capital of the Company at Completion; and (c) the current market capitalization of the Company, the theoretical share price of the Shares after Completion may approach the extremity of HK\$0.01. The Company proposes the Share Consolidation as a pre-cautionary measure to ensure that Rule 13.64 of the Listing Rules will be complied with after Completion. The Share Consolidation is expected to result in a corresponding increase in the trading price of the Consolidated Shares. Accordingly, the Board believes that the Share Consolidation is in the interest of the Company and the Shareholders as a whole.

General

The Share Consolidation will be proposed at the SGM for the Shareholders to consider and, if thought fit, approve the necessary special resolution(s) in respect of the Share Consolidation. Please refer section headed “SGM” in this announcement for further details.

PURCHASE AGREEMENTS

(1) *The Carpark Management Systems Agreement*

Date: 9 July 2015

- Parties: (i) Guangdong Anjubao Opto-electronic Transmission Technology Co., Ltd.* (廣東安居寶光電傳輸科技有限公司) (as vendor). The ultimate beneficial owner of Guangdong Anjubao is Mr. Zhang Bo*(張波).
- (ii) Begonia Limited, an indirect wholly-owned subsidiary of the Company (as purchaser)

(2) *The HP Server Systems Agreement*

Date: 9 July 2015

- Parties: (i) Guangzhou Kanghui Electronic Technology Co., Ltd.* (廣州市康匯電子科技有限公司) (as vendor). The ultimate beneficial owner of Guangzhou Kanghui is Mr. Hu Liu Sheng*(胡六勝).
- (ii) Begonia Limited, an indirect wholly-owned subsidiary of the Company (as purchaser)

(3) *The NetApp Storage Systems Agreement*

Date: 9 July 2015

- Parties: (i) Guangzhou Gengheima Network Technology Co., Ltd.* (廣州庚黑馬網絡技術有限公司) (as vendor). The ultimate beneficial owner of Guangzhou Gengheima is Mr. Luo Jie Si*(羅捷斯).
- (ii) Begonia Limited, an indirect wholly-owned subsidiary of the Company (as purchaser)

(4) *The Data Backup Systems Agreement*

Date: 9 July 2015

- Parties: (i) Guangzhou Gengheima Network Technology Co., Ltd.* (廣州庚黑馬網絡技術有限公司) (as vendor). The ultimate beneficial owner of Guangzhou Gengheima is Mr. Luo Jie Si* (羅捷斯).
- (ii) Begonia Limited, an indirect wholly-owned subsidiary of the Company (as purchaser)

(5) *The Network Systems Agreement*

Date: 9 July 2015

- Parties: (i) Gaowei Telecommunication (Guangzhou) Co., Ltd.* (高威電信(廣州)有限公司) (as vendor). The ultimate beneficial owner of Gaowei Telecommunication is Mr. She Wei Chao* (佘偉超).
- (ii) Begonia Limited, an indirect wholly-owned subsidiary of the Company (as purchaser)

Each of the Vendors to the Purchase Agreements and its ultimate beneficial owners are not Shareholders, and are third parties independent of the Company and its connected persons.

Each of the Subscribers has informed the Board that each of the Vendors to the Purchase Agreements and its ultimate beneficial owners are third parties independent of the respective Subscriber and its connected persons.

Subject matter of the Purchases

Subject to the terms and conditions of the Carpark Management Systems Agreement, Guangdong Anjubao has agreed to sell, and the Purchaser has agreed to purchase, 725 sets of carpark management systems. Such systems are applied to carpark entrances and exits to manage vehicle entry and exit, with the ability to identify and register vehicle license plates and conduct relevant analysis.

Subject to the terms and conditions of the HP Server Systems Agreement, Guangzhou Kanghui has agreed to sell, and the Purchaser has agreed to purchase, 150 sets of Hewlett-Packard computer servers. Such computer servers are the building blocks of data networks.

Subject to the terms and conditions of the NetApp Storage Systems Agreement, Guangzhou Gengheima has agreed to sell, and the Purchaser has agreed to purchase, 12 storage devices, including three memory disk arrays, three all-flash memory disk arrays and six fiber optic switches.

Subject to the terms and conditions of the Data Backup Systems Agreement, Guangzhou Gengheima has agreed to sell, and the Purchaser has agreed to purchase, one Symantec backup appliance, two Symantec backup server software and six components of Symantec backup solutions.

Subject to the terms and conditions of the Network Systems Agreement, Gaowei Telecommunication has agreed to sell, and the Purchaser has agreed to purchase, various network components such as transceivers, cables and cords, fiber optics, power supplies, firewalls, data load balancers, data traffic controllers and network jumpers. Gaowei Telecommunication will also provide out-of-office-hour installation and supervision service and three-year maintenance service.

Consideration

(1) The Carpark Management Systems Agreement

Pursuant to the Carpark Management Systems Agreement, the amount of consideration payable by the Purchaser to Guangdong Anjubao is RMB32,602,500 (approximately HK\$41,333,450). The Purchaser may place purchase orders with Guangdong Anjubao from time to time, and the Purchaser shall pay (i) 30% of the purchase order amount within 30 business days from the date such order is placed with Guangdong Anjubao and; (ii) 70% of the purchase order amount within 30 business days from the date the Purchaser has taken delivery of the relevant carpark management systems.

(2) The HP Server Systems Agreement

Pursuant to the HP Server Systems Agreement, the amount of consideration payable by the Purchaser to Guangzhou Kanghui is RMB26,770,000 (approximately HK\$33,939,006), 10% of which is payable within 15 business days from the effective date of the HP Server Systems Agreement. The Purchaser may place purchase orders with Guangzhou Kanghui from time to time, and the Purchaser shall pay (i) 20% of the purchase order amount within 20 business days from the date such order is placed with Guangzhou Kanghui; (ii) 35% of the purchase order amount upon delivery; and (iii) the rest of the purchase order amount within 15 business days from the date the Purchaser is satisfied with the product installation, testing and quality check.

(3) *The NetApp Storage Systems Agreement*

Pursuant to the NetApp Storage Systems Agreement, the amount of consideration payable by the Purchaser to Guangzhou Gengheima is RMB23,040,000 (approximately HK\$29,210,112), 10% of which is payable within 15 business days from the effective date of the NetApp Storage Systems Agreement. The Purchaser may place purchase orders with Guangzhou Gengheima from time to time, and the Purchaser shall pay (i) 20% of the purchase order amount within 20 business days from the date such order is placed with Guangzhou Gengheima; (ii) 35% of the purchase order amount upon delivery; and (iii) the rest of the purchase order amount within 15 business days from the date the Purchaser is satisfied with the product installation, testing and quality check.

(4) *The Data Backup Systems Agreement*

Pursuant to the Data Backup Systems Agreement, the amount of consideration payable by the Purchaser to Guangzhou Gengheima is RMB756,000 (approximately HK\$958,457), 10% of which is payable within 15 business days from the effective date of the Data Backup Systems Agreement. The Purchaser may place purchase orders with Guangzhou Gengheima from time to time, and the Purchaser shall pay (i) 20% of the purchase order amount within 20 business days from the date such order is placed with Guangzhou Gengheima; (ii) 35% of the purchase order amount upon delivery; and (iii) the rest of the purchase order amount within 15 business days from the date the Purchaser is satisfied with the product installation, testing and quality check.

(5) *The Network Systems Agreement*

Pursuant to the Network Systems Agreement, the amount of consideration payable by the Purchaser to Gaowei Telecommunication is RMB9,284,063 (approximately HK\$11,770,335), 10% of which is payable within 15 business days from the effective date of the Network Systems Agreement. The Purchaser may place purchase orders with Gaowei Telecommunication from time to time, and the Purchaser shall pay (i) 20% of the purchase order amount within 20 business days from the date such order is placed with Gaowei Telecommunication; (ii) 35% of the purchase order amount within 10 business days from the date the Purchaser has taken delivery of the relevant equipment; and (iii) the rest of the purchase order amount within 15 business days from the date the relevant equipment has been installed, tested and operated (to the Purchaser's satisfaction) for one month.

The consideration for each of the Purchase Agreements was negotiated with the facilitation of Evergrande and, to the best of the Directors' knowledge, such consideration was determined based on arm's length negotiations after taking into account factors including market value of comparable equipment and services, reputation and integrity of the relevant Vendor and the reliability of its service.

Conditions Precedent

Each of the Purchase Agreements shall not be effective until the fulfilment of the following conditions precedent:

- (i) the obtaining of the approval of the Shareholders for the relevant Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (ii) the Company becoming a subsidiary (as defined in the Listing Rules) of Evergrande.

Information about the Purchaser and the Group

The Purchaser is an indirect wholly-owned subsidiary of the Company established for the purpose of establishing the ICS Online Platform as contemplated in the section headed "Use of Proceeds from the Subscription" in this announcement. Please refer to the section headed "Information of the Company and the Subscribers" in this announcement for the principal business activities carried on by the Group.

Information about the Vendors

Guangdong Anjubao is a company incorporated in the PRC with limited liability whose shares are listed on the growth enterprise market of Shenzhen Stock Exchange (Stock Code: 300155) and is principally engaged in the research, development and design of Opto-electronic devices and provision of relevant services in the PRC.

Guangzhou Kanghui is a company incorporated in the PRC with limited liability and is principally engaged in the distribution of servers manufactured by Hewlett-Packard and Lenovo in the PRC.

Guangzhou Gengheima is a company incorporated in the PRC with limited liability and is principally engaged in the provision of network information, security and management solutions in the PRC.

Gaowei Telecommunication is a company incorporated in the PRC with limited liability and is principally engaged in the provision of network solutions in the PRC.

Reasons for the Purchases

In anticipation of the establishment of the ICS Online Platform by the Group after Completion as set out in the section headed “Use of Proceeds from the Subscription” in this announcement, the Company has entered into the Purchase Agreements for the purchase of technology equipment. Such technology equipment represents a crucial component of the infrastructure of the ICS Online Platform to deliver safe, efficient and reliable services and performance. It is expected that the development and operation of the ICS Online Platform will require a substantial volume of sophisticated technology equipment, and the entering into of the Purchase Agreements allows the Company to secure adequate supply of such technology equipment. Furthermore, the Company is able to obtain terms (such as per unit purchase price and credit period) more favorable than market due to the bulk volume of technology equipment purchased under each of the Purchase Agreements.

The Board is of the view that the terms of the Purchase Agreements are fair and reasonable and the entering into of the Purchase Agreements is in the interest of the Company and the Shareholders as a whole.

Listing Rules Implications

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Purchases, on an aggregated basis, exceeds 25% but is below 100%, the Purchases constitute a major transaction for the Company under Rule 14.06 of the Listing Rules and are subject to the notification, reporting, announcement and shareholders’ approval requirements under the Listing Rules. The Purchase Agreements will be proposed at the SGM for the Shareholders to consider, and if thought fit, approve the necessary resolution(s) in respect of the Purchases. See the section headed “SGM” in this announcement for further details.

SGM

The SGM will be convened and held to consider and, if thought fit, pass the requisite resolutions to approve, among other things, the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements, the Whitewash Waiver and the respective transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares, the New Warrants and the New Warrant Shares to be allotted and issued upon exercise of the New Warrants. The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription and the Whitewash Waiver. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver as to acceptance and voting.

Given that the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument (which will be entered into by the Company at Completion as contemplated under the Subscription Agreement), the Purchase Agreements and the respective transactions contemplated thereunder are all transactions related to each other forming one significant proposal, the Independent Shareholders will consider, and if thought fit, approve such transactions as one special resolution (with respect to the Capital Reorganization and the Share Consolidation) and one ordinary resolution (with respect to the Subscription Agreement, the New Warrant Instrument the Purchase Agreements and the respective transactions contemplated thereunder) at the SGM and the effectiveness of such resolutions will be inter-conditional upon each other. The Independent Shareholders will also consider, and if thought fit, approve the Whitewash Waiver as a separate ordinary resolution at the SGM.

A circular (the “**Circular**”) containing, among other things, details of the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements, the Whitewash Waiver, the recommendation of the Independent Board Committee and the advice of the independent financial adviser on the Subscription and the Whitewash Waiver and a notice convening the SGM will be despatched to the Shareholders as soon as practicable and in compliance with the Listing Rules and the Takeovers Code. The Circular is required to be despatched to the Shareholders within 15 business days from the date of this announcement pursuant to the Listing Rules or 21 days from the date of this announcement pursuant to the Takeovers Code, whichever is earlier.

In accordance with the Listing Rules and the Takeovers Code, Shareholders who are (i) the Subscribers or their respective associates; (ii) any parties acting in concert with the Subscribers; or (iii) parties involved or interested in the Subscription or the Whitewash Waiver are required to abstain from voting on (a) the special resolution to approve the Capital Reorganization and the Share Consolidation; (b) the ordinary resolution to approve the Subscription Agreement, the New Warrant Instrument, and the Purchase Agreements and the respective transactions contemplated thereunder; and (c) the ordinary resolution to approve the Whitewash Waiver, at the SGM. As (i) HEC Capital Limited and Dr. Kwong Kai Sing, Benny are guarantors of the Company’s obligations under the Subscription Agreement, and (ii) Mr. Hui Quincy Kwong Hei, a director of the parent company of Smart Jump Corporation referred the Subscribers to the Company and attended the MOU meeting, each of Murtsa Capital Management Limited (an indirect wholly-owned subsidiary of HEC Capital Limited), Dr. Kwong Kai Sing, Benny and Smart Jump Corporation will abstain from voting at the SGM on the aforementioned resolutions.

RESUMPTION OF TRADING

At the request of the Company, trading in the securities of the Company has been suspended from 9:00 a.m. on 9 June 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 August 2015.

Shareholders and potential investors of the Company should note that each of the Completion, the Capital Reorganization, the Share Consolidation and the Purchases is subject to certain conditions being fulfilled or waived (if applicable) and may or may not be completed and hence Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Reorganization”	means (i) the proposed reduction of the existing issued share capital of the Company through the cancellation of the paid-up capital to the extent of HK\$0.009 on each existing issued Share such that the par value of each existing issued Share will be reduced from HK\$0.01 to HK\$0.001; and (ii) the proposed subdivision of each of the authorised but unissued Shares of HK\$0.01 each into ten (10) Shares of HK\$0.001 each
“Carpark Management Systems Agreement”	the purchase agreement dated 9 July 2015 entered into between Guangdong Anjubao and the Purchaser
“CCASS”	Central Clearing and Settlement System established and operated by the HKSCC

“Circular”	has the same meaning as ascribed to it under the section headed “SGM” in this announcement
“Company”	Mascotte Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“core connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Data Backup Systems Agreement”	the purchase agreement dated 9 July 2015 entered into between Guangzhou Gengheima and the Purchaser
“Director(s)”	the director(s) of the Company
“Evergrande”	Evergrande Real Estate Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3333)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
“Existing Warrant(s)”	the listed warrant(s) (Stock Code: 1493) issued by the Company with an exercise price of HK\$0.1 per Share, which entitle the holder(s) to subscribe for new ordinary Share(s), and expiring on 23 February 2017
“First Stage Development Plan	has the same meaning as ascribed to it under the section headed “Use of Proceeds from the Subscription” in this announcement

“Gaowei Telecommunication”	Gaowei Telecommunication (Guangzhou) Co., Ltd.* (高威電信(廣州)有限公司), a company incorporated in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Guangdong Anjubao”	Guangdong Anjubao Opto-electronic Transmission Technology Co., Ltd.* (廣東安居寶光電傳輸科技有限公司), a company incorporated in the PRC with limited liability and whose shares are listed on the growth enterprise market of Shenzhen Stock Exchange (Stock Code: 300155)
“Guangzhou Gengheima”	Guangzhou Gengheima Network Technology Co., Ltd.* (廣州庚黑馬網絡技術有限公司), a company incorporated in the PRC with limited liability
“Guangzhou Kanghui”	Guangzhou Kanghui Electronic Technology Co., Ltd.* (廣州市康匯電子科技有限公司), a company incorporated in the PRC with limited liability
“Guarantors”	HEC Capital Limited, Mr. Chung Yuk Lun, Dr. Kwong Kai Sing, Benny and Mr. Chow Chi Wah, Vincent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HP Server Systems Agreement”	the purchase agreement dated 9 July 2015 entered into between Guangzhou Kanghui and the Purchaser
“ICS Online Platform”	has the same meaning as ascribed to it under the section headed “Use of Proceeds from the Subscription” in this announcement

“Independent Board Committee”	an independent committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Frank H. Miu, Mr. Robert James Iaia II, Mr. Hung Cho Sing and Mr. Chung Kong Fei, Stephen to advise the Independent Shareholders in respect of, among other things, the Subscription and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Subscribers and their respective associates; (ii) any parties acting in concert with the Subscribers; and (iii) parties involved or interested in the Subscription or the Whitewash Waiver
“Last Trading Day”	8 June 2015, being the last trading day of the Shares immediately prior to the date of this announcement on which trading in the securities of the Company was suspended at 9:00 a.m. on 9 June 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 October 2015
“Mount Yandang”	Mount Yandang Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Tencent
“MOU”	the memorandum of understanding entered into among the Company, Evergrande and Tencent on 9 June 2015
“NetApp Storage Systems Agreement”	the purchase agreement dated 9 July 2015 entered into between Guangzhou Gengheima and the Purchaser
“Network Systems Agreement”	the purchase agreement dated 9 July 2015 entered into between Gaowei Telecommunication and the Purchaser
“New Warrant(s)”	warrant(s) to be issued by the Company on the terms stipulated in the Subscription Agreement
“New Warrant Instrument”	the formal warrant instrument to be executed on Completion pursuant to which the New Warrants are to be issued to the Subscribers

“New Warrant Share(s)”	Share(s) issuable upon exercise of the New Warrant(s)
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Price Adjustment Events”	has the same meaning ascribed to it under the section headed “Meeting of the holders of the Existing Warrants” in this announcement
“Purchase Agreements”	the Carpark Management Systems Agreement, the HP Server Systems Agreement, the NetApp Storage Systems Agreement, the Data Backup Systems Agreement and the Network Systems Agreement
“Purchaser”	Begonia Limited (秋棠有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchases”	the proposed purchases of technology equipment by the Purchaser pursuant to the Purchase Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reorganization, the Share Consolidation, the Subscription Agreement, the New Warrant Instrument, the Purchase Agreements, the Whitewash Waiver and the respective transactions contemplated thereunder
“Share(s)”	the ordinary share(s) in the share capital of the Company

“Share Consolidation”	the proposed consolidation of every 2 issued and unissued Shares of HK\$0.001 each into 1 Consolidated Share of HK\$0.002 each and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation
“Shareholder(s)”	the holder(s) of Share(s)
“Specific Mandate”	the specific mandate required to be granted to the Board by the Shareholders at the SGM for the issue and allotment of the Subscription Shares, the New Warrants and the New Warrant Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Evergrande and Mount Yandang
“Subscription Agreement”	the subscription agreement dated 15 June 2015 entered into by the Company, the Guarantors and each of the Subscribers in relation to the Subscription
“Subscription Price per Share”	HK\$0.0061
“Subscription Shares”	such number of Shares as shall represent 75.0% of the enlarged total issued share capital of the Company immediately after Completion
“Subscription”	the issuance of the Subscription Shares and the issuance of the New Warrants at Completion, as contemplated by the Subscription Agreement
“substantial Shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC in Hong Kong

“Tencent”	Tencent Holdings Limited, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)
“Vendors”	Guangzhou Kanghui, Guangzhou Gengheima, Guangdong Anjubao and Gaowei Telecommunication
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscribers to make a general offer for all the issued Shares not already owned by the Subscribers and parties acting in concert with them which might otherwise arise as a result of the Subscribers subscribing for the Subscription Shares under the Subscription Agreement

By order of the Board
MASCOTTE HOLDINGS LIMITED
Chung Yuk Lun
Chairman

Hong Kong, 31 July 2015

As at the date of this announcement, the Board comprises the following Directors:

<i>Executive Directors</i>	<i>Independent Non-executive Directors</i>
Mr. Chung Yuk Lun (<i>Chairman</i>)	Mr. Frank H. Miu
Dr. Kwong Kai Sing, Benny (<i>Managing Director</i>)	Mr. Robert James Iaia II
Mr. Chow Chi Wah, Vincent	Mr. Hung Cho Sing
	Mr. Chung Kong Fei, Stephen

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement 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.

* *For identification purpose only*

Note: For illustrative purpose only, RMB has been converted to HK\$ using an illustrative exchange rate of RMB1.00 = HK\$1.2678