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XINGYE COPPER INTERNATIONAL GROUP LIMITED

興業銅業國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 505)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHARE CAPITAL IN FUNNYTIME LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

Reference is made to the announcement of the Company dated 4 March 2016 in relation to, among other things, the entering into the Term Sheet. The Board is pleased to announce that on 21 June 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares at the Consideration of HKD186,000,000.20 subject to certain price adjustment mechanism. The Consideration shall be satisfied (i) as to HKD116,000,000 in cash; and (ii) as to HKD70,000,000.20 by issuance of Consideration Shares.

The Target Company is an investment holding company which holds the entire issued share capital of the HK Subsidiary, which will in turn hold the entire equity interest of the PRC Subsidiary which through the VIE Contracts, has effective control over the Hefei OPCO and enjoys the economic interests and benefits of the Hefei OPCO.

The Consideration Shares shall be allotted and issued pursuant to the General Mandate and shall rank *pari passu* with the Shares in issue. The Consideration Shares represent (i) approximately 9.59% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Acquisition calculated under Rule 14.07 of the Listing Rules exceed(s) 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

Reference is made to the announcement of the Company dated 4 March 2016 in relation to, among other things, the entering into the Term Sheet. The Board is pleased to announce that on 21 June 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor and the Guarantors, the principal terms of which are set out as follows:

Date

21 June 2016

Parties

- (a) Xingye Investment Holdings Limited (as the Purchaser)
- (b) Mobilefun Limited (as the Vendor)
- (c) Mr. REN Hao, Mr. TONG Xin and Mr. YANG Jiong (as the Guarantors and existing shareholders of the Vendor)

Assets to be acquired

Subject to the terms and conditions contained in the Sale and Purchase Agreement, the Purchaser conditionally agreed to buy and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company. Through the HK Subsidiary, the Target Company is beneficially interested in the entire

registered capital of the PRC Subsidiary, which in turn has entered into a series of VIE Contracts with Hefei OPCO. Through the VIE Contracts, the PRC Subsidiary enjoys the entire economic interest and benefits of the Hefei OPCO.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration is initially HKD186,000,000.20 (subject to adjustments as detailed in the section headed “**Adjustment to Consideration**”), which shall be satisfied by the Purchaser in the following manners on the Completion Date:

- (a) HKD116,000,000 (“**Cash Consideration**”), which shall be settled by the Purchaser by cash payable to the Vendor in two installments in accordance with the following schedule (subject to adjustments as detailed in the section headed “**Adjustment to Consideration**”):

Estimated Cash Consideration Settlement or Releasing Date

Amount

At Completion Date HKD97,400,000

30 December 2016 HKD18,600,000 (the “**Residual Anticipated Cash**”)

- (b) HKD70,000,000.20 shall be settled by way of allotment and issuance of Consideration Shares to the Vendor in accordance with the following schedule (subject to adjustments as detailed in the section headed “**Adjustment to Consideration**”):

Consideration Shares Issuing Date

Amount

15 April 2017 19,996,667 Consideration Shares representing 25.71% of the Consideration Shares and all dividends attached thereto (the “**Year 2016 Consideration Shares**”)

15 April 2018 24,445,556 Consideration Shares representing 31.43% of the Consideration Shares and all dividends attached thereto (the “**Year 2017 Consideration Shares**”)

15 April 2019 33,335,555 Consideration Shares representing 42.86% of the Consideration Shares and all dividends attached thereto (the “**Year 2018 Consideration Shares**”)

The Consideration was determined between the parties to the Sale and Purchase Agreement based on arm's length negotiations after taking into account, among others, (i) the historic performance of the Target Group in developing the online web games as detailed in the section headed "Information of the Target Group"; (ii) the prospect of development of the internet and mobile gaming industry; (iii) the future earning prospect of the Target Group; (iv) the payment terms of the Consideration; and (v) possible adjustments to the Consideration as summarized in the section headed "Adjustment to Consideration" below.

Consideration Shares

The Consideration Shares shall be allotted and issued pursuant to the General Mandate, and shall rank *pari passu* with the Shares in issue on the date of allotment and issuance including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issuance.

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

The issue price of Consideration Shares at HKD0.900 per Share represents:

- (i) the equivalent of the closing price of HKD0.900 per Share as quoted on the Stock Exchange on 21 June 2016, being the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 2.17% to the closing price of HKD0.920 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to 21 June 2016; and
- (iii) a discount of approximately 1.96% to the closing price of HKD0.918 per Share as quoted on the Stock Exchange for the last ten (10) trading days immediately prior to 21 June 2016.

The Consideration Shares represent (i) approximately 9.59% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Performance Targets

Pursuant to the Sale and Purchase Agreement, the Vendor and the Guarantors jointly and severally undertake that the Target Group shall achieve the performance target in terms of Net Income for each Performance Undertaking Year as follows:

Performance Undertaking Year	Estimated Net Income of the Target Group
Year 2016	RMB18,000,000
Year 2017	RMB22,000,000
Year 2018	RMB30,000,000

Adjustment to Consideration

Cash Consideration

The payment schedule and amount for the Residual Anticipated Cash shall be adjusted according to the following:

- (a) On 30 December 2016, in case that the unaudited Net Income of the Target Group for the first three quarters of Year 2016 is more than RMB13,500,000, the Residual Anticipated Cash shall be fully paid to the Vendor;
- (b) If the Residual Anticipated Cash has not been paid to the Vendor on 30 December 2016, on 15 April 2017,
 - (i) in case the audited Net Income of the Target Group for Year 2016 is negative, the Purchaser shall not pay any Residual Anticipated Cash to the Vendor;
 - (ii) in case that the audited Net Income of the Target Group for Year 2016 is more than RMB18,000,000, all the Residual Anticipated Cash shall be fully paid to the Vendor;
 - (iii) in case that the audited Net Income of the Target Group for Year 2016 is less than RMB18,000,000, the amount of the Residual Anticipated Cash to be paid to the Vendor shall be subject to a one-time adjustment in accordance with the following:

$$CP = NI/TANI * RAC$$

For purpose of the foregoing formula, the following definitions shall apply:

- (i) CP shall mean the Residual Anticipated Cash to be paid on 15 April 2017;
- (ii) NI shall mean the 2016 audited Net Income; (iii) TANI shall mean the total anticipated Net Income, which is RMB70,000,000; and (iv) RAC shall mean the Residual Anticipated Cash;

- (c) If the Residual Anticipated Cash has not been fully paid to the Vendor on or before 15 April 2017, on 15 April 2018,
- (i) in case the total audited Net Income of the Target Group for Year 2016 and Year 2017 is negative, the Purchaser shall not pay any Residual Anticipated Cash to the Vendor;
 - (ii) in case that the total audited Net Income of the Target Group for Year 2016 and Year 2017 is more than RMB40,000,000, the remaining amount of the Residual Anticipated Cash shall be fully paid to the Vendor;
 - (iii) in case that the audited Net Income of the Target Group for Year 2016 and Year 2017 is less than RMB40,000,000, the amount of the Residual Anticipated Cash to be paid to the Vendor shall be subject to a one-time adjustment in accordance with the following:

$$CP = NI/TANI * RAC$$

For purpose of the foregoing formula, the following definitions shall apply:
(i) CP shall mean the Residual Anticipated Cash to be paid on 15 April 2018; (ii) NI shall mean the 2017 audited Net Income which minuses losses for Year 2016 if any; (iii) TANI shall mean the total anticipated Net Income, which is RMB70,000,000; and (iv) RAC shall mean the Residual Anticipated Cash;

- (d) On 15 April 2019,
- (i) If the Residual Anticipated Cash has not been fully paid to the Vendor on or before 15 April 2018, in case that the total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018 is more than RMB70,000,000, the remaining amount of Anticipated Cash Consideration shall be fully paid to the Vendor;
 - (ii) If total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018 is negative, the Vendor shall repay the Purchaser all the amount the Purchaser has paid to the Vendor;
 - (iii) If the total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018 is less than RMB70,000,000, the Vendor shall and the Guarantors shall procure and guarantee the Vendor to, repay the Purchaser the following amount of cash in HKD out of the Anticipated Cash Consideration on or before 15 April 2019:

$$RA = (1-TNI/TANI)*ACC$$

For purpose of the foregoing formula, the following definitions shall apply: (i) RA shall mean the repayment amount; (ii) TNI shall mean the total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018; (iii) TANI shall mean the total anticipated Net Income, which shall be RMB70,000,000; and (iv) ACC shall mean the Anticipated Cash Consideration.

If RA is more than the remaining Residual Anticipated Cash, the Vendor shall repay the Purchaser the amount equalling to RA deducting the remaining Residual Anticipated Cash; and

If RA is less than the remaining Residual Anticipated Cash, the amount equalling to the remaining Residual Anticipated Cash deducting RA shall be paid by the Purchaser to the Vendor.

Consideration Shares

The number of Consideration Shares to be issued on the respective issuance date shall be adjusted according to the following formulas:

- (a) On 15 April 2017, after the financial report of the Target Group for Year 2016 to the satisfactory of the Purchaser has been issued by the Auditor,
 - (i) in case that the audited Net Income of the Target Group for Year 2016 is negative, no Consideration Shares shall be issued to the Vendor;
 - (ii) in case that the audited Net Income of the Target Group for Year 2016 is less than RMB18,000,000, the number of Consideration Shares to be issued on 15 April 2017 shall be subject to a one-time adjustment in accordance with the following:

$$SCI = NI/ANI*ASC$$

For purpose of the foregoing formula, the following definitions shall apply: (i) SCI shall mean the number of Consideration Shares to be issued for Year 2016; (ii) NI shall mean the 2016 audited Net Income; (iii) ANI shall mean the anticipated Net Income of Year 2016, which is RMB18,000,000; and (iv) ASC shall mean the Anticipated Share Consideration for Year 2016;

- (iii) in case that the total audited Net Income of the Target Group for Year 2016 is more than RMB70,000,000, all Anticipated Share Consideration shall be fully issued to the Vendor.

(b) On 15 April 2018, after the financial report of the Target Group for Year 2017 to the satisfactory of the Purchaser has been issued by the Auditor,

- (i) in case that the total audited Net Income of the Target Group for Year 2016 and Year 2017 is negative, no Consideration Shares shall be issued to the Vendor;
- (ii) in case that the total audited Net Income of the Target Group for Year 2016 and Year 2017 is less than RMB40,000,000, the number of Consideration Shares to be issued on 15 April 2018 shall be subject to a one-time adjustment in accordance with the following:

$$SCI = NI/ANI*ASC-IS$$

For purpose of the foregoing formula, the following definitions shall apply:

(i) SCI shall mean the number of Consideration Shares to be issued for Year 2017 (if SCI is negative, no Consideration Shares shall be issued to the Vendor); (ii) NI shall mean the audited total Net Income for Year 2016 and Year 2017; (iii) ANI shall mean the anticipated Net Income for Year 2016 and Year 2017, which is RMB40,000,000; (iv) ASC shall mean the total Anticipated Share Consideration for Year 2016 and Year 2017; and (v) IS shall mean the Consideration Shares which has been issued to the Vendor in Year 2016;

- (iii) in case that the total audited Net Income of the Target Group for Year 2016 and Year 2017 is more than RMB40,000,000, the remaining Anticipated Share Consideration for Year 2016 (if not fully issued) and the Anticipated Share Consideration for Year 2017 shall be fully issued to the Vendor; and
- (iv) in case that the total audited Net Income of the Target Group for Year 2016 and Year 2017 is more than RMB70,000,000, all remaining Anticipated Share Consideration (except those which has been issued under Clause 3.3(a)) shall be fully issued to the Vendor.

(c) On 15 April 2019, after the financial report of the Target Group for Year 2018 to the satisfactory of the Purchaser has been issued by the Auditor,

- (i) in case that the total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018 is negative, no Consideration Shares shall be issued to the Vendor;
- (ii) in case that the total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018 is less than RMB70,000,000, the number of Consideration Shares to be issued for Year 2018 shall be subject to a one-time adjustment in accordance with the following:

$$\text{SCI} = \text{NI}/\text{ANI} * \text{ASC} - \text{IS}$$

For purpose of the foregoing formula, the following definitions shall apply: (i) SCI shall mean the number of Consideration Shares to be issued for Year 2018 (if SCI is negative, no Consideration Shares shall be issued to the Vendor); (ii) NI shall mean the total audited Net Income for Year 2016, Year 2017 and Year 2018; (iii) ANI shall mean the anticipated Net Income of Year 2016, Year 2017 and Year 2018, which is RMB70,000,000; and (iv) ASC shall mean the total Anticipated Share Consideration for Year 2016, Year 2017 and Year 2018; (v) IS shall mean Consideration Shares which has been issued to the Vendor in Year 2016 and Year 2017;

- (iii) in case that the total audited Net Income of the Target Group for Year 2016, Year 2017 and Year 2018 is more than RMB70,000,000, all remaining Anticipated Share Consideration shall be fully issued to the Vendor.

Conditions Precedent

The Completion of the Sale and Purchase Agreement shall be subject to the fulfillment or, where applicable, waiver of, amongst others, the following conditions:

- (a) The warranties provided by the Vendor being true, correct and accurate in all material respects as of Completion as though made on the Completion Date;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (c) the passing of a board resolution by the Company approving this Agreement and the transactions contemplated thereunder;
- (d) the shareholders' resolutions and board resolutions of the Vendor and the Target Company having been duly approved and passed by the shareholders and board of the Vendor and the Target Company respectively approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (e) all parties shall have executed final transaction documents satisfactory to all parties including without limitation the Sale and Purchase Agreement;
- (f) all necessary authorisations, consents, licences, agreements, approvals or permissions of any kind of, from or by third parties and/or government or regulatory authorities (if any) required to implement all the transactions contemplated hereunder having been obtained by the Vendor and/or the Target Group on terms reasonably satisfactory to the Purchaser and remaining in full force and effect (with evidence provided to the Purchaser to the Purchaser's reasonable satisfaction);

- (g) the Purchaser being satisfied with the results of the due diligence review, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure, of each member of the Target Group being completed to the satisfaction of the Purchaser and there being no matter arising from the due diligence review which shall adversely affect the value of the Sale Shares in any respect;
- (h) the Vendor shall have provided the Purchaser the unaudited combined financial statements of the Target Group for Year 2015 and the unaudited combined financial statements of the Target Group for the first quarter of Year 2016 immediately before the Completion;
- (i) Existing VIE Contracts having been terminated on terms satisfactory to the Purchaser;
- (j) the Onshore Acquisition Agreement having been duly executed on terms satisfactory to the Purchaser;
- (k) the Guarantors and Hefei OPCO having completed or procured the completion of the registration with the local Administration of Industry and Commerce in connection with the equity transfer contemplated under the Onshore Acquisition Agreement;
- (l) the VIE Contracts having been duly executed on terms satisfactory to the Purchaser;
- (m) each of the Guarantors and key employees identified shall have duly executed an employment agreement, a non-competition agreement, a confidentiality agreement and an intellectual properties assignment agreement with the Target Company on terms satisfactory to the Purchaser;
- (n) the shareholder resolutions of each of Anhui Zhixue Information Technology Co., Ltd. (安徽智學信息科技有限公司) and Shenzhen Huanyue Network Technology Co., Ltd (深圳市歡悅網絡科技有限公司) having been duly approved and passed to dissolve each company;
- (o) any Encumbrances to which the Sale Shares are subject having been fully and duly released and discharged.

The Conditions may be waived by the Purchaser in writing except for Conditions (b) which are not capable of being waived.

In the event that any of the Conditions is not fulfilled (or waived) within 6 months after the date of the Sale and Purchase Agreement or such later date as mutually agreed by the Purchaser and the Vendor, then the rights and obligations of the parties to the Sale and Purchase Agreement shall lapse and be of no further effect except for antecedent breach of any obligations of any parties thereto.

Guarantee by the Guarantors

Each of the Guarantors guarantees, unconditionally and irrevocably as primary obligor, the due observance and performance by the Vendor under the Sale and Purchase Agreement and agrees to indemnify the Company and the Purchaser in respect of all losses and damages as a result of any failure of the Vendor to perform or comply with its obligations under the Sale and Purchase Agreement.

Non-competition

Each Guarantor agrees inter alia that during the period of subsistence of the employment agreement between the Guarantor and the Target Group or for as long as a Guarantor remains or has an interest as a shareholder of the Company whether directly or indirectly, and for a period of two (2) year after the termination of the employment or such Guarantor no longer holds or has an interest as shareholder, whether directly or indirectly, whichever is later (the “**Non-Compete Period**”), any of them shall not (i) engage in any business that competes with the Target Group, (ii) call upon, solicit, advise or otherwise do, or attempt to do, business with any customers of any member of the Target Group with whom such member had any dealings during the Non-Compete Period, (iii) take away or interfere or attempt to interfere with any custom, trade, business or patronage of any member of the Target Group, (iv) interfere with or attempt to interfere with any officers, employees, representatives or agents of any member of the Target Group or (v) induce or attempt to induce any such officer, employee, representative or agent to leave the employ of any member of the Target Group or violate the terms of their contracts, or any employment arrangements, with any member of the Target Group.

Completion

Completion of this Agreement shall take place at or before 6 p.m. on the tenth (10th) Business Day after the fulfilment of the Conditions. Upon Completion, the Purchaser will hold the entire issued share capital of the Target Company and the Target Company will become a subsidiary of the Company.

Termination

If at any time before Completion inter alia (a) any selected major business agreement of the Target Group is terminated or varied in any material respect or is subject to any dispute; (b) the Vendor is in material breach of any obligation on its part under this Agreement and, where that breach is capable of remedy, it is not remedied to the satisfaction of the Purchaser within thirty (30) days after a written notice is served on the Vendor; or (c) anything occurs which is likely to constitute, in the opinion of the Purchaser, a Material Adverse Change, then the Purchaser may elect not to complete the purchase of the Sale Shares by giving written notice to the Vendor.

Effect of the issue of Consideration Shares on the Shareholding Structure

The table below sets forth the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon the fully allotment and issuance of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares (Note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Luckie Strike Limited (Note 1)	110,000,000	13.56%	110,000,000	12.37%
Come Fortune International Limited (Note 1)	155,200,000	19.13%	155,200,000	17.46%
Hu Minglie (Note 2)	400,000	0.05%	400,000	0.04%
Wang Jianli (Note 2)	1,060,000	0.13%	1,060,000	0.12%
Ma Wanjun (Note 2)	1,060,000	0.13%	1,060,000	0.12%
Chen Jianhua (Note 2)	1,480,000	0.18%	1,480,000	0.17%
Lu Hong (Note 2)	200,000	0.03%	200,000	0.03%
Chai Chaoming (Note 2)	134,000	0.02%	134,000	0.02%
Barclays PLC (Note 3)	309,000	0.04%	309,000	0.04%
Vendor or an entity designated by the Vendor	0	0.00%	77,777,778	8.75%
Public Shareholders	<u>541,272,950</u>	<u>66.73%</u>	<u>541,272,950</u>	<u>60.88%</u>
Total	<u>811,115,950</u>	<u>100%</u>	<u>888,893,728</u>	<u>100%</u>

Notes:

- Luckie Strike Limited and Come Fortune International Limited were wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust, which was founded by Mr. Hu Changyuan, a Director, and the trustee of which was Barclays Wealth Trustees (Singapore) Limited, which was in turn wholly owned by Barclays PLC. Accordingly, each of Mr. Hu Changyuan and his spouse Ms. Yu Yuesu, Dynamic Empire Holdings Limited, Barclays Wealth Trustees (Singapore) Limited and Barclays PLC was deemed to be interested in all these Shares.
- Mr. Hu Minglie, Mr. Wang Jianli, Mr. Ma Wanjun and Mr. Chen Jianhua are executive Directors, Ms. Lu Hong and Mr. Chai Chaoming are independent non-executive Directors.

3. Barclays PLC, through its 100% controlled corporations, is interested in (i) an aggregate of 265,509,000 shares (including unlisted derivative interests of 2,000 shares with cash settled and (ii) 2,000 shares in short position. Among them, 265,200,000 shares were held by Barclays Wealth Trustees (Singapore) Limited as trustee. Barclays Wealth Trustees (Singapore) Limited was wholly owned by Barclays PLC. Barclays PLC was deemed to be interested in all the shares in which Barclays Wealth Trustees (Singapore) Limited was interested by virtue of the SFO.
4. Assuming Completion having occurred and no outstanding share options having been exercised and the number of Shares owned by each of the Shareholders below between the date of this announcement and the date of issue of the Consideration Shares remain unchanged.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Company is an investment holding company with its principal subsidiaries engaged in manufacturing and sales of high precision copper plates and strips, trading of raw materials, provision of processing services. Due to the volatility and cyclicity of the existing business, the Group has been proactively looking for potential acquisition opportunities to diversify its existing business portfolio into new line of business with growth potential, to reduce overall risk profile, and to broaden the source of income and eventually to enhance the value of its shareholders. The Group has since then identified the internet and mobile gaming industry which has experienced rapid growth in the PRC in recent years.

The Directors believe the acquisition of the Target Group represent a good acquisition opportunity and is in line with the Group's business strategy as:

- (a) there exists a promising growth potential of internet and mobile gaming products in the PRC driven by the prevalence of the use of smartphones and tablet computers and the Directors believe that the growth is expected to continue in terms of channels for use, data usage and market penetration;
- (b) the Target Group has an established business with good track record in developing internet and mobile gaming products and an experienced team in the internet and mobile gaming industry, as detailed in the section headed "Information of the Target Group" below;
- (c) the Hefei OPCO holds certain licenses and permits that are essential to the operation of the mobile gaming business and acquiring an established mobile gaming company through the Target Company with readily available resources is an efficient way to achieve the goal of the Group; and
- (d) the Vendor has provided certain performance undertaking to the potential net income of the Target Company during the Performance Undertaking Period which will contribute positively to the financial result of the Company in the near future.

Having considered above, the Directors believe that the Acquisition is in line with the Group's business diversification strategy. The Directors considers that the terms of the Sale and Purchase Agreement were determined after arm's length negotiation between the parties thereto and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability and it is wholly owned by the Vendor. The Target Company is an investment holding company which holds the entire issued share capital of the HK Subsidiary, which is an investment holding company and in turn will hold the entire equity interest in the PRC Subsidiary. The PRC Subsidiary would enjoy the entire economic interests and benefits of the OPCO Group through the VIE Contracts.

The Hefei OPCO and the OPCO Subsidiary, a wholly-owned subsidiary of the Hefei OPCO, are incorporated in the PRC and principally engaged in the development, distribution and operation of internet and mobile gaming products. The OPCO Group distributes and operates both its in-house developed games and third-party developed games. The OPCO Group holds certain licenses and permits that are essential to the operation of its business, such as Internet Content Provider License (the "**ICP License**") and the Network Cultural Business Permit (the "**Permit**").

The OPCO Group has an experienced team of internet and mobile gaming talents in the fields of development, distribution and operation of games in China. The founders of the OPCO Group are former senior management officers and experienced game producers at Shen Zhen ZQ Game Company Limited (深圳中青寶互動網絡股份有限公司) (the "**ZQ Game**"), an A share listed internet gaming company (SZ.300052). Mr. Ren Hao, the key founder and the chief executive officer of the OPCO Group was the general manager of the web game division at the ZQ Game. The founders and key employees of the OPCO Group have developed, distributed and operated many successful and popular internet web games, including 《逍遙三國志》、《絕地戰爭》、《海神》 and etc. Under the Sale and Purchase Agreement, the founders and key employees of the Target Group would be retained as employees of the Target Group after the Completion for an initial term of 5 years.

The OPCO Group is operating a famous online web game, Scions of Fate Online (web) (熱血江湖傳) ("**Scions of Fate**"), which has experienced promising growth in many key indicators of the game since its initial launch on the Tencent online web game platform in October 2015. As of the end of April 2016, the aggregated total registered players of Scions of Fate was over 13 million. The maximum number of players online simultaneously has reached 50,000. The recharge value of the game for the first three months since its launch (October 2015 to December 2015) was approximately RMB8.5 million, and the recharge value of the game for the first quarter of 2016 was approximately RMB52.2 million. The game has gained wide approval among players and the industry.

In addition, the OPCO Group has been cooperating with various domestic and overseas online game platforms in developing its gaming products. The first self-developed web games product of the OPCO Group, Lords Road (王者之路), was introduced to the oversea market in August 2015, the OPCO Group worked with renowned oversea game distributors such as AMZGame and R2Games. As of the end of April 2016, the total registered players of the Lords Road (王者之路) has reached 1.3 million. The OPCO Group is expected to continue to expand its oversea deployment by launching another self-developed game the Gods (眾神大陸) in 2016.

The OPCO Group has a strong pipeline of game products developed either by in-house team or third party developers. We expect these products would greatly enhance the product structure of the OPCO Group, and are aimed to further expand the source of revenue of the OPCO Group.

Financial Information

Set out below is the combined financial information of the Target Group and Shenzhen Huanyue based on the unaudited combined financial statements for the two years ended 31 December 2014 and 2015 and for the three months ended 31 March 2016 (the “**Relevant Periods**”) as if the Target Group had been in existence throughout the Relevant Periods.

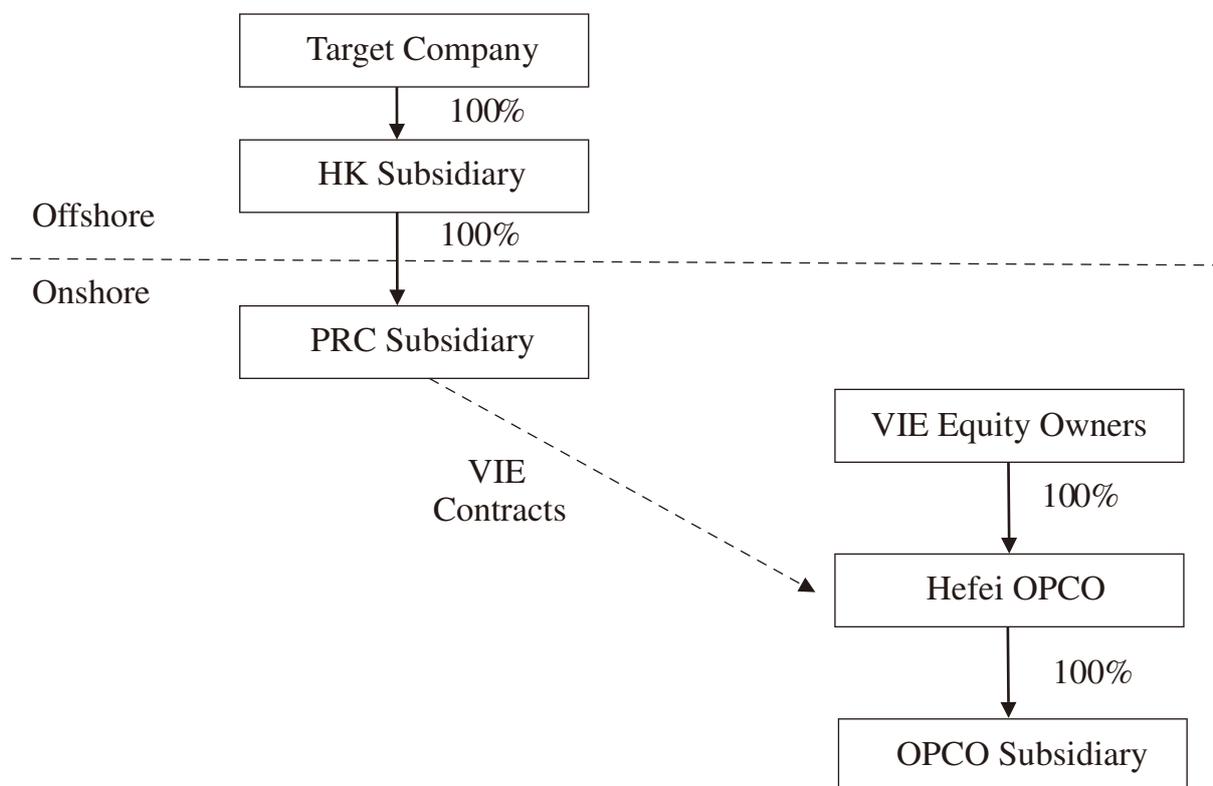
	Period from 4 November 2014 (date of incorporation of the Shenzhen Huanyue (Note)) to December 2014	For the year ended 31 December 2015	For the three months ended 31 March 2016
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Net profit/(loss) before taxation and extraordinary items	(57)	2,561	5,269
Net profit/(loss) after taxation and extraordinary items	(57)	1,125	3,546

As at 31 March 2016, the unaudited net asset value of the Target Group was approximately RMB5,615,000.

Note: Shenzhen Huanyue is the predecessor entity of Hefei OPCO. On 24 July 2015, Shenzhen Huanyue transferred its entire business to Hefei OPCO and was subsequently liquidated on 12 May 2016. As the Guarantors owned or controlled Shenzhen Huanyue and the OPCO Group during the Relevant Periods, there was a continuance of the risk and benefits to the Guarantors. Pursuant to the Existing VIE contracts, the PRC Subsidiary is entitled to exercise effective control over the Hefei OPCO. The Target Group thereby consolidated OPCO Group as if it was in the Target Group from the beginning of the Relevant Periods.

Shareholding Structure of the Target Group

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



Pursuant to the VIE Contracts, the PRC Subsidiary will be entitled to exercise effective control over the Hefei OPCO so as to obtain the economic interests and benefits from their business activities despite the lack of registered equity ownership. The Directors discussed with the Company's auditor and concluded, based on all the information available to the Company and disclosed in the announcement, that Target Group's results would be consolidated by the Company in accordance with IFRS 10 after the execution of the VIE Contracts among the relevant contracting parties and completion of the acquisition.

Information on the registered shareholders of Hefei OPCO

Mr. Ren, Mr. Tong and Mr. Yang currently hold the equity interest in Hefei OPCO as to 42%, 30% and 28% respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the registered shareholders of Hefei OPCO is a resident in the PRC and an Independent Third Party.

Pursuant to the Onshore Acquisition Agreement, Mr. Ren, Mr. Tong and Mr. Yang would transfer their equity interests in Hefei OPCO to the VIE Equity Owners on or before Completion. As at the date of this Announcement, the VIE Equity Owners are tentatively proposed to be Mr. Li and Mr. Ren who would beneficially own as to 99% and 1% of the equity interest of Hefei OPCO respectively. Mr. Li was acquainted to Mr. Hu Minglie, our executive Director, since 2010 when they both studied at the same university for an MBA degree, whereas Mr. Ren is one of the founders of the Hefei OPCO. The Directors believe that Mr. Ren's retention as an equity owner can strengthen the management of the Group on Hefei OPCO. Mr. Li and Mr. Ren are both Independent Third Parties and PRC citizens.

The VIE Equity Owners may be subject to changes at the discretion of the Purchaser before Completion.

INFORMATION OF THE VIE CONTRACTS

Reasons for use of the VIE Contracts

The Hefei OPCO and OPCO Subsidiary are principally engaged in the development and operation of internet and mobile gaming products, among which the operation of internet and mobile games is considered to be engaged in the provision of value-added telecommunications services and the internet cultural business, a restricted business and prohibited business respectively for foreign investors pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision) 《外商投資產業指導目錄(2015年修訂)》.

Therefore, to comply with the applicable PRC laws and regulations, the PRC Subsidiary, the Hefei OPCO and each VIE Equity Owners have entered into the VIE Contracts to enable the financial results, the entire economic benefits and the risks of the businesses of the Hefei OPCO to flow into PRC Subsidiary and to enable PRC Subsidiary to gain management control over the operation of Hefei OPCO and OPCO Subsidiary.

VIE Contracts

The details of the VIE Contracts are summarized as follows:

(i) *Exclusive Management and Consulting Agreement (獨家管理諮詢協議)*

Parties: (i) PRC Subsidiary
(ii) Hefei OPCO

Subject matter: The PRC Subsidiary shall provide the Hefei OPCO with exclusive management consultancy services, including, among others, software development services, information technology consulting, business information consulting, corporate management information consulting and investment information consulting.

The Hefei OPCO grants to the PRC Subsidiary an irrevocable and exclusive option to purchase from the Hefei OPCO, at the PRC Subsidiary's sole discretion and to the extent permitted under PRC laws, any or all of the assets and business of the Hefei OPCO and at lowest permissible purchase price.

In consideration of the PRC Subsidiary's services, the Hefei OPCO shall pay to the PRC Subsidiary a service fee that is equal to its 100% net profit before charging of the service fee (net of any applicable taxes) on a quarterly basis. PRC Subsidiary may at its absolute discretion lower the fee with reference to the operation cost and financial budget relating to the business development plan of Hefei OPCO. PRC Subsidiary is also entitled to make any other adjustments of the service fees at the end of every quarter in accordance with the quarterly revenue and profit of Hefei OPCO under International Financial Reporting Standards.

(ii) Shareholders' Voting Trust Agreement (股東表決權委託協議)

Parties: (i) PRC Subsidiary
(ii) VIE Equity Owners

Subject matter: The VIE Equity Owners irrevocably agree to entrust, to the extent permitted by the laws of the PRC, to the PRC Subsidiary their rights as shareholders of Hefei OPCO, including (i) acting as the agent of the VIE Equity Owners to attend the shareholders' meetings of Hefei OPCO; (ii) representing the VIE Equity Owners and exercising the voting rights on matters requiring discussion and approval at shareholders' meetings of Hefei OPCO under the articles of association of Hefei OPCO and laws of the PRC; and (iii) exercising any other shareholders' rights as prescribed under the articles of association of Hefei OPCO and laws and regulations of the PRC.

In addition, during the term of the Shareholders' Voting Trust Agreement, the VIE Equity Owners may not exercise any of the entrusted rights without prior written consent from the PRC Subsidiary.

(iii) Share Purchase Option Agreement (股權購買權協議)

Parties: (i) PRC Subsidiary
(ii) VIE Equity Owners

Subject matter: The VIE Equity Owners irrevocably and unconditionally grant exclusive share purchase options to the PRC Subsidiary which entitles the PRC Subsidiary to require the VIE Equity Owners to transfer, when permitted by laws of the PRC, all or any part of the VIE Equity Owners' equity interest in the Hefei OPCO to the PRC Subsidiary or any person(s) designated by the PRC Subsidiary at an aggregate consideration of RMB1.00 or a minimum purchase price permitted by the then laws and regulations of the PRC. The VIE Equity Owners undertake to reimburse the PRC Subsidiary for all the consideration paid by the PRC Subsidiary pursuant to the exercise of the option(s). The PRC Subsidiary may exercise such option(s) at any time until it or the person(s) designated by it has acquired the entire equity interest of the Hefei OPCO.

In addition, absent prior written consent from the PRC Subsidiary, the VIE Equity Owners shall not, among other things, (i) transfer any of their equity interests in the Hefei OPCO nor create any pledge or any other security thereon, or (ii) approve, as shareholders of the Hefei OPCO, the increase or decrease in the registered capital of Hefei OPCO or distribution of dividends to the shareholders of Hefei OPCO.

(iv) Equity Pledge Agreement (股權質押協議)

Parties: (i) PRC Subsidiary
(ii) VIE Equity Owners

Subject matter: The VIE Equity Owners agree to pledge all of their equity interests in the Hefei OPCO, equivalent to 100% of the equity interests of the Hefei OPCO, to the PRC Subsidiary to secure the performance of all the contractual obligations and the payment of guaranteed debts of the VIE Equity Owners and the Hefei OPCO under the VIE Contracts.

Pursuant to the Equity Pledge Agreement, absent prior written consent from the PRC Subsidiary, the VIE Equity Owners shall not, among other things, (i) transfer any of their equity interests in the Hefei OPCO nor create any new pledge or any other security thereon, or (ii) approve, as shareholders of the Hefei OPCO, the increase or decrease in the registered capital of Hefei OPCO or distribution of dividends to the shareholders of Hefei OPCO.

(v) Power of Attorney (授權委託書)

Each VIE Equity Owners irrevocably authorizes the PRC Subsidiary or any person(s) designated by the PRC Subsidiary to exercise, on his behalf, his rights and powers as shareholder of the Hefei OPCO, including, among other things, (i) acting as the agent of the VIE Equity Owner to attend the shareholders' meetings of Hefei OPCO; (ii) representing the VIE Equity Owner and exercising the voting rights on matters requiring discussion and approval at shareholders' meetings of Hefei OPCO (including, but not limited to, nomination and election of directors, general managers and other senior management executives); and (iii) proposing to convene shareholders' meetings.

(vi) VIE Equity Owners' Commitment Letter (承諾函)

Each VIE Equity Owner unconditionally and irrevocably acknowledges that inter alia all the equity interests of the Hefei OPCO registered under his name (i) do not form part of his inheritable assets, and (ii) shall be dealt with according to the arrangements provided in the VIE Contracts respectively.

If any of the VIE Equity Owners suffer from death, incapacity, bankruptcy, divorce or in any other events that the performance of his obligation in the VIE Contracts will be affected, the PRC Subsidiary has the sole discretion to deal with the VIE Equity Owners' entire equity interest in the Hefei OPCO, including without limitation to transfer the equity interests owned by the VIE Equity Owners to the designated entities by the PRC Subsidiary at nil consideration in accordance with applicable PRC laws.

(vii) Spousal Consent Letter (配偶同意函)

Spouse of the VIE Equity Owners respectively unconditionally and irrevocably inter alia (i) acknowledge that all the equity interests of the Hefei OPCO registered under the name of the VIE Equity Owners (as applicable) do not form part of their matrimonial property, (ii) undertake that she will not claim any remedy in respect of the equity interests in the Hefei OPCO obtained under the VIE Contracts, and (iii) undertake that she will not participate in the operation and management of the Hefei OPCO.

Compliance of VIE Contracts with laws and regulations of the PRC

Save and except for certain terms of the VIE Contracts as set out in the paragraphs headed "Dispute Resolutions" and "Risk factors in relation to the VIE Contracts", there is no assurance that the VIE Contracts could comply with future changes in the PRC foreign investment legal regime and the PRC government may determine that the VIE Contracts do not comply with applicable regulations below, the PRC Legal Adviser is of the opinion that the execution, delivery and performance of each of the VIE Contracts do not violate any applicable PRC laws and regulations in all material aspects; each of the VIE Contracts to be entered into by the Target Group are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under laws and regulations of the PRC.

The Directors therefore believe that save as disclosed, the VIE Contracts are enforceable under the relevant laws and regulations in the PRC, and that the VIE Contracts will provide a mechanism that enables the Target Company to exercise effective control over the Hefei OPCO.

Dispute Resolutions

The Exclusive Management and Consulting Agreement, the Shareholders' Voting Trust Agreement, the Share Purchase Option Agreement and Equity Pledge Agreement are governed by and constructed in accordance with the laws of the PRC and contain a provision for resolving disputes by arbitration at Shanghai International Economic and Trade Arbitration Commission in accordance with its then prevailing arbitration rules.

The Exclusive Management and Consulting Agreement, the Shareholders' Voting Trust Agreement, the Share Purchase Option Agreement and Equity Pledge Agreement include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the arbitral body may award remedies over shares and/or assets of Hefei OPCO, injunctive relief and/or winding up of Hefei OPCO, and that courts in the PRC, Hong Kong and the Cayman Islands are of competent jurisdiction with power to grant interim remedies in support of arbitration pending formation of arbitral tribunal or in appropriate cases. The Company has been advised by the PRC legal advisors that the above mentioned provisions regarding injunctive relief or interim remedies contained in the VIE Contracts may not be enforceable, and that under the laws and regulations of the PRC, arbitral body does not have the power to grant any injunctive relief or liquidation order in case of dispute. Accordingly, such remedies may not be available to the Company or its subsidiaries timely or at all notwithstanding the relevant contractual provisions contained in the VIE Contracts.

Liquidation

Pursuant to the VIE Contracts, in the event of dissolution or liquidation of Hefei OPCO, the PRC Subsidiary or its nominee shall be authorized, on behalf of the VIE Equity Owners, to appoint the member of the liquidation committee of Hefei OPCO. The VIE Equity Owners shall further agree to sell or otherwise dispose the whole or part of their equity interest or assets and undertake that, all the proceeds obtained therefrom shall be transferred, at nil consideration, to the PRC Subsidiary or its nominee.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

In addition to the internal control measures as provided in the VIE Contracts, it is the intention of the Company, through the PRC Subsidiary to adopt additional internal control measures against the Hefei OPCO as appropriate, having regard to the internal control measures to be adopted by the Group from time to time, which may include but not limited to:

Management controls

- i. The Group will appoint two representatives (the “**Representatives**”) to act as the directors of the Hefei OPCO. One of the Representatives will act as the chairman of the board of directors. The Representatives are required to conduct monthly reviews on the operations of the Hefei OPCO and shall submit the monthly reviews to the Board. The Representatives are also required to review the monthly management accounts of the Hefei OPCO;
- ii. The Representatives shall be actively involved in various aspects of the managerial and operational activities of the Hefei OPCO;
- iii. The Representatives shall report any major events of the Hefei OPCO to the Chief Executive Officer of the Company (the “**Chief Executive Officer**”), who must in turn report to the Board;
- iv. The Chief Executive Officer shall conduct regular site visits to the Hefei OPCO and conduct personnel interviews quarterly and submit reports to the Board; and
- v. All seals, chops, incorporation documents and all other legal documents, to the extent permitted by the laws and regulations of PRC, of the Hefei OPCO must be kept at the office of the PRC Subsidiary.

Financial controls

- i. The chief financial officer of the Company (the “**CFO**”) shall collect monthly management accounts, bank statements and cash balances and major operational data of the Hefei OPCO for review. Upon discovery of any suspicious matters, the CFO must report to the Board;
- ii. If the payment of the service fees from the Hefei OPCO to PRC Subsidiary is delayed, the CFO must meet with the shareholder of the Hefei OPCO to investigate, and should report any suspicious matters to the Board;
- iii. The Hefei OPCO must submit copies of latest bank statements for every bank accounts of the Hefei OPCO within 15 days after the end of each month; and
- iv. The Hefei OPCO must assist and facilitate the Company to conduct quarterly on-site internal audit on the Hefei OPCO.

Board's view on the VIE Contracts

Based on the above, the Board is of the view that the VIE Contracts are narrowly tailored to achieve the Hefei OPCO's business purpose and to minimize the potential conflicts with and are enforceable under the relevant laws and regulations of the PRC. The VIE Contracts enable the PRC Subsidiary to gain control over the Hefei OPCO, and to be entitled to the economic interests and benefits of Hefei OPCO. The Company will unwind the VIE Contracts as soon as relevant PRC rules and regulations governing foreign investment in the operation of mobile games business are issued which allow PRC Subsidiary to register itself as the shareholder of the Hefei OPCO.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, the Hefei OPCO have not encountered any interference or encumbrance from any governing bodies in operating its business.

RISK FACTORS IN RELATION TO THE VIE CONTRACTS

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

On 19 January 2015, the MOFCOM circulated "Foreign Investment Law of the People's Republic of China (Draft for Comment) (中華人民共和國外國投資法(草案徵求意見稿))" (the "**Draft Law**"), which proposed changes to the PRC foreign investment legal regime and the treatment of the variable interest entity structure, including contractual arrangement such as the VIE Contracts. The Draft Law, if finally adopted, may have material impact on the PRC foreign investment legal regime. According to the PRC Legal Adviser, the Draft Law is currently in consultation stage and has not yet been effective or legally binding. As there are uncertainties on the final content and interpretations of the Draft Law, there is no assurance that the VIE Contracts will comply with the Draft Law when it is adopted and becomes law. Under the MOFCOM's notes accompanying the Draft Law (the "**Notes**"), in the event that the Group's business falls within the restricted or prohibited lists of the new foreign investment law, the Group will have to (i) report to competent authority: if the reporting regime is finally adopted, the existing VIE structure being permitted to continue following reporting to MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime; (ii) obtain verification from the competent authority: if the verification regime is finally adopted, the existing VIE structure being permitted to continue following verification, on the application of the investor, by MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft Law and the Notes have

not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the verification regime; or (iii) obtain access permission from the competent authorities: if the access permission regime is finally adopted, the existing VIE structure being permitted to continue following access permission by MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person. However, there is no guarantee that the Group will be able to obtain such verification or permission. If the Group is unable to obtain such verification or permission, the Group may be required to terminate the contractual arrangements under the VIE Contracts. As a result, the Group will lose control of the Hefei OPCO, which would, in turn, result in a material adverse effect on the Group's business, financial condition and results of operations.

The Board will monitor the development of the Draft Law and discuss with the PRC Legal Adviser on a regular basis in order to assess its possible impact on the VIE Contracts and the business of the Hefei OPCO. In case there would be material impact on the Group or the business of the Hefei OPCO, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

Despite the foregoing, there is currently no indication that the VIE Contracts will be interfered or objected by any PRC regulatory authorities. The PRC Legal Adviser has advised that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the VIE Contracts comply with the current laws, regulations or rules of the PRC, and the authorities may deny the validity, effectiveness and enforceability of the VIE Contracts. If the PRC regulatory authorities find that the VIE Contracts that establish the structure for operating the Group's PRC business do not comply with the laws and regulations of the PRC, or if these regulations or their interpretations change in the future, the Group could be subject to severe penalties or be forced to relinquish the Group's interests in those operations.

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

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

The shareholders of the Hefei OPCO may potentially have a conflict of interests with the Group

The Group's control over the Hefei OPCO is based on the contractual arrangement with the VIE Equity Owners under the VIE Contracts. The VIE Equity Owners may potentially have a conflict of interest with the Group, and they may not act in the best interests of the Group or may not perform their obligations under the VIE Contracts. Such risks exist and they are expected to continue to exist throughout the period in which the Group intends to operate its PRC business under the VIE Contracts with the Hefei OPCO.

Pursuant to the Shareholders' Voting Trust Agreement, each of the VIE Equity Owners will irrevocably authorize PRC Subsidiary as his representative to exercise his voting rights as shareholder of the Hefei OPCO. Therefore, the risk of potential conflict of interests between the PRC Subsidiary and the VIE Equity Owners is not substantial. However, in the unlikely event that conflict of interests arises and cannot be resolved, the PRC Subsidiary will consider removing and replacing the VIE Equity Owners.

The Group may not be able to effectively enforce its rights under the laws and regulations of the PRC when the Hefei OPCO or the VIE Equity Owners fail to perform their obligations under the VIE Contracts

If the Hefei OPCO or the VIE Equity Owners fail to perform their obligations under the VIE Contracts, the Group may have to incur substantial costs and resources to enforce its rights under the VIE Contracts.

All of these VIE Contracts are governed by laws and regulations of the PRC and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with the laws and regulations of the PRC and any disputes would be resolved in accordance with PRC legal procedures. The PRC legal system is not as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce these VIE Contracts. Under the laws and regulations of the PRC, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event that the Group is unable to enforce these VIE Contracts, the Group may not be able to exert effective control over the Hefei OPCO, and the Group's ability to conduct its business may be negatively affected.

A substantial amount of costs and time may be involved in transferring the ownership of the Hefei OPCO to the Group under the Share Purchase Option Agreement

The Share Purchase Option Agreement grants the PRC Subsidiary or its nominee a right to acquire part or all of the equity interest in the Hefei OPCO from the VIE Equity Owners at the lowest price permitted by laws and regulations of the PRC.

Nevertheless, the exercise of the share purchase option is subject to the relevant laws and regulations of the PRC, in particular, the limitations on foreign ownership in PRC companies that engage in mobile gaming business. In addition, a substantial amount of costs and time may be involved in transferring the ownership of the Hefei OPCO to the PRC Subsidiary if it chooses to exercise the option to acquire all or part of the VIE Equity Owners' equity interests in the Hefei OPCO under the Share Purchase Option Agreement, which may have a material adverse impact on the Group's business, prospects and results of operation.

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

The Group has not purchased any insurance to cover the risks relating to the VIE Contracts and the Company has no intention to purchase any insurance in this regard. If any event affecting the enforceability of the VIE Contracts or the operation of VIE Contracts arises in the future, the financial and operation results of the Group may be adversely affected. The Group will continue to monitor the relevant legal and operational environment on a regular basis in order to comply with the applicable laws and regulations.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

Under the laws and regulations of PRC, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The Group could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements under the VIE Contracts do not represent arm's length negotiations and consequently adjust the income and expenses of the PRC Subsidiary for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liabilities of the PRC Subsidiary without reducing the tax liabilities of the Hefei OPCO. In addition, the PRC tax authorities may impose late payment fees and other penalties to the Hefei OPCO for any unpaid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Group may bear economic risk which may arise from difficulties in the operation of the Hefei OPCO

Although the Group will not be obligated to share the losses of the Hefei OPCO under the VIE Contracts, as the ultimate beneficiary of the Hefei OPCO, the Group will bear economic risks which may arise from difficulties in the operation of the Hefei OPCO's business. In the event that the Hefei OPCO requires financial assistance from the Group, the Group may decide and resolve, at its sole and absolute discretion, to provide financial support to the Hefei OPCO in any manner permitted by relevant laws and regulations of the PRC in order to maintain the Hefei OPCO's sound operations.

INFORMATION OF THE GROUP

The Company is an investment holding company with its principal subsidiaries engaged in manufacturing and sales of high precision copper plates and strips, trading of raw materials, provision of processing services.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Vendor, pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
“BVI”	British Virgin Islands

“Company”	Xingye Copper International Group Limited (興業銅業國際集團有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Completion Date”	the date of Completion
“Condition(s)”	the condition(s) precedent set out in the Sale and Purchase Agreement
“Consideration”	the initial consideration of HKD186,000,000.20 for the Sale Share payable by the Company under the Sale and Purchase Agreement
“Consideration Shares”	77,777,778 Shares to be issued and allotted by the Company pursuant to the General Mandate
“Directors”	the directors of the Company
“Encumbrance”	means any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement or any other third party right whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Existing VIE Contracts”	means a set of structured contracts entered into by and among the PRC Subsidiary, the Hefei OPCO, the Guarantors and spouses thereof on 18 February 2016 and would be terminated on or before Completion
“Equity Pledge Agreement”	the equity pledge agreement to be entered into between the PRC Subsidiary and the VIE Equity Owners, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”
“Exclusive Management and Consulting Agreement”	the exclusive management and consulting agreement to be entered into amongst the PRC Subsidiary and Hefei OPCO, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”

“General Mandate”	means the ordinary resolution passed in the Annual General Meeting held on 27 May 2016, in respect of granting a general and unconditional mandate to the Directors to allot, issue and otherwise deal with new shares of the Company (the “ Shares ”) not exceeding 20 per cent of the total number of Shares in issue (i.e. 162,223,190 Shares) as at the date of that resolution
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Ren, Mr. Tong and Mr. Yang
“VIE Equity Owners’ Commitment Letter”	the commitment letter to be issued by each VIE Equity Owners, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”
“Hefei OPCO”	Hefei Zhangyue Network Technology Co., Ltd. (合肥掌悦網絡科技有限公司), a company incorporated in the PRC with limited liability, which is owned by Mr. Ren, Mr. Tong and Mr. Yang as to 42%, 30% and 28% respectively as of the date of this announcement
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Soul Dargon Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means any person or company and their respective ultimate beneficial owner(s) which are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Change”	means any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse change on:

- (a) the ability of any of the Vendor, Guarantors or the Group to perform its/his obligations under this Agreement or any other documents entered into pursuant to or in relation to this Agreement; or
- (b) the business, assets and liabilities, conditions (financial or otherwise), results of operations or prospects of the Group as a whole

“MOFCOM”	the Ministry of Commerce of the PRC
“Mr. Li”	LI Zhe (李喆), an Independent Third Party
“Mr. Ren”	Mr. REN Hao (任灝), an individual who owned 42% of the interests in the share capital of the Vendor and the Hefei OPCO respectively and an Independent Third Party
“Mr. Tong”	Mr. TONG Xin (佟鑫), an individual who owned 30% of the interests in the share capital of the Vendor the Hefei OPCO respectively and an Independent Third Party
“Mr. Yang”	Mr. YANG Jiong (楊冏), an individual who owned 28% of the interests in the share capital of the Vendor the Hefei OPCO respectively and an Independent Third Party
“Net Income”	the combined net profit of the companies comprising the Target Group, excluding extraordinary items include government subsidies not relating to tax benefits, transaction costs related to the Acquisition, expenses relating to the management of the Target Group by the Company, and any other items to be separately agreed by the Vendor and the Purchaser
“Onshore Acquisition Agreement”	means the agreement for the transfer of the entire equity interest in Hefei OPCO by the Guarantors (as sellers) to the VIE Equity Owners (as purchaser) to be executed on or before Completion
“OPCO Group”	Hefei OPCO and OPCO Subsidiary

“OPCO Subsidiary”	Shenzhen Zhangyue Network Technology Co., Ltd. (深圳掌悦網絡科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Hefei OPCO
“Performance Undertaking Period”	the period starting from the date of the Completion and ending with the last releasing date of either Cash Consideration or Consideration Shares
“Power of Attorney”	the power of attorney to be issued by each VIE Equity Owners, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Adviser”	Zhong Lun Law Firm, the legal adviser to the Company as to the laws of the PRC
“PRC Subsidiary”	Hefei Yueyou Network Technology Co., Ltd. (合肥悦遊網絡科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the HK Subsidiary
“Price Adjustment Mechanism”	The consideration adjustment mechanism under the Sale and Purchase Agreement, a summary of which are stipulated under the section headed “Acquisition – Adjustment to Consideration”
“Purchaser”	Xingye Investment Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

“Sale and Purchase Agreement”	the agreement dated 21 June 2016 entered into between the Company, the Seller, the Founders and the Target Companies in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Purchase Option Agreement”	the share purchase option agreement to be entered into amongst the PRC Subsidiary and the VIE Equity Owners, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Voting Trust Agreement”	the shareholders’ voting trust agreement to be entered into amongst the PRC Subsidiary and the Guarantors, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”
“Shenzhen Huanyue”	Shenzhen Huanyue Network Technology Co., Ltd., the predecessor entity of Hefei OPCO, was incorporated on 4 November 2014 in the PRC as a company with limited liability and owned by Mr. Ren, Mr. Tong and Mr. Yang as to 42%, 30% and 28% equity interest respectively before its liquidation on 12 May 2016
“Spouse Consent Letter”	the consent letters issued by the spouse of VIE Equity Owners respectively, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts”
“Supplemental VIE Contracts”	A supplemental set of VIE Contracts which are to be executed by the original parties before Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Funnytime Limited, a company incorporated in BVI with limited liability, which is owned as to 100% by the Vendor as at the date of this announcement
“Target Group”	the Target Company, the HK Company, the PRC Subsidiary and the Hefei OPCO and OPCO Subsidiary controlled by the PRC Subsidiary through the VIE Contracts
“Term Sheet”	The term sheet entered into among the Company, the Target Company, the Vendor and the Guarantors on 4 March 2016 in relation to the Sale and Purchase Agreement
“Vendor”	Mobilefun Limited, a company incorporated in the BVI with limited liability, which is owned by Mr. Ren, Mr. Tong and Mr. Yang as to 42%, 30% and 28% equity interest respectively as of the date of this announcement, and an independent third party
“VIE Contracts”	means the Exclusive Management and Consulting Agreement (獨家管理諮詢協議), Shareholders’ Voting Trust Agreement (股東表決權委託協議), Share Purchase Option Agreement (股權購買權協議), Equity Pledge Agreement (股權質押協議) and Power of Attorney ancillary to the foregoing (授權委託書), VIE Equity Owners’ Commitment Letter (承諾函) and Spouse Consent Letter (配偶同意函) to be entered into by and among the PRC Subsidiary, the Hefei OPCO, the VIE Equity Owners and spouses thereof on or before Completion, details of which are set out in the section headed “Information of the VIE Contracts – VIE Contracts” in this announcement
“VIE Equity Owners”	means the persons nominated by the Purchaser to be the equity owner(s) of Hefei OPCO on or before Completion. As at the date of this Announcement, the VIE Equity Owner are tentatively proposed to be Mr. Li and Mr. Ren who would beneficially own as to 99% and 1% of the equity interest of Hefei OPCO respectively. Mr. Li and Mr. Ren are both Independent Third Parties and PRC citizens. The nominee(s) may be subject to changes at the discretion of the Purchaser before Completion

“Year 2015”	the financial year ended 31 December 2015
“Year 2016”	the financial year ended 31 December 2016
“Year 2017”	the financial year ended 31 December 2017
“Year 2018”	the financial year ended 31 December 2018
“%”	per cent

By order of the Board
Xingye Copper International Group Limited
HU Changyuan
Chairman

Hong Kong, 21 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. HU Minglie, Mr. WANG Jianli, Mr. MA Wanjun and Mr. CHEN Jianhua, the non-executive director of the Company is Mr. DAI Jianchun and the independent non-executive directors of the Company are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.