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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in the capital of the Company, you should at once hand this Circular, the notice of the special general meeting (the “SGM”) and attached proxy form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

This Circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.

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**PROPOSED ACQUISITION OF 40% SHAREHOLDING  
IN NOOSA INTERNATIONAL LIMITED,  
PROPOSED PARTICIPATION OF MR. WANG SHIH ZEN IN THE 2010 SCHEME  
AND  
PROPOSED GRANT OF OPTIONS TO MR. WANG**

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A notice convening the SGM of the Company to be held at 33/F., 9 Queen’s Road Central, Hong Kong on Friday, 16 November 2012 at 10:00 a.m. is set out on pages 43 to 46 of this Circular. A form of proxy for use at the SGM is enclosed with this Circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk).

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same with, the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong (for Hong Kong Shareholders), or the Company’s share transfer agent in Singapore, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00 Singapore 068898 (for Singapore Shareholders), as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

19 October 2012

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## DEFINITIONS

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

“2010 Scheme”	the employee share option scheme of the Company adopted by the Company on 11 February 2010
“Act”	the Companies Act (Cap. 50), Singapore
“Acquisition Agreement”	the sale and purchase agreement dated 10 August 2012 (as amended by the Supplemental Agreement) entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
“associate”	has the meaning ascribed to it in the Listing Manual or the HK Listing Rules, as the context requires
“Board”	the board of Directors
“Business Cooperation Agreement”	the business cooperation agreement to be entered among Pei Heng, Shenzhen Jingying, Mr. Meng and Mr. Gu in relation to the provision of consultancy and technical services by Pei Heng to Shenzhen Jingying for an initial term of three years
“Business Day(s)”	any day other than a Saturday, a Sunday or a day on which commercial banks in Hong Kong are required or authorised by law or executive order to be closed
“CDP”	The Central Depository (Pte) Limited or its nominee(s), as the case may be
“Circular”	this Circular to Shareholders dated 19 October 2012
“Company”	Z-Obee Holdings Limited, a company incorporated in Bermuda with limited liability and issued Shares of which are listed on the main board of the HKSE and mainboard of the SGX-ST
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Completion”	completion of the Proposed Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Committee”	the committee comprising Directors duly authorised and appointed by the Board to administer the 2010 Scheme. As at the Latest Practicable Date, the committee comprises Mr. Guo Yanjun (Chairman), Mr. Chan Kam Loon, Mr. Lo Hang Fong, Mr. Tham Wan Loong, Jerome, Mr. David Lim Teck Leong and Mr. Wang Shih Zen

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## DEFINITIONS

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“Consideration”	the consideration of RMB70,360,000 (equivalent to approximately HK\$85,135,600) payable by the Purchaser to the Vendor for the Sale Shares pursuant to the Acquisition Agreement
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Manual
“Deposit”	has the meaning ascribed to it in under the heading “Consideration” on page 15 of the Circular
“Directors”	the directors of the Company
“Directors Undertaking”	an undertaking to be executed by all existing and future directors of Shenzhen Jingying (if any), for such directors to undertake that they will act according to the instructions of Pei Heng for the exercise of the powers of the director(s) of Shenzhen Jingying
“Distribution Undertaking”	an undertaking to be executed by all existing shareholders of Shenzhen Jingying in favour of Pei Heng that they will transfer any distribution of Shenzhen Jingying to Pei Heng
“EPS”	earnings per Share
“Equity Charge”	the equity charge to be executed for all the equity interests in Shenzhen Jingying respectively owned by Mr. Meng and Mr. Gu in favour of Pei Heng to secure the obligations of Shenzhen Jingying under, inter alia, the Business Cooperation Agreement and the Loan Agreement
“Equity Transfer Agreement”	the equity transfer agreement to be entered among Pei Heng, Mr. Gu, Mr. Meng and Shenzhen Jingying in relation to the granting of the irrevocable and exclusive right by Mr. Gu and Mr. Meng to Pei Heng to acquire the entire equity interest in Shenzhen Jingying at a consideration to be assessed by reference to the net assets value of Shenzhen Jingying as appearing in the accounts of Shenzhen Jingying as at the date of the Structural Agreements
“Finalised Valuation Report”	the finalised valuation report to be issued by the independent professional valuer, Avista Valuation Advisory Limited on the assets and businesses of the Target Company Group
“Forever Full”	Forever Full Investment Limited (沛恆投資有限公司), a company incorporated in Hong Kong with limited liability on 8 February 2011, which is wholly and beneficially owned by the Target Company

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## DEFINITIONS

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“Group”	the Company and all of its subsidiaries
“Hainan Airlines”	Hainan Airlines Co., Ltd. (海南航空股份有限公司), a limited liability company incorporated in the PRC
“Hainan Airlines Cooperation Agreement”	the cooperation agreement and supplemental agreement entered between Shenzhen Jingying and HNA Yisheng Holdings Limited (海航易生控股有限公司) on 15 March 2010 and 15 September 2011 respectively for a total period of eight years respectively in relation to the provision of handheld personal media players on the flights of HNA Group (including but not limited to Hainan Airlines and Tianjin Airlines)
“HK Listing Rules”	the Rules Governing the Listing of Securities on the HKSE, as modified from time to time
“HKSE”	The Stock Exchange of Hong Kong Limited
“HNA Group”	a conglomerate (海航集團) established under approval of the State Administration of Industry and Commerce in the PRC, with the air transportation as core business and covering other industries of tourism and service, airport management, logistics, hotel management, retailing, finance and other related businesses
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Wang and his associates, including Wise Premium
“Interim Valuation Report”	preliminary valuation on the Target Company Group prepared by Avista Valuation Advisory Limited, an independent professional valuer appointed by the Company
“Latest Practicable Date”	the latest practicable date prior to the printing of this Circular being 10 October 2012
“Legal Proceedings”	has the meaning ascribed to it under the heading “Information on a Previous Transaction” on page 14 of this Circular
“Listing Manual”	the Listing Manual of the SGX-ST, as amended or modified from time to time
“Loan”	the principal amount of RMB16,000,000 (equivalent to approximately HK\$19,360,000) to be advanced by Pei Heng to Mr. Meng and Mr. Gu pursuant to the terms and conditions of the Loan Agreement

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## DEFINITIONS

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“Loan Agreement”	a loan agreement to be entered among Pei Heng, Mr. Meng and Mr. Gu in relation to the grant of Loan
“Mr. Gu”	Mr. Gu Qi (顧琦先生), the beneficial owner of 54% equity interest in Shenzhen Jingying, an independent third party
“Mr. Meng”	Mr. Meng Fei (孟飛先生), the beneficial owner of 46% equity interest in Shenzhen Jingying, an independent third party
“Mr. Wang”	Mr. Wang Shih Zen, an executive Director and a Substantial Shareholder under the HK Listing Rules and a Controlling Shareholder under the Listing Manual
“Notice”	means the notice of SGM set out on page 43 to 46 of this Circular
“NTA”	net tangible assets
“Offer Date”	means the date on which an offer of the grant of the Options is made to Mr. Wang in accordance with the Scheme Rules
“Options”	the 600,000 options proposed to be granted to Mr. Wang under the 2010 Scheme
“Pei Heng”	Pei Heng Information Consultancy Limited (沛恒信息諮詢(深圳)有限公司), a wholly foreign owned enterprise incorporated in the PRC on 24 February 2012 and wholly owned by Forever Full
“Power of Attorney”	power of attorney to be entered into between the shareholders of Shenzhen Jingying and a nominee of Pei Heng, pursuant to which the nominees of Pei Heng was authorised by the shareholders of Shenzhen Jingying to exercise the shareholders’ rights in Shenzhen Jingying
“Proposed Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement
“PRC”	People’s Republic of China, which for the purpose of this Circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Purchaser”	Elastic Glory Investment Limited (耀恆投資有限公司), a company incorporated in the British Virgin Islands on 16 September 2002 with limited liability, which is a direct wholly-owned subsidiary of the Company
“Sale Shares”	40% of the issued share capital of the Target Company as at the date of Completion legally and beneficially owned by the Vendor, to be acquired by the Purchaser under the Acquisition Agreement
“Scheme Rules”	rules of the 2010 Scheme
“SGM”	the special general meeting of the Company to be convened and held on Friday, 16 November 2012 at 10:00 a.m. at 33/F., 9 Queen’s Road Central, Hong Kong, the notice of which is set out on pages 43 to 46 of this Circular
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of US\$0.008 each in the share capital of the Company
“Shareholder(s)”	registered holders for the time being of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, means the Depositors who have Shares entered against their names in the Depository Register
“Shareholders Undertaking”	an undertaking to be executed by Mr. Gu and Mr. Meng in favour of Pei Heng that they will vote on any resolutions proposed at the shareholders’ meeting of Shenzhen Jingying in accordance with the instructions of Pei Heng until the fulfilment of all obligations under the Loan Agreement, the Business Cooperation Agreement, the Distribution Undertaking, the Equity Charge and the Equity Transfer Agreement
“Shenzhen Jingying”	Shenzhen Jingying Electronic Technology Limited (深圳市菁英電子科技有限公司), a company incorporated in the PRC with limited liability on 19 July 2001
“Structural Agreements”	the respective agreements entered among Pei Heng, Mr. Meng, Mr. Gu and Shenzhen Jingying which includes the Loan Agreement, Business Cooperation Agreement, Equity Charge, Equity Transfer Agreement, Distribution Undertaking, Directors Undertaking, Shareholders Undertaking and Power of Attorney



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## DEFINITIONS

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“Substantial Shareholders”	a substantial shareholder of the Company as defined under Section 81 of the Act
“Supplemental Agreement”	the supplemental agreement entered into between the Vendor and the Purchaser on 26 September 2012 amending the Acquisition Agreement
“Target Company”	Noosa International Limited (龍薩國際有限公司), a company incorporated in the British Virgin Islands on 16 March 2012 with limited liability, which is wholly owned by the Vendor
“Target Company Group”	the Target Company, Forever Full, Pei Heng and Shenzhen Jingying
“Tianjin Airlines”	Tianjin Airlines Company Limited (天津航空有限責任公司), a limited liability company incorporated in the PRC
“Tianjin Airlines Cooperation Agreement”	the cooperation agreement entered between Shenzhen Jingying and Tianjin Airlines on 29 December 2009 in relation to the provision of handheld personal media players on the flights of Tianjin Airlines
“Trading Day”	a day on which the HKSE and the SGX-ST are open for the business of dealing in securities
“Vendor” or “Mr. Lai”	Mr. Lai Ying Ming, Lewis (黎應明先生), an independent third party, the sole beneficial shareholder of the Target Company prior to the Completion and the vendor in the Acquisition Agreement
“Wise Premium”	Wise Premium Limited
“%”	per centum or percentage
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	PRC Renminbi, the lawful currency of PRC
“S\$”	Singapore dollars, the lawful currency of Singapore
“US\$”	United States dollars, the lawful currency of the United States of America

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## DEFINITIONS

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The terms “Depositor” and “Depository Register” shall have the same meanings ascribed to them respectively under Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neutral genders and vice versa, and words importing persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Circular shall have the same meanings assigned to it under the Act or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless expressly provided otherwise.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be the arithmetic aggregation of the figures that precede them.

Unless otherwise expressly stated in this Circular, the exchange rate used in this Circular is RMB1=HK\$1.21.

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LETTER FROM THE BOARD

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**Z-Obee Holdings Limited**  
**融達控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 948)**

**(Singapore Stock Code: D5N)**

*website: <http://www.z-obeecom>*

*Executive Directors*

Mr. Wang Shih Zen

Ms. Wang Tao

Mr. Lu Shangmin

*Non-executive Director*

Mr. David Lim Teck Leong

*Independent non-executive Directors*

Mr. Chan Kam Loon

Mr. Guo Yanjun

Mr. Lo Hang Fong

Mr. Tham Wan Loong, Jerome

*Registered Office*

Clarendon House,

2 Church Street

Hamilton HM 11,

Bermuda

*Headquarter and principal place  
of business in the PRC*

Room 401, Building 14

West Park of Software Park

Hi-Tech Park

Second Road Nanshan

Shenzhen

PRC

*Place of business in Hong Kong  
under Part XI of the Companies  
Ordinance*

Unit E, 26/F., Legend Tower,

7 Shing Yip Street, Kwun Tong

Kowloon

Hong Kong

19 October 2012

*To the Shareholders*

- (1) PROPOSED ACQUISITION OF 40% SHAREHOLDING IN NOOSA  
INTERNATIONAL LIMITED,**  
**(2) PROPOSED PARTICIPATION OF MR. WANG SHIH ZEN IN THE 2010 SCHEME,  
AND**  
**(3) PROPOSED GRANT OF OPTIONS TO MR. WANG**

Dear Sir or Madam,

**1. INTRODUCTION**

The Directors are convening this SGM to be held on 16 November 2012 to seek Shareholders' approval for the following matters:—

- (a) the proposed acquisition of 40% shareholding in Noosa International Limited;

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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- (b) the proposed participation of Mr. Wang Shih Zen, a Substantial Shareholder under the HK Listing Rules and a Controlling Shareholder under the Listing Manual and our Chairman and Chief Executive Officer, in the 2010 Scheme; and
- (c) the proposed grant of 600,000 Options to Mr. Wang under the 2010 Scheme.

The purpose of this Circular is to provide Shareholders with information of the abovementioned matters.

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

## 2. PROPOSED ACQUISITION OF 40% SHAREHOLDING IN NOOSA INTERNATIONAL LIMITED

### 2.1 Background

On 10 August 2012, the Company announced that the Purchaser, a direct wholly-owned subsidiary of the Company has entered into an Acquisition Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares representing 40% of the entire issued share capital of the Target Company as at Completion at the Consideration of RMB70,360,000. On 26 September 2012, the Company announced, inter alia, the entering of the Supplemental Agreement between the Purchaser and the Vendor amending the Acquisition Agreement. Upon Completion, the Target Company will be beneficially owned as to 40% by the Purchaser and 60% by the Vendor.

Pursuant to Rule 1007 of the Listing Manual, as one the relative figures computed pursuant to Rule 1006 is a negative figure, the Company has consulted the SGX-ST and the SGX-ST has confirmed to the Company that Rule 1014(2) of the Listing Manual is applicable to the Proposed Acquisition. Accordingly, the Company is proposing ordinary resolution 1 set out in the Notice at the SGM to obtain Shareholders' approval for the Proposed Acquisition.

### 2.2 Information of the Target Company Group

#### *Target Company Group*

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. The Target Company is the sole shareholder of Forever Full and the primary asset of Forever Full is the investment in Pei Heng which is a wholly foreign owned enterprise in the PRC. Pei Heng carries on the business of investment holding and consultancy business in the PRC. Pei Heng will enter into the Structural Agreements (details of which are elaborated below) amongst the relevant parties on or before the date of Completion.

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## LETTER FROM THE BOARD

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Pei Heng was incorporated on 24 February 2012 for, inter alia, the purpose of entering into the Structural Agreements (described below). Our PRC lawyers, Guangxin Law Firm (廣東廣信律師事務所) have advised that some of the Structural Agreements have to be entered into with a PRC entity. The services under the Business Cooperation Agreement are provided in the PRC and as such the service provider has to be a PRC entity. In respect of the Loan Agreement, if the loan is granted by a foreign entity, the foreign debt has to be registered with the State Administration for Foreign Exchange, PRC (“SAFE” or “國家外匯管理局”) and such registration will be disallowed by SAFE as the borrower is a PRC citizen. In relation to the Equity Charge Agreement, if the shares are pledged to a foreign entity, the guarantee must be registered with SAFE, which in turn will be disallowed as the Loan Agreement as explained above cannot be registered with SAFE. As such, having regard to the above regulatory issues, it is more appropriate that a PRC entity, namely Pei Heng, is to be used as the party to the Structural Agreements.

Forever Full is a company incorporated in Hong Kong on 8 February 2011 and was incorporated to enable the Target Group to leverage on the benefits offered under the Mainland and Hong Kong Closer Economic Partnership Agreement or CEPA (a bilateral trade agreement between Hong Kong and the PRC signed in June 2003) to businesses established in Hong Kong. Some of the benefits are:

- a) Hong Kong incorporated companies who receive income from the PRC will enjoy relative low rates of PRC withholding tax for example, the Hong Kong entities will enjoy a withholding tax rate of 7% on interest and royalties and a 5% withholding tax rates received on dividends from their PRC subsidiaries. The typical withholding tax rates under other tax treaties are currently 10%.
- b) Under CEPA, Hong Kong incorporated companies are allowed to establish wholly-owned advertising companies in the PRC. To be eligible for the treatment of CEPA in providing the advertising services, the relevant Hong Kong company must meet the following conditions: (a) the company must be registered and established pursuant to the Companies Ordinance or other relevant ordinances of Hong Kong; (b) the company must engage in substantive business operations in Hong Kong for more than 3 years. Therefore, Forever Full will be eligible to acquire Shenzhen Jingying directly through Pei Heng when it accumulates more than 3 years of advertising operations in Hong Kong. The Group intends to establish its own advertising business in Hong Kong. Please refer to page 20 of the Circular under the heading “Structural Agreements and Other Matters” for more details.

Mr. Lai, the sole shareholder of the Target Company is an independent third party in relation to the Group. Mr. Lai is not an associate of any of the Directors nor as far as the Directors are aware, an associate of any of the Substantial Shareholders. Mr. Lai is not related directly or indirectly to any of the Directors and/or the Substantial Shareholders and/or Mr. Gu and/or Mr. Meng.

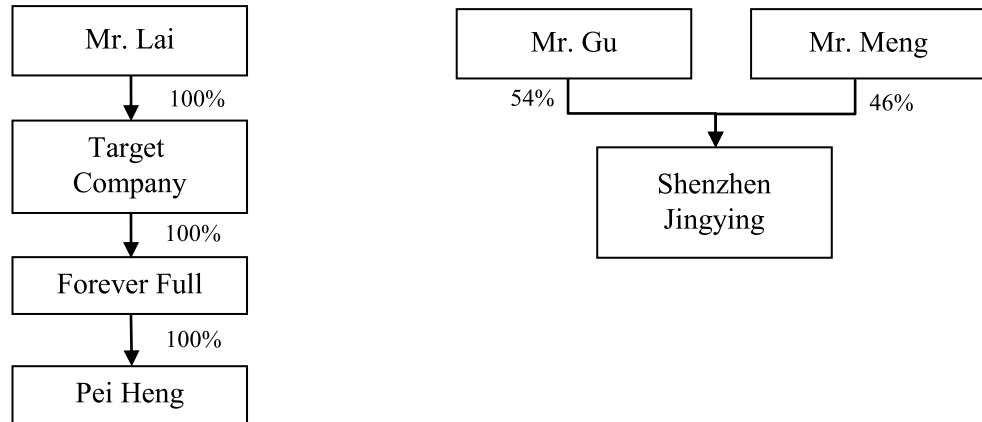
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## LETTER FROM THE BOARD

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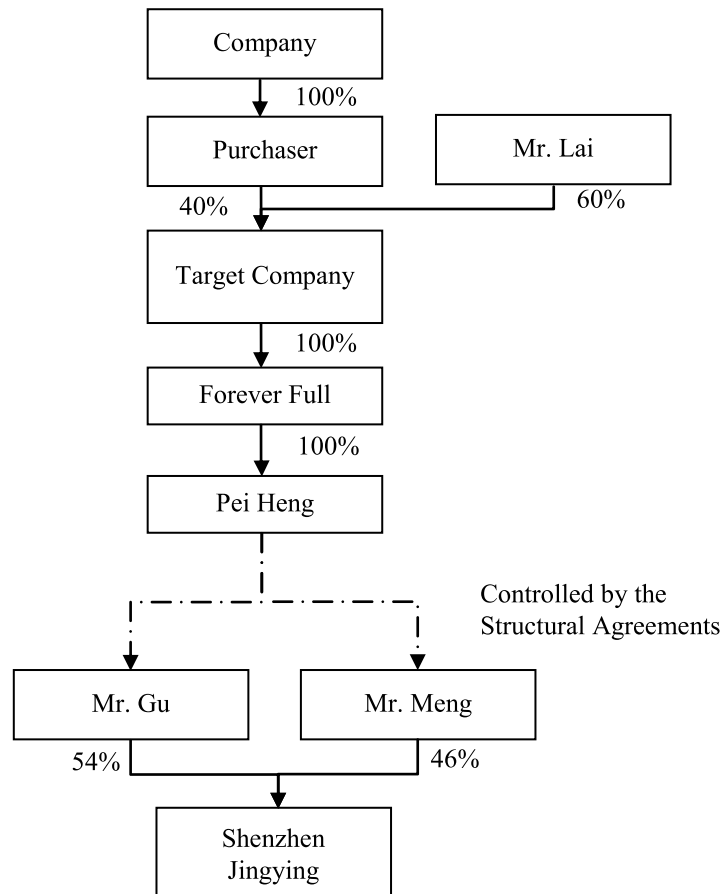
The group structure of the Target Company Group as at the Latest Practicable Date is as follows:

***Before Completion***



The group structure of the Target Company Group after Completion is shown as follows:

***After Completion***



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## LETTER FROM THE BOARD

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### *Principal Business Activities and Business Plan of Target Company Group*

Mr. Gu and Mr. Meng are the sole shareholders of Shenzhen Jingying. As between the Group and Mr. Gu and Mr. Meng, Mr. Gu and Mr. Meng are independent third parties. Mr. Gu and Mr. Meng are not associates of any of the Directors nor as far as the Directors are aware associates of any Substantial Shareholders of the Company. Mr. Gu and Mr. Meng are not related directly or indirectly to any of the Directors and/or the Substantial Shareholders and/or Mr. Lai.

On 15 June 2011, the Company announced that it had entered into a supply agreement with Shenzhen Jingying pursuant to which the Group supplies handheld personal media players to Shenzhen Jingying. Shenzhen Jingying is a company incorporated in the PRC in 2001 and the approved business scope includes advertising business, development of the technologies in relation to electronic products, computer software and computer network, operation of materials supply in the PRC and the import and export business. Shenzhen Jingying is focusing on the provision of aviation media services in the PRC through the provision of the handheld personal media players to the passengers on the flights of Tianjin Airlines and Hainan Airlines. The other current business activities carried out are ancillary and support the current major business that is the provision of aviation media services described above. By using the handheld personal media players, the passengers can access electronic information such as movies, music, television programs, e-magazines, in-flight shopping and advertising contents. Through this in-flight aviation media platform, Shenzhen Jingying aims to develop a new channel for the advertising business segment and in-flight spending. The majority of Shenzhen Jingying revenue will be advertising income from the placement of advertisements by customers on the handheld personal media players provided by the Company.

Shenzhen Jingying has entered into agreements and/or memorandum of understanding with several potential customers and advertising companies as well as strategic agreements with contents providers, for example, television program producers, movie producers, games developers, magazine publishers, etc.

Further, on 29 December 2009, Shenzhen Jingying entered into the Tianjin Airlines Cooperation Agreement with Tianjin Airlines. On 15 March 2010, Shenzhen Jingying entered into Hainan Airlines Cooperation Agreement with HNA Yisheng Holdings Limited. On 15 September 2011, Shenzhen Jingying and HNA Yisheng Holdings Limited entered into a supplemental agreement to extend the duration of the Hainan Airlines Cooperation Agreement, for a period up to 15 March 2018.

As at the Latest Practicable Date, Shenzhen Jingying has installed approximately 3,000 units of handheld personal media players on the flights of Tianjin Airlines for the designated routes between Hangzhou Province and Tianjin Province. The installation and application plan of the media players will start with the designated flights on the Tianjin Airlines and Hainan Airlines, which has been divided into two phases:

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## LETTER FROM THE BOARD

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- 1) not less than 15,000 units of media players to be provided in 105 aircrafts of Tianjin Airlines by March 2013; and
- 2) not less than 21,000 units of media players to be provided in 120 aircrafts of Hainan Airlines by March 2013.

Additional units of handheld personal media players will be placed on the flights of the airlines according to the increase of both airlines during the duration of the Tianjin Airlines Corporation Agreement and the Hainan Airlines Cooperation Agreement.

Both of Tianjin Airlines and the Hainan Airlines are currently managed by the HNA Group. Pursuant to Tianjin Airlines Cooperation Agreement and Hainan Airlines Cooperation Agreement, Shenzhen Jingying will provide handheld personal media players in the designated aircrafts of the HNA Group, including but not limited to the flights of Tianjin Airlines, Hainan Airlines Hainan Airlines and other airlines of the HNA Group. However, Shenzhen Jingying will be responsible for the provision and maintenance of the media players and the provision of information and contents for the media players under the respective agreements.

The two cooperation agreements referred to above provide that the parties can mutually agree to terminate the respective agreements in the event of force majeure. If both parties are unable to come to a mutual agreement to terminate the respective agreements, it is provided in the cooperation agreements that the parties agree to submit to the decision of the local court in Tianjin City or Haikou City of the PRC, as the case may be. The court will take into consideration some general principles, such as whether any party was in breach of the agreements, whether there is any substantial change of circumstances on which the cooperation agreements were based, or if there was force majeure which caused the performance of the agreements impossible. Further the respective agreements can be terminated by Tianjin Airlines or HNA Yisheng Holdings Limited as the case may be, if Shenzhen Jingying breaches the relevant agreement and fails to remedy the breach within five working days or a reasonable period as agreed by both parties.

In the event that the two cooperation agreements are terminated or not renewed and the Group has not at the relevant time diversified the customer base of Shenzhen Jingying, the business of Shenzhen Jingying and the Target Company Group will be adversely affected. This would in turn adversely impact the financial performance of Shenzhen Jingying and the Target Company Group.

The Directors have considered that the Proposed Acquisition represents a good opportunity for the Group to expand into the advertising business in the PRC. The Directors recognise that like all businesses, the Proposed Acquisition carries certain risks, including the fact that the business of Shenzhen Jingying currently rests on the two cooperation agreements. Some of such risks have been addressed in section 4.2 entitled “Certain risks associated with the Proposed Acquisition” on page 29 of this Circular. As with all new business ventures, the Group intends to capitalise on the business opportunities given by the Proposed Acquisition to expand the business.



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## LETTER FROM THE BOARD

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### *Salient Financial Information of the Target Company Group*

We have set out in Appendix A a brief summary of certain financial information of Shenzhen Jingying for the financial years ended 31 December 2009, 2010 and 2011 (audited) and the first quarter period from 1 January 2012 to 31 March 2012 (unaudited). The auditors of Shenzhen Jingying are Shenzhen Bangde Certified Public Accountants (深圳邦德會計師事務所).

As at the Latest Practicable Date, the Target Company, Forever Full and Pei Heng have not commenced any business and none of the abovesaid companies have generated any income since the date of incorporation.

### *Information on a Previous Transaction*

On 4 November 2009, the shareholders of Shenzhen Jingying entered into a sale and purchase agreement with an intention to dispose the entire equity interest in Shenzhen Jingying (the “**Previous Transaction**”) to an independent third party whose group is listed on HKSE (the “**Previous Purchaser**”). However, the Previous Purchaser announced on 25 November 2010 that, as the conditions under the sale and purchase agreement of the Previous Transaction have not been fulfilled, the parties to the sale and purchase agreement of the Previous Transaction were in process of negotiating the termination of the Previous Transaction. The Directors have discussed with the Vendor in this regard and have been advised by the Vendor that the main reasons for the termination and the condition of the sale and purchase agreement had not been fulfilled were mainly due to the change of principal business of the Previous Purchaser. Therefore, the Previous Purchaser did not intend to further proceed with the Previous Transaction.

The Vendor has confirmed to the Company, as the Previous Transaction was terminated due to the conditions of the sale and purchase agreement not being fulfilled, that neither the Vendor nor Shenzhen Jingying have incurred any penalties, liabilities, infringement and/or breaches or outstanding claims in relation to the Previous Transaction as at the Latest Practicable Date.

The Company on 21 September 2012 and on 26 September 2012 released announcements on the Previous Transaction (“**Subsequent Announcements**”). It was disclosed in the Subsequent Announcements that the Company received a letter dated 18 September 2012 from the legal advisers acting on behalf of the Previous Purchaser (the “**Letter**”). According to the Letter, the Company was put on notice that the Previous Purchaser claimed that the agreement regarding the Previous Transaction is still a live issue, and a refundable deposit which had been paid by the Previous Purchaser has not yet been returned. Legal proceedings have been issued and are actively being pursued (“**Legal Proceedings**”) to recover the deposit paid. For the avoidance of doubt, no action is required on the part of the Company in the Letter. However, based on the statements in the Letter, it would appear that none of the parties to the Acquisition Agreement is named as a defendant in the Legal Proceedings.

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## LETTER FROM THE BOARD

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Consequently, the Vendor and the Purchaser entered into the Supplemental Agreement to supplement the terms of the Acquisition Agreement. By virtue of the Supplemental Agreement, the Completion is subject to further conditions namely: the Vendor, Mr. Meng and Mr. Gu providing evidence demonstrating that the Legal Proceedings have been resolved and the Legal Proceedings have not caused nor will it cause any adverse impact to the Group, the Target Company Group and the Purchaser and would not affect the interest of the Company in the Proposed Acquisition in any event. The Vendor has further warranted that the sale and purchase agreement of the Previous Transaction has been terminated and the transfer of shares of Shenzhen Jingying are free from all encumbrance, except those required under the Structural Agreements.

Having regard to the warranties given by the Vendor and the amendments to the Acquisition Agreement made by the Supplemental Agreement which specifically addresses the issue of the Legal Proceedings relating to the Previous Transaction, the Directors are of the view that the concerns of the Purchaser in relation to the Previous Transaction is satisfactorily addressed in the Acquisition Agreement as amended by the Supplemental Agreement.

### 2.3 Principal Terms of the Acquisition Agreement

#### *Consideration*

Pursuant to the terms of the Acquisition Agreement, the Consideration of RMB70,360,000 (equivalent to approximately HK\$85,135,600) for the sale and purchase of the Sale Shares shall be settled by cash in the manner as follows:

- (i) a refundable deposit of HK\$20,000,000 (the “**Deposit**”) in cash within 7 days after the signing of the Acquisition Agreement; and
- (ii) the remaining balance of HK\$65,135,600 (the “**Balance**”) (subject to adjustment as described below) in cash upon the Completion.

In the event that the fair market value of the Target Company Group as indicated in the Finalised Valuation Report is less than RMB175,900,000 (equivalent to approximately HK\$212,839,000) but more than or equals to RMB41,322,000 (equivalent to approximately HK\$50,000,000), the Consideration shall be adjusted downwards by reducing the amount of the Balance payable by the Purchaser to the Vendor on Completion on a dollar-for-dollar basis. If the fair market value of the Target Company Group as indicated in the Finalised Valuation Report is less than RMB41,322,000 (equivalent to approximately HK\$50,000,000), the Proposed Acquisition will be terminated and the Vendor will refund the entire amount of Deposit to the Purchaser without interest. For the avoidance of doubt, no upward adjustment shall be made to the Consideration if the fair market value of Target Company Group as indicated in the Finalised Valuation Report is more than RMB175,900,000 (equivalent to approximately HK\$212,839,000). The Finalised Valuation Report will be an update of the Interim Valuation Report and will be

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## LETTER FROM THE BOARD

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prepared by Avista Valuation Advisory Limited which is an independent professional valuer to be appointed by the Company. The Finalised Valuation Report will be prepared closer to Completion, being a condition precedent to Completion and an announcement will be made once the Final Valuation Report is issued to the Purchaser. Please refer to page 17 of the Circular for more details of the conditions precedent to Completion.

If the Proposed Acquisition cannot be completed under the terms and conditions of the Acquisition Agreement or the Purchaser terminates the Proposed Acquisition and the Acquisition Agreement under the terms and conditions therein, the Vendor will refund the Deposit without interest to the Purchaser within seven Business Days upon the request of the Purchaser.

### *Basis for Determining Consideration and Funding*

The Consideration has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendor. The Directors took into account, inter alia, the following matters in agreeing to the Consideration: a) the future prospects of the handheld personal media player industry, aviation media industry and the business prospects of the Target Company Group; b) the two cooperation agreements entered between the Target Company Group and Tianjin Airlines and HNA Yisheng Holdings Limited (as described above); and c) the Interim Valuation Report which stated that the fair value of 100% of equity interests of Shenzhen Jingying is approximately RMB175,900,000 (equivalent to approximately HK\$212,839,000) as at 30 June 2012, where the discounted cash flow method was applied for the purpose of valuation. The Interim Valuation Report was prepared by Avista Valuation Advisory Limited which is an independent professional valuer appointed by the Company.

On 31 August 2012, the Company made an announcement pursuant to Rule 14.61 of the HK Listing Rules pertaining to the valuation contained in the Interim Valuation Report where it was announced that RSM Nelson Wheeler, the reporting accountant of the Company, has examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows, which did not involve the adoption of accounting policies, for the valuation on the Target Company Group and the Interim Valuation Report are based on. It was also stated in that announcement that the Directors have reviewed the principal assumptions upon which the discounted future estimated cash flows is based and are of the view that the forecast has been made after due and careful enquiry. The above announcement is attached to this Circular as Appendix B.

The Company had conducted business due diligence and has engaged legal advisers to conduct legal due diligence on the Target Company Group and the Structural Agreements arrangement prior to the entering into the Acquisition Agreement.

The Company had reviewed the business plan, market research, the management accounts and the material contracts entered into by the Target Company Group. The Company had also discussed with the Vendor and the management of the Target Company Group on the future prospects of the Target Company Group.

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## LETTER FROM THE BOARD

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The Directors note that the Target Company Group has a short operating history in the aviation media services and the projections in future cash flows may not materialise. The Directors have noted that there were net losses incurred by Shenzhen Jingying for the financial years ended 31 December 2009 (RMB76,032), 31 December 2010 (RMB498,417) and 31 December 2011 (RMB6,671,414) and an unaudited net profit in approximately RMB618,771 for the first quarter from 1 January 2012 to 31 March 2012, set out in Appendix A of this Circular at page 47. However after having considered, a) the rapid growth in the aviation sector in the PRC with increasing number of passengers and traveling routes; b) the increasing expenditure in advertising business in the PRC; c) the Structural Agreements to be entered into by the Target Company Group; and d) the business projection of Shenzhen Jingying based on the Tianjin Airlines Cooperation Agreement and Hainan Airlines Cooperation Agreement, the Directors consider that the terms and conditions of the Acquisition Agreement are fair and reasonable and they are on normal commercial basis and are in the interests of the Group and the Shareholders as a whole.

The Consideration shall be paid by the Purchaser utilising the internal financial resources of the Group.

### *Conditions Precedent*

Completion shall be conditional upon satisfaction or waiver as applicable of each of the following conditions precedent:

#### *Conditions precedent that cannot be waived*

- 1) the entering into of the Structural Agreements and the obtaining of a PRC legal opinion (in form and substance reasonably satisfactory to the Purchaser) from a PRC legal adviser confirming, among other matters, that the Structural Agreements are legal, effective, binding and enforceable arrangements and are in compliance with the prevailing and applicable laws or regulations in the PRC;
- 2) the obtaining of the Finalised Valuation Report in the form and substance reasonably satisfactory to the Purchaser issued by an independent professional valuer appointed by the Company showing the fair market value of the Target Company Group to be not less than RMB41,322,000 (equivalent to approximately HK\$50,000,000);
- 3) the approval of the Proposed Acquisition and other arrangements contemplated under the Acquisition Agreement by the Shareholders at a shareholders' general meeting to be convened as required under the Listing Manual;
- 4) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Company in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained;

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## LETTER FROM THE BOARD

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- 5) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Acquisition Agreement and the transactions contemplated thereby having been obtained;

*Conditions precedent that can be waived by the Purchaser*

- 6) the Purchaser being reasonably satisfied with the results of the due diligence review of the Target Company Group to be conducted by the Purchaser;
- 7) the warranties by the Vendor contained in the Acquisition Agreement remaining true and accurate in all respects; and
- 8) the Vendor, Mr. Meng and Mr. Gu providing evidence to the satisfaction of the Purchaser demonstrating the Legal Proceedings have been resolved and the Legal Proceedings have not caused and will not cause any adverse impact to the Group, the Target Company Group and the Purchaser and would not affect the interest of the Company in the Proposed Acquisition in any event. This condition is added on by the Supplemental Agreement.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions (6) to (8) (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as determined by the Purchaser. If any of the conditions precedent has not been satisfied or waived by the Purchaser at or before 12:00 noon on 30 November 2012 (pursuant to the Supplemental Agreement, the date was extended from 31 October 2012 to 30 November 2012) or such later date as the Vendor and the Purchaser may agree, the Acquisition Agreement shall cease and terminate and the Vendor shall forthwith refund the Purchaser the Deposit in full paid under the Acquisition Agreement (without interest or compensation) (if any) and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. Although the Purchaser is entitled to waive the conditions, the Purchaser has no intention of waiving the same and will not do so which would adversely affect the interest of the Company.

In the event that all the conditions precedent have been satisfied or waived by the Purchaser but the parties to the Acquisition Agreement agree not to proceed with the Completion, the Vendor shall forthwith refund the Deposit (without interest) in full to the Purchaser as final settlement of any liabilities of the Vendor towards the Purchaser or vice versa save for any antecedent breaches of the terms hereof.

The Company will make an immediate announcement in the event any of the conditions precedent are fulfilled or waived from time to time.

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## LETTER FROM THE BOARD

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### *Representations and Warranties*

The Vendor undertook to the Purchaser the usual representations and warranties for transactions of this nature.

### *Completion*

Completion shall take place within the date falling on the seventh business day following the day on which all the conditions precedent of the Acquisition Agreement are satisfied in full (or as the case may be, waived by the Purchaser), or such other date as the Vendor and the Purchaser may agree in writing.

At Completion, the Vendor shall deliver to the Purchaser, all statutory records of Shenzhen Jingying, including but not limited to its register of members, register of directors, register of secretaries, board minutes/resolutions, the memorandum and articles of association, share certificate book and other constitutional documents, certificate of incorporation, business registration (if any) and the company seal of Shenzhen Jingying. As such, no directors and senior management members of Shenzhen Jingying can be appointed and/or removed without the prior consent of Pei Heng for the duration of the Structural Agreements.

Notwithstanding the fact that the Purchaser will only acquire 40% of the shareholding in the Target Company through the Proposed Acquisition, the Purchaser shall have the power under the Acquisition Agreement to request any existing members of board of directors of the Target Company Group to resign and for them to appoint the Purchaser's nominees as directors instead. The Company intends to appoint majority numbers of directors to the board of Pei Heng in order to effectively take control of Pei Heng and to ensure that Pei Heng acts in the best interests of the Company under the Structural Agreements and in the business and operation of Shenzhen Jingying.

Upon Completion, the Target Company Group, being the Target Company, Forever Full, Pei Heng and Shenzhen Jingying, will become an associated company of the Company.

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## LETTER FROM THE BOARD

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### 2.4 Structural Agreements and Other Matters

#### *Structural Agreements*

The reasons for the Structural Agreements' arrangement is that under the current PRC regulations, the Group is not allowed to directly hold the equity interests in an advertising and media company such as Shenzhen Jingying. The Company is advised by the PRC legal adviser that foreign companies are allowed to acquire 100% equity interests in the advertising enterprise in the PRC in accordance with the provisions of 關於外國投資者併購境內企業的規定(Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors) and 外商投資廣告企業管理規定(Regulations on the Administration of Foreign-funded Advertising Enterprises), only if it is a qualified foreign-funded advertising enterprise. However, for the establishment of a foreign-funded advertising enterprise, the following conditions have to be met:

- (i) the investor should be an enterprise principally engaged in advertising; and
- (ii) the investor should have been established and operated for more than three years.

Accordingly, the Group intends to establish its own advertising business in Hong Kong. As at the Latest Practicable Date, there has not been any capital commitments made to the establishment of the Group's advertising business and neither has the Group commenced the hiring of any staff in the advertising business. However, the Group intends to start establishing its own advertising business by the end of the financial year ending 31 March 2013. The Group considers that the new advertising business will attract new customers in Hong Kong and provides support to the business development of Shenzhen Jingying. It is the current intention of the Group that it will acquire the proportionate equity interest in Shenzhen Jingying through Pei Heng when it has fulfilled the aforesaid conditions as a qualified foreign-funded advertising enterprise or in case of relaxation of regulatory requirements in the PRC for acquisition of domestic advertising enterprise in the PRC.

The Structural Agreements are designed to provide the Target Company Group with effective control over and the right to enjoy the economic benefits in and/or assets of Shenzhen Jingying. Through the Structural Agreements, the control and economic benefits from the business of Shenzhen Jingying will flow to Pei Heng upon entering of the Structural Agreements before Completion. Following Completion, the Group will account for 40% of the profits or losses of the Target Company Group under the equity method of accounting by way of treating the Target Company Group as an associate in accordance with International Accounting Standard 28 "Investments in Associates".

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## LETTER FROM THE BOARD

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On Completion of the Proposed Acquisition and through the Structural Agreements, Pei Heng will be able to have control over the financial and operating policies of Shenzhen Jingying. Accordingly, the Target Company Group will enjoy all of the economic benefits in and/or assets of Shenzhen Jingying because (i) the shareholders' general meetings of Shenzhen Jingying will be controlled by Pei Heng pursuant to the Shareholders Undertaking and the Directors Undertaking; and (ii) all the benefits arising from the entire equity interests in Shenzhen Jingying will be entirely conveyed to Pei Heng pursuant to the Business Cooperation Agreement, Distribution Undertaking, Equity Charge, Equity Transfer Agreement and Loan Agreement.

The subparagraphs below set out the salient details of the respective Structural Agreements.

### *Loan Agreement*

Pei Heng will grant an interest-free loan with the principal amount of RMB16,000,000 to Mr. Gu and Mr. Meng. The amount of the Loan shall be used to set off against the entire or part of the consideration payable by Pei Heng (or its assignees or nominees) to Mr. Gu and Mr. Meng under the Equity Transfer Agreement in the event Pei Heng invokes the transfer rights under the Equity Transfer Agreement. At the discretion of Pei Heng, Pei Heng can assign rights and novate the obligations under the Loan Agreement to any company nominated by Pei Heng without the consent of Mr. Gu and Mr. Meng. The Consideration of RMB70,360,000 in respect of the Proposed Acquisition (please refer to page 15 of the Circular under the heading "Principal Terms of the Acquisition Agreement"), does not include the RMB16,000,000 loan under the Loan Agreement as these are 2 separate matters. The Loan Agreement is part of the Structural Agreements and are conditions precedent to Completion of the Proposed Acquisition.

### *Business Cooperation Agreement*

Pei Heng will enter into the Business Cooperation Agreement with Shenzhen Jingying, Mr. Gu and Mr. Meng. Pursuant to the Business Cooperation Agreement, Pei Heng will be the sole and exclusive service provider to Shenzhen Jingying for the provision of consultancy and technical services, including (1) management consultancy and marketing research services; (2) use by Shenzhen Jingying of the intellectual property rights owned by Pei Heng; (3) providing strategic advice on the agreements that are reasonably required or in the ordinary course of business of Shenzhen Jingying; (4) formulating and assisting in the implementation of rules, internal control policies and standards, administrative, accounting, planning, marketing, human resources and operation strategies; (5) assisting Shenzhen Jingying to plan and organize public relations and marketing activities; (6) assisting Shenzhen Jingying to review its operations; (7) assisting Shenzhen Jingying in business operations; (8) providing market information on advertising media, market research information and analysis; and (9) providing business advices on the operation and investment project, and assisting and participating in management operations.



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## LETTER FROM THE BOARD

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In consideration for the services rendered, Pei Heng will charge Shenzhen Jingying a service fee equal to 100% of the total net income of Shenzhen Jingying as reported in the monthly financial statements of Shenzhen Jingying. The accounts of Shenzhen Jingying will be audited on an annual basis by PRC auditors to be appointed by Shenzhen Jingying and such auditors shall be acceptable to the board of Pei Heng. It is provided in the agreement that the service fee will be invoiced by Pei Heng on the fifth day of each month and paid to Pei Heng within 45 days from the issuance of the invoice. The credit period of 45 days granted by Pei Heng to Shenzhen Jingying takes into account the credit period (which ranges from 30 - 60 days) granted by Shenzhen Jingying to its customers so as to allow sufficient time for Shenzhen Jingying to receive payment from its customers to settle the invoice for the service fee.

The financial records and bank accounts of Shenzhen Jingying will be controlled by the board and management of Shenzhen Jingying. The board and management of Shenzhen Jingying are appointed by Pei Heng through the Structural Agreements. The authorised signatories of the bank accounts of Shenzhen Jingying will be appointed by Shenzhen Jingying at the direction of Pei Heng through the Structural Agreements.

It is stipulated in the Business Cooperation Agreement that Shenzhen Jingying shall not enter into any cooperation agreements of similar nature as the Business Cooperation Agreement without the written consent of Pei Heng. At the discretion of Pei Heng, Pei Heng can assign the rights and novate the obligations under the Business Cooperation Agreement to any company nominated by Pei Heng without the consent of Shenzhen Jingying, Mr. Gu and Mr. Meng.

The initial term of the Business Cooperation Agreement is a fixed term of three years from the date of the execution of the Business Cooperation Agreement. Upon expiry of its term, if the entire equity interests in Shenzhen Jingying have not been transferred to Pei Heng or its nominees, the Business Cooperation Agreement will be renewed for further terms of three years automatically until the entire interests in Shenzhen Jingying are transferred to Pei Heng or its nominees.

### *Equity Charge*

Mr. Gu and Mr. Meng will create the Equity Charge over their respective equity interests in Shenzhen Jingying to secure and guarantee the performance of all obligations of Shenzhen Jingying under the Structural Agreements including the obligations of Shenzhen Jingying under the Business Cooperation Agreement and the payment obligations under the Loan Agreement. At the discretion of Pei Heng, Pei Heng can assign the rights and novate the obligations under the Equity Charge to any company nominated by Pei Heng without the consent of Mr. Gu and Mr. Meng.

The Equity Charge is effective from the date on which the agreement has been signed and the charge duly registered in Pei Heng's company register, and will expire on the date on which all the Structural Agreements have been discharged.

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## LETTER FROM THE BOARD

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According to the Property Rights Law of the PRC (中華人民共和國物權法) which was promulgated on 16 March 2007 and became effective on 1 October 2007, it is required to register the Equity Charge with the Administration for Industry and Commerce (工商行政管理局) of the PRC. The Equity Charge will be registered in accordance with provisions of the Property Rights Law of the PRC (中華人民共和國物權法).

### *Equity Transfer Agreement*

Pei Heng, Mr. Gu, Mr. Meng and Shenzhen Jingying shall enter into the Equity Transfer Agreement pursuant to which Mr. Gu and Mr. Meng shall grant an irrevocable and exclusive right of priority to Pei Heng to acquire the entire equity interests in Shenzhen Jingying at a consideration to be assessed by reference to the net assets value of Shenzhen Jingying as appearing in the accounts of Shenzhen Jingying as at the date of the Structural Agreements.

At the discretion of Pei Heng, Pei Heng can assign the rights and novate the obligations under the Equity Transfer Agreement to any company nominated by Pei Heng without the consent of Mr. Gu, Mr. Meng and Shenzhen Jingying.

Pei Heng, Mr. Meng, Mr. Gu and Shenzhen Jingying will agree that the amount of the Loan shall be used to set off against the consideration under the Equity Transfer Agreement.

There is no fixed term to the exercise of rights by Pei Heng to acquire entire equity interests in Shenzhen Jingying. Such rights shall remain valid until 1) it is not permitted under the law; or 2) Pei Heng exercises the right to acquire the entire equity interests in Shenzhen Jingying.

Announcements will be made as and when appropriate in relation to the exercise of the rights granted to Pei Heng under the Equity Transfer Agreement in compliance with the HK Listing Rules and Listing Manual.

### *Distribution Undertaking*

Mr. Gu and Mr. Meng will give an irrevocable undertaking to Pei Heng to surrender all the distribution of profits, dividends, bonus shares or scrip shares of Shenzhen Jingying to Pei Heng. Under the said undertaking, the distribution of profits, dividends, bonus, shares or scrip shares will be determined by the board of Shenzhen Jingying under the direction of Pei Heng.

### *Directors Undertaking*

As the directors of Shenzhen Jingying (being nominated by the shareholders of Shenzhen Jingying) may change, Mr. Gu and Mr. Meng will undertake that they will enter into undertakings with all existing and future directors of Shenzhen Jingying (if any), for each such director to undertake that he or she will act according to the instructions of the

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## LETTER FROM THE BOARD

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Pei Heng for the exercise of the powers of the director(s) of Shenzhen Jingying, including but not limited to, the convening of shareholders' meeting, performance of shareholders' resolutions, approving of business plans and investment plans, formulating of annual budget, distribution of profits and making up of losses. Mr. Gu and Mr. Meng will inform the Purchaser upon execution of such undertakings by the directors of Shenzhen Jingying.

### *Shareholders Undertaking*

Mr. Gu and Mr. Meng will undertake that they will vote on any resolutions proposed at the shareholders' meetings of Shenzhen Jingying in accordance with the instructions of Pei Heng until the transfer of the entire equity interests in Shenzhen Jingying to Pei Heng and the fulfilment of all obligations under the Business Cooperation Agreement, Distribution Undertaking, Equity Charge, Equity Transfer Agreement and Loan Agreement.

Upon the assignment of the rights and novation of obligations under the Business Cooperation Agreement, Distribution Undertaking, Equity Charge, Equity Transfer Agreement and Loan Agreement, Pei Heng can also assign the rights under the Shareholders Undertaking to the transferee.

### *Power of Attorney*

Mr. Gu and Mr. Meng will enter into a power of attorney, pursuant to which Pei Heng is authorised to exercise the shareholders' right in Shenzhen Jingying including exercise of voting rights, rights to nominate directors of Shenzhen Jingying, participation in the liquidation process and the right to receive the residual assets upon dissolution of Shenzhen Jingying and all other rights as a shareholder.

Under the Articles of Association of Shenzhen Jingying, the legal representative will be the executive director elected by the shareholders of Shenzhen Jingying. Pursuant to the Power of Attorney, Mr. Gu and Mr. Meng have authorised Pei Heng to exercise the shareholder voting rights. As such, the legal representative of Shenzhen Jingying cannot be appointed/removed without the consent of Pei Heng.

### *Dispute Resolution*

Each of the Structural Agreements provide that in the event of a dispute between the parties to the relevant agreement arising in relation to such agreement, the dispute shall be settled through friendly negotiations in the first instance. If the dispute cannot be settled through negotiations, any party to the relevant Structural Agreement shall refer the dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (the "**Commission**") for arbitration and such arbitration award shall be final and binding on the parties concerned. In addition, the Commission has power to effect actions or arbitral awards on any shares or assets of Shenzhen Jingying, by submitting applications to the People's Court in the jurisdiction where Shenzhen Jingying is domiciled or its property is located, for consideration and ruling by the People's

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## LETTER FROM THE BOARD

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Court to take appropriate measures for asset and property preservation, including the grant of compensation orders, restraining orders, or a winding up order. Please refer to page 27 of the Circular for the discussion on the risk relating to the contractual arrangements under the Structural Agreements.

### *Legality and Enforceability of the Structural Agreements*

Our PRC legal adviser, Guangxin Law Firm (廣東廣信律師事務所) has advised us that:

- i. the Structural Agreements are legal, effective, binding, enforceable and in compliance with all the relevant rules and regulations of the PRC;
- ii. the execution, delivery, effectiveness, enforceability and performance of the Structural Agreements to which the PRC parties are a party do not violate any PRC laws, rules and regulations;
- iii. the Structural Agreements do not contravene any PRC laws, rules and regulations; and
- iv. save for the registration of the Equity Charge with the relevant PRC government authorities, no filings, registrations, consents, approvals, permits, authorisations, certificates and licenses of any PRC government authorities, is currently required in connection with the execution, delivery, effectiveness and enforceability of each of the Structural Agreements.

Our PRC legal adviser, having reviewed each of the Structural Agreements and arriving at the opinions stated above and as well as taking into account similar precedent cases in the PRC, has also opined that the Structural Agreements taken as a whole to confer both control and economic benefit of the business of Shenzhen Jingying on Pei Heng do not violate any PRC laws, rules and regulations, and are legal, effective, binding and enforceable and in compliance with all relevant rules and regulations of the PRC.

Considering that (i) the execution of the respective Structural Agreements will ensure the consolidation of the financial results of Shenzhen Jingying to the Target Company Group; (ii) the Structural Agreements are legal, effective, binding and enforceable and in compliance with all the relevant rules and regulations of the PRC as advised by the PRC legal adviser; (iii) the Structural Agreements are entered amongst the parties thereto on normal commercial terms; and (iv) the potential benefits from the Proposed Acquisition, details of which are set out in the section headed “Rationale and benefits of the Proposed Acquisition” below, the Directors considered that the entering into of the respective Structural Agreements are in the interest of the Group and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Mr. Gu and Mr. Meng**

Mr. Gu and Mr. Meng will continue to provide services to Shenzhen Jingying after the execution of the Structural Agreements and following Completion of the Proposed Acquisition. The board of Pei Heng will as soon as practicable thereafter negotiate and finalise with Mr. Gu and Mr. Meng the terms of their service agreements with Shenzhen Jingying including but not limited to the remuneration package. The Company will announce the entry into of the service agreements when the same occurs at the future date.

### **3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION**

The Group is principally engaged in provision of mobile handset application design, design and production solution services for mobile handset, assembly of mobile handset and surface-mount technology of printed circuit boards and distribution and marketing of mobile handset and mobile handset components. It is the Group's intention to strengthen and focus on its core business. In view of the intense competition of the mobile handset industry, the Group has been actively seeking other opportunities to broaden the revenue base of the Group.

The Directors consider that the Proposed Acquisition represents a good opportunity for the Group to expand into the advertising business in the PRC, while the new business also requires knowhow of production and design for handheld media players. The Directors consider that the aircraft passengers in the PRC and their corresponding expenses have increased substantially in the past decade and the aviation media has become one of the important advertising channels to capture such huge consumption power in the PRC and to effectively promote products and services without boundaries.

The Directors also note that personal handheld media player has become a new trend in aviation media, especially when the personal touch panels are widely used in daily lives and the fixed entertainment systems are commonly installed at the back of the aircraft seats of flights in the PRC. The Directors consider that the Proposed Acquisition will provide synergy to the Group as the Group is able to provide the knowledge of electronic products business thereby assisting the Target Company Group to develop its electronic advertising media and in-flight electronic shopping through personal handheld media player, to the designated airlines in the PRC.

Based on the foregoing, and taking into account the risk factors set out in section 4 below, the Directors are of the view that the Proposed Acquisition is in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 4. RISK FACTORS

#### 4.1 Certain risks pertaining to the Structural Agreements

The following are identified by the Directors as some of the key risk factors in respect of the Structural Agreements which if Completion occurs may materially affect the financial position and/or the business operations of the Group. Shareholders should note that the highlighted risks are not an exhaustive list of risk factors which may be associated with the Proposed Acquisition, as there may be other risks which could affect the Target Company Group.

**If the PRC government determines that the Structural Agreements do not comply with applicable PRC laws, rules and regulations, or if there are changes in applicable laws, rules and regulations or their interpretation or implementation relating to the Structural Agreements, the Target Company Group's business could be materially and adversely affected.**

The PRC government currently restricts foreign investment in the advertising and media industry. Although we have been advised by our PRC legal adviser, Guangxin Lawyers, that the arrangements under the Structural Agreements are in compliance with current PRC laws, rules and regulations, we cannot assure you that the PRC government would agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. There are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations governing foreign investment in the advertising and media industry.

These PRC laws, rules and regulations may be subject to change, and their official interpretation and enforcement, which may be applied retroactively, involve substantial uncertainty. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to the Structural Agreements. The PRC government has broad discretion in dealing with violations of PRC laws, rules and regulations, including levying fines, revoking business and other licenses and requiring actions to ensure compliance. If the PRC government determines that the Structural Agreements do not comply with applicable PRC laws, rules or regulations, it could revoke the business and operating licences of Shenzhen Jingying or require the Target Company Group to discontinue or restrict its operations, restrict its right to collect revenues, require the Target Company Group to restructure its operations or take other regulatory or enforcement actions against the Target Company Group. If by then the Completion has occurred, this in turn could have a material adverse effect our Group's business, financial condition and results of operations. The potential financial loss to the Group is potentially the value of its investment in the Proposed Acquisition that is, the Consideration of RMB70,360,000 (subject to the downward adjustments described at page 15 of this Circular under the heading "Consideration"). Shareholders should however note that the potential financial loss could be more or less depending on the circumstances prevailing at the relevant time.

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## LETTER FROM THE BOARD

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**The contractual arrangements with Shenzhen Jingying, Mr. Gu and Mr. Meng may not be as effective in providing control over Shenzhen Jingying as direct ownership.**

The Target Company Group has no direct equity ownership interest in Shenzhen Jingying and will rely on the Structural Agreements to control and operate the business of Shenzhen Jingying. We cannot assure you, however, that the Target Company Group will be able to enforce the Target Company Group's rights under these contractual arrangements. Even if these contracts are enforceable under PRC laws, these contractual arrangements under the Structural Agreements may not be as effective in providing control over Shenzhen Jingying as direct ownership since these arrangements will not preserve our control in the occurrence of certain events which may be outside the control of Shenzhen Jingying's shareholders or the Target Company Group, including the imposition of statutory liens or the initiation of bankruptcy or criminal proceedings. In the event of an imposition of statutory liens or the initiation of bankruptcy or criminal proceedings against Shenzhen Jingying or any of its shareholders, third-party creditors may have recourse to the assets of Shenzhen Jingying or those of its shareholders, and governmental authorities may impose fines on, or seize, freeze or force the forfeiture of assets of, Shenzhen Jingying or its shareholders. Furthermore, in extreme circumstances, Shenzhen Jingying may be ordered to close down. Any of the above may materially and adversely affect the validity, effectiveness and enforceability of the Structural Agreements against Shenzhen Jingying or its shareholders. If Shenzhen Jingying or its shareholders fail to perform their respective obligations under their agreements with the Target Company Group, the Target Company Group may have to rely on legal remedies under PRC law, which may not be effective. Any inability or limitation on the Target Company Group's ability to enforce its contractual rights with Shenzhen Jingying or its shareholders could disrupt its business. If Completion has occurred, this in turn may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The Structural Agreements may be subject to scrutiny by the PRC tax authorities, and a finding that we or the Target Company owe additional taxes could substantially reduce our profitability and the value of your investment.**

The tax regime in China is rapidly evolving and there is significant uncertainty for taxpayers in China as various PRC tax laws may be interpreted in significantly different ways. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Target Company Group could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements under the Structural Agreements of the Target Company Group were not entered into on an arm's length basis and subsequently adjust the income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could result in a reduction of tax deductible costs and expenses of the Target Company Group in the PRC for tax purposes, without reducing the taxable income of the related parties, and thus increase the PRC tax liabilities of such companies could in turn increase the Target Company Group's overall tax liabilities in the PRC. If the foregoing occurs, the Group's investment in the Target Company Group being the Consideration of RMB70,360,000 (subject to

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## LETTER FROM THE BOARD

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adjustments as described at page 15 of this Circular under the heading “Consideration”) could potentially be totally impaired. In addition, the PRC tax authorities may impose significant late payment fees and other penalties on our Group in PRC in connection with any such transfer pricing adjustment.

### 4.2 Certain risks associated with the Proposed Acquisition

The following are identified by the Directors as some of risk factors that are associated with the Proposed Acquisition. This list is by no means exhaustive and as such Shareholders should note that there may be other risks associated with the Proposed Acquisition.

#### **The Group is embarking on a new business and the current management may not have the relevant expertise to ensure success.**

As the Proposed Acquisition is a new area of business to the Group, the Group is expected to face the usual risks, uncertainties and challenges which are associated with the entry into any new business in which it has no prior track record. Such risks, uncertainties and challenges include, *inter alia*, failure to implement the business plan of the Target Company Group as described under the heading “Principal Business Activities and Business Plan of Target Company Group” on page 12 of this Circular, difficulty in managing operations and costs effectively, failure to establish networks of customers and suppliers, failure to identify, attract, retain qualified personnel and failure to provide the results, level of revenue and margins the Group is expecting.

#### **The Group is dependent on the key personnel in Shenzhen Jingying**

Being a new business of the Group, the Group’s existing management may not have the direct experience and expertise to successfully manage, operate and develop the business of Shenzhen Jingying. As such, the Group is currently dependent on the continued efforts of the key personnel in Shenzhen Jingying, especially Mr. Gu and Mr. Meng.

Shenzhen Jingying’s future performance and operations are also largely dependent on the Group’s ability to retain and motivate the key personnel of Shenzhen Jingying including Mr. Gu and Mr. Meng as well as expeditiously implementing a suitable succession plan.

The untimely loss of these key personnel without suitable and timely replacement may have an unfavourable and material impact on the business and operating results of Shenzhen Jingying. This in turn will have an adverse impact on the Group’s investment in the Proposed Acquisition.



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## LETTER FROM THE BOARD

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### *Shenzhen Jingying's business currently relies on two cooperation agreements*

The right of Shenzhen Jingying to install handheld personal media players on aeroplanes currently rest on the Tianjing Airlines Cooperation Agreement executed with Tianjin Airlines and the Hainan Airlines Cooperation Agreement executed with HNA Yisheng Holdings Limited. These two entities are managed by the HNA Group. As a result, the current business of Shenzhen Jingying is dependent on its continued good relationship with the HNA Group. The growth of the business is also currently potentially constrained by the number of airlines controlled by the HNA Group.

Further, in the event that the two cooperation agreements are terminated or not renewed and the Group had not at the relevant time diversified the customer base of Shenzhen Jingying, the business of Shenzhen Jingying and the Target Company Group will thereby be adversely affected. This would in turn adversely impact the financial performance of Shenzhen Jingying and the Target Company Group.

## **5 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The financial effects of the Proposed Acquisition on the net tangible assets per share and earnings per share of the Group have been prepared based on the following assumptions:—

- (a) the financial effects of the Proposed Acquisition are based on the terms of the Acquisition Agreement as at the Latest Practicable Date;
- (b) the financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after the completion of the Proposed Acquisition;
- (c) the financial effects of the Proposed Acquisition are based on the Group's audited financial statements for the financial year ended 31 March 2012 and on Target Company Group's pro-forma unaudited management accounts from 1 April 2011 to 31 March 2012<sup>1</sup>;
- (d) for the purpose of computing the net tangible assets of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 31 March 2012; and
- (e) for the purpose of computing the net profit attributable to Shareholders and earnings per share of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 1 April 2011.

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## LETTER FROM THE BOARD

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*Note:*

- (1) The Target Company, Forever Full, Pei Heng and Shenzhen Jingying have financial year ending on 31 December which is different from the Company which has its financial year ending 31 March. For purposes of the transaction, the financial effects of the Proposed Acquisition have been prepared based on the pro-forma unaudited management accounts for 1 April 2011 to 31 March 2012.

### Pro forma NTA

	As at 31 March 2012	
	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (US\$'000)	109,037	109,037 <sup>1</sup>
No. of shares ('000)	635,574	635,574
NTA per share (US cents)	17.16	17.16 <sup>1</sup>

*Note:*

1. There is no change in the NTA as the increase in assets value arising from the Proposed Acquisition is offset by the corresponding decrease in cash in the Group to pay for the Proposed Acquisition.

### Pro forma EPS

	As at 31 March 2012	
	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders (US\$'000)	5,137	4,767
Weighted average number of shares used ('000)	635,574	635,574
EPS (US cents)	0.81	0.75

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## LETTER FROM THE BOARD

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### 6. CHAPTER 10 OF THE LISTING MANUAL

For the purposes of Chapter 10 of the Listing Manual, the relative figures for the Proposed Acquisition using the applicable bases of comparison set out in Rule 1006 of the Listing Manual are set out below:

1006(a)	Net asset value of the assets to be disposed of, compared with the net asset value of the Group	Not applicable as this transaction is an acquisition and not a disposal of assets
1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	(8.25%) <sup>(1)</sup>
1006(c)	Aggregate value of the consideration <sup>(2)</sup> given or received, compared with the issuer's market capitalisation <sup>(3)</sup> based on the total number of issued shares excluding treasury shares	19.27%
1006(d)	Number of equity securities issued by the Company as consideration for acquisition, compared with the number of equity securities previously in issue	Not applicable <sup>(4)</sup>

*Notes:—*

- (1) The ratio is calculated on the net loss attributable to the Target Company Group for the financial year ended 31 December 2011 was approximately RMB6,671,414 and the Group's net profit for the financial year ended 31 March 2012 is US\$5,136,738. Based on the foreign exchange rate of Bloomberg of US\$1 equivalent to RMB6.299 as at the Latest Practicable Date.
- (2) The Consideration of RMB70,360,000 is equivalent to S\$13,720,200 based on the foreign exchange rate of Bloomberg of RMB1 equivalent to S\$0.195 as at the Latest Practicable Date.
- (3) Based on the Consideration of approximately S\$13,720,200 and the market capitalisation of the Company being S\$71,184,250 (determined by multiplying the number of shares in the capital of the Company in issue by the weighted average price of shares of the Company transacted on 8 August 2012, being the market day of the SGX - ST preceding the date of the Acquisition Agreement.
- (4) The Company will not issue new securities as consideration for the Proposed Acquisition.

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## LETTER FROM THE BOARD

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Pursuant to Rule 1007 of the Listing Manual, as one of the relative figures computed pursuant to Rule 1006 is a negative figure, the Company has consulted the SGX-ST on whether Shareholders' approval was required for the Proposed Acquisition in view that the Target Company Group is loss-making. The SGX-ST has confirmed that the Company should seek its Shareholders' approval for the Proposed Acquisition.

### 7. APPLICATION FOR WAIVER TO THE SGX-ST AND RECEIPT OF WAIVER FROM THE SGX-ST IN RELATION TO THE INTERIM VALUATION REPORT

The Company applied to the SGX-ST seeking, inter alia, a waiver from Rule 1011 of the Listing Manual requiring the Interim Valuation Report to be included in this Circular and for inspection by Shareholders (“**Waiver**”). The Company has sought permission of the SGX-ST to permit a summarised Interim Valuation Report to be included in the Circular and for inspection by Shareholders.

The reasons for seeking the Waiver are as follows:—

- (a) The Interim Valuation Report adopts the discounted cash flow method for the purpose of the valuation. Accordingly, the Interim Valuation Report contains information that will be considered profit forecasts under Rule 1012 of the Listing Manual.
- (b) The Company takes the view that some of the profit forecast information in the Interim Valuation Report are commercial secrets which the Company does not want to be made public.
- (c) Further, even if the Target Company Group becomes part of the Group and has to adhere to the financial reporting requirements, the reporting of financial statements under the International Financial Reporting Standards and in accordance with the rules of the SGX-ST would also not cause the disclosure of the information contained in the Interim Valuation Report.
- (d) The Company is of the view that to the disclosure of such commercially sensitive information to the public could potentially prejudice the negotiating power of the Target Company Group vis-a-vis its customers and suppliers and would also affect its competitiveness. Accordingly, such disclosure is not in the interest of the Company and its Shareholders.

The Company has on 9 July 2012 received the Waiver from the SGX-ST subject to the Company announcing the Waiver was granted, the reasons for seeking the Waiver and the conditions under Rule 107 of the Listing Manual.

The Company in compliance with the Rule 107 of the Listing Manual has on 8 August 2012 when announcing the entry into and execution of the Acquisition Agreement also announced the grant of the Waiver and the reasons for seeking the Waiver.

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## LETTER FROM THE BOARD

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In view of the Waiver, the summarised Interim Valuation Report instead of the full Interim Valuation Report is annexed to this Circular as Appendix C.

The Directors take the view that the information contained in the Interim Valuation Report read together with the information contained in this Circular will be sufficient for the Shareholders to make an informed decision on the Proposed Acquisition.

### **8. PROPOSED PARTICIPATION OF MR. WANG IN THE 2010 SCHEME AND THE PROPOSED GRANT OF OPTIONS TO MR. WANG**

#### **8.1 Key Terms of the 2010 Scheme**

The 2010 Scheme was approved by Shareholders at a Special General Meeting held on 11 February 2010 and is intended to provide eligible participants with an opportunity to participate in the equity of the Company. The 2010 Scheme is designed to primarily reward, retain, to incentivise Directors and eligible employees in the Group whose services are vital to the Group's well-being and success.

The 2010 Scheme is set out in Appendix D of this Circular.

As at the Latest Practicable Date, 11,400,000 Options granted under the 2010 Scheme remain outstanding. The aggregate Shares to be issued pursuant to the exercise of the Options is 11,400,000 Shares representing 1.79% of the issued share capital of the Company.

The Directors confirm that (i) the aggregate number of Shares available to Mr. Wang and his associates under the Options shall not exceed 25% of the Shares available under the 2010 Scheme; and (ii) the aggregate number of Shares available to each of Mr. Wang and his associates under the Options shall not exceed 10% of the Shares available under the 2010 Scheme.

#### **8.2 Rule 853 of the Listing Manual**

Mr. Wang is a Controlling Shareholder of the Company and is its Chairman and Chief Executive Officer. Pursuant to Rule 853 of the Listing Manual, the participation of Mr. Wang in the 2010 Scheme must be approved by the Independent Shareholders. Further the grant of the Options under the 2010 Scheme to Mr. Wang must also be approved by the Independent Shareholders in a separate ordinary resolution and which resolution must state the actual number and the terms of the Options to be granted to Mr. Wang.

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## LETTER FROM THE BOARD

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### 8.3 Rationale

Mr. Wang has held the position of Chairman and Chief Executive Officer of the Company since he was appointed to the Board on 1 February 2007. Mr. Wang joined the Group in 2005.

Mr. Wang is responsible for the execution of the business strategies of the Group and the day to day management of Group's business. When he joined the Group in 2005, Mr. Wang caused the Group to focus on the research and development of mobile handset solutions and applications. The Group recorded an increase in revenue from the mobile handset solutions and applications business since 31 March 2006. Further, the Group under his leadership expanded into the higher profit margin business and the high end market. The Group and the Board recognises that due to his extensive experience in the telecommunications industry, Mr. Wang plays a key role in the Group's success.

In recognition of Mr. Wang's performance and contributions to the Group and to motivate him to maintain a high level of performance with a view to achieving long term growth for the Group and to further enhance the value of the Company for its Shareholders, the Board is proposing to allow Mr. Wang to participate in the 2010 Scheme and proposes to grant Options on the terms set out below to Mr. Wang.

The Committee when deciding on the number of Options proposed to be granted to Mr. Wang took into consideration, *inter alia*, the financial performance of the Group, the performance, responsibilities, contributions, years of service as well as the prevailing remuneration package of Mr. Wang. The Directors are of the view that Mr. Wang's remuneration package (including the Options which are proposed to be granted) is fair given the substantial contributions he has made to the Group.

It is proposed that a specific grant of 600,000 Options (representing 600,000 Shares constituting 0.1% of the issued share capital of the Company as at the Latest Practicable Date) be granted to Mr. Wang pursuant to the terms of the 2010 Scheme.

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## LETTER FROM THE BOARD

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### 8.4 Terms of the Grant Options to Mr. Wang

For the reasons stated above, it is proposed that approval be given to the Committee to grant Options to Mr. Wang on the following terms:—

- (a) Proposed Date of Grant of Share Option : Within twelve (12) months from the date of this SGM.
- (b) Number of Shares comprised in the proposed Options : 600,000
- (c) Exercise Price per Share : Subject to any adjustments made pursuant to the Scheme Rules, the exercise price shall be determined by the Committee in its absolute discretion and stated in the offer letter to Mr. Wang and shall be at least the higher of:
- (1) the closing price of the Shares as stated in the daily quotations sheet issued by the HKSE or the closing price of the Shares on the SGX-ST, whichever is higher, on the Offer Date which must be a Trading Day;
  - (2) the average closing prices of the Shares as stated in the daily quotations sheets issued by the HKSE or the average closing prices of the Shares on the SGX-ST for the five consecutive Trading Days immediately preceding the Offer Date, whichever is higher; or
  - (3) the nominal value of a Share on the Offer Date.
- (d) Exercise Period : 1 year from the date of the Offer Date

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## LETTER FROM THE BOARD

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Should the proposed grant of Options to Mr. Wang be approved by the Independent Shareholders and assuming that the Options are granted by the Committee and subsequent thereto, are exercised in full, Mr. Wang's total shareholding interests (direct or deemed) in the Company will increase from 184,716,750 Shares to 185,316,750 Shares. Based on the number of issued Shares as at the Latest Practicable Date and assuming there is no change in the share capital of the Company save for the 600,000 Shares to be issued pursuant to the exercise in full by Mr. Wang of the proposed grant of Options, Mr Wang's total shareholding interests (direct or deemed) in the Company will increase from approximately 29.06% to 29.13%. A further announcement will be made by the Company immediately after the date of grant of the Options to Mr. Wang in compliance with the HK Listing Rules and the Listing Manual.

### **8.5 Financial Effects of the Proposed Grant of Option to Mr. Wang**

#### *Share Capital*

The issued share capital of the Company will increase as and when Options granted to Mr. Wang are exercised and new Shares are allotted and issued. If, instead of issuing new Shares, existing Shares are transferred to Mr. Wang there will be no such impact.

#### *EPS*

Without taking into account earnings which may be derived by the Company from the use of the proceeds of their issue, the new Shares issued pursuant to any exercise of the Options may have a dilutive impact on the Group's consolidated earnings per Share.

#### *NTA*

The effect on the NTA per Share will depend on whether the exercise price is above or below the Group's consolidated NTA per Share at the time of issue of new Shares pursuant to an exercise of the Options.

#### *Potential cost of issuing the Options*

Under the International Financial Reporting Standard on Share-based Payments, the cost of granting the Options will need to be recorded as an expense in the Company's financial statements which will result in the reduction of the Company's financial results. However, until such Options are exercised, there is no direct impact on the financial results and position of the Group.

Under the 2010 Scheme, the Options will be granted to Mr. Wang at a nominal consideration of HK\$1.00 upon acceptance of the offer on the grant of the Options.

Subject as aforesaid, as and when the Options are exercised, the cash inflow will add to the NTA of the Company and its issued share capital will increase.



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## LETTER FROM THE BOARD

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### 8.6 Abstention from Voting

Mr. Wang and his associates, shall abstain from voting in respect of the ordinary resolutions relating to the proposed participation by Mr. Wang in the 2010 Scheme and the proposed grant of Options to Mr. Wang.

Mr. Wang shall also decline to accept nominations as proxies or otherwise for voting at the SGM in respect of the ordinary resolutions relating to the proposed participation by Mr. Wang in the 2010 Scheme and the proposed grant of Options to Mr. Wang unless instructions has been given in the proxy form on how the Shareholders wish their vote to be cast in respect of the said ordinary resolutions at the SGM.

### 8.7 Obligation to make a take-over offer

Pursuant to Rule 14 of the Singapore Code of Take Overs and Mergers (“**Rule 14**”), Mr. Wang and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if the voting rights of Mr. Wang and his concert parties would increase to 30% or more, or, in the event that Mr. Wang and his concert parties hold between 30% and 50% of the voting rights in the Company, the voting rights of Mr. Wang and his concert parties would increase by more than 1% in any period of 6 months.

Pursuant to Rule 26 of the Code on Takeovers and Mergers in Hong Kong (“Hong Kong Takeovers Code”), Mr Wang and persons acting in concert with them will incur an obligation to make an offer under Rule 26 of Hong Kong Takeovers Code if the voting rights of Mr Wang and his concert parties would increase to 30% or more, or, in the event that Mr. Wang and his concert parties hold between 30% and 50% of the voting rights in the Company, the voting rights of Mr. Wang and his concert parties would increase by more than 2% within 12 months.

As at the Latest Practicable Date, based on 635,573,662 issued Shares, Mr. Wang directly holds approximately 4.94% of the voting rights in the Company and has a deemed interest of approximately 24.12% of the voting rights in the Company. If Mr. Wang exercises the Options in full, 600,000 new Shares will be allotted and issued to Mr. Wang. Mr. Wang will thereby hold 185,316,750 Shares constituting 29.13% of the issued Shares of the Company. Accordingly and based on the above information, the offer obligation under Rule 14 of the Singapore Take Overs Code and Rule 26 of the Hong Kong Takeovers Code will not be triggered.

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## LETTER FROM THE BOARD

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### 9. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 9.1 Interests of the Directors and Substantial Shareholders in the Share Capital of the Company

The interests of the Directors and Substantial Shareholders in the Share Capital of the Company as at the Latest Practicable Date is set out below:—

Name of Director/ Controlling Shareholder	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Direct Interest	Deemed Interest	Total	
Mr. Wang Shih Zen <sup>(1)</sup>	31,406,500	153,310,250	184,716,750	29.06%
Wise Premium Limited <sup>(1)</sup>	153,310,250	—	153,310,250	24.12%

*Note:*

- (1) Mr. Wang hold 200,000 shares through HKSCC Nominees Ltd. Together with his direct holdings of 31,206,500 shares, Mr. Wang held 31,406,500 shares, representing 4.94% of the issued share capital of the Company for which Mr. Wang has a deemed interest. The 153,310,250 shares of the Company are held by Wise Premium, a company beneficially owned by Mr. Wang.

Further, pursuant to the 2010 Scheme, certain Directors have been granted Options, the details of which as at the Latest Practicable Date are set out below:—

Name of Director	No of share options granted <sup>(1)</sup>
Mr. Lu Shangmin	600,000
Mr. David Lim Teck Leong	600,000
Mr. Chan Kam Loon	600,000
Mr. Guo Yanjun	600,000
Mr. Lo Hang Fong	600,000
Mr. Tham Wan Loong, Jerome	600,000

*Note:*

- (1) Pursuant to the 2010 Scheme, there were 2,400,000 Options granted to four of the above Directors on 6 January 2012 at the exercise price of HK\$0.72 and 1,200,000 Options granted to another two Directors on 19 March 2012 at the exercise price of HK\$1.11. These Options expire on 10 February 2020 and the vesting period of an option shall be exercisable in whole or part (provided that an Option may be exercised in part only in respect of 1,000 shares or any multiple thereof), at any time, after the first anniversary from the date of grant.

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## LETTER FROM THE BOARD

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### **9.2 Interests of the Directors and Controlling Shareholders in the Proposed Acquisition**

None of the Directors and so far as the Directors are aware, none of the Controlling Shareholders have any interest, direct or indirect in the Proposed Acquisition. No new director will be appointed to the Company in connection with the Proposed Acquisition.

## **10. DIRECTORS' RECOMMENDATION**

### **10.1 Proposed Acquisition**

Having considered and reviewed, inter alia, the terms of the Acquisition Agreement, the rationale for and benefits of the Proposed Acquisition, the Board are of the unanimous opinion that the Proposed Acquisition is in the best interests of the Company. Accordingly, the Board unanimously recommends the Shareholders to vote in favour of the ordinary resolution approving the Proposed Acquisition set out in the notice of the SGM.

### **10.2 Proposed Participation of Mr. Wang in the 2010 Scheme and the Proposal Grant of Option to Mr. Wang**

The Board (other than Mr. Wang who has abstained from the deliberating on the matter) considers that the proposed participation of Mr. Wang in the 2010 Scheme and the proposed grant of 600,000 Options to Mr. Wang under the 2010 Scheme are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (other than Mr. Wang who has abstained from the recommendation) recommend the Independent Shareholders to vote in favour of the ordinary resolutions relating to the a proposed participation of Mr. Wang in the 2010 Scheme and the proposed grant of Options to Mr. Wang.

## **11. SGM**

A notice of the SGM which will be held at 33/F., 9 Queen's Road Central, Hong Kong on Friday, 16 November 2012 at 10:00 a.m. is set out on pages 43 to 46 of this Circular, for the purpose of considering and, if thought fit, passing, the resolutions to approve the Proposed Acquisition, the proposed participation of Mr. Wang in the 2010 Scheme and the proposed grant of options to Mr. Wang.

## **12. LETTERS OF CONSENT**

Avista Valuation Advisory Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the insertion of the summarised Interim Valuation Report and all references thereto in the form and context in which they are included in the Circular.

Guangxin Law Firm has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references in the Circular to their legal opinion in the form and context in which they are included in the Circular.

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## LETTER FROM THE BOARD

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Shenzhen Bangde Certified Public Accountants has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references in the Circular thereto in the form and context in which they are included in the Circular.

### **13. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the SGM and wish to appoint a proxy to attend and vote at the SGM on their behalf will find attached to this Circular a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon and deposit the same with, the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (for Hong Kong Shareholders), or the Company's share transfer agent in Singapore, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00, Singapore 068898 (for Singapore Shareholders), as soon as possible and in any event not less than 48 hours before the time fixed for the SGM. The sending of a proxy form by a Shareholder does not preclude him from attending and voting in person at the SGM if he finds that he is able to do so. In such event, the relevant proxy form will be deemed to be revoked.

The resolutions proposed to be approved at the SGM will be taken by poll and an announcement on the outcome of the SGM will be made by the Company following the SGM.

### **14. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the proposed participation of Mr. Wang in the 2010 Scheme and the proposed grant of Options to Mr. Wang, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

### **15. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date of this Circular up to the date of SGM:—

- (1) a copy of the Acquisition Agreement;
- (2) a copy of the summarised Interim Valuation Report;

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## LETTER FROM THE BOARD

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- (3) a copy of the Memorandum and the Bye-laws of the Company;
- (4) a copy of the annual report of the Company for the financial year ended 31 March 2012;
- (5) a copy of the 2010 Scheme; and
- (6) the Company's announcement dated 31 August 2012 (which includes the opinion of RSM Nelson Wheeler), referred to on page 16 of the Circular under heading "Basis for Determining Consideration and Funding".

Yours faithfully  
By order of the Board  
**Z-Obee Holdings Limited**  
**Wang Shih Zen**  
*Chairman and Chief Executive Officer*

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## NOTICE OF SGM

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**Z-Obee Holdings Limited**  
**融達控股有限公司\***  
*(incorporated in Bermuda with limited liability)*  
**(Hong Kong Stock Code: 948)**  
**(Singapore Stock Code: D5N)**  
*website: <http://www.z-obeecom>*

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Special General Meeting (“SGM”) of **Z-Obee Holdings Limited** (the “Company”) will be held at 33/F., 9 Queen’s Road Central, Hong Kong on Friday, 16 November 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolutions set out in this Notice. Any Shareholder or Depositor or Proxy who wishes to take part in the SGM from Singapore, may attend via video conference which shall be held at 108 Robinson Road, Level 11, The Finexis Building, Singapore 068900. The persons attending the said video conference will be able to pose questions to the Company’s management and to comment on the matters appearing on this Notice. Please be on time to avoid disrupting the SGM.

All capitalised terms in this Notice which are not defined herein shall have the same meanings ascribed to them in the circular to Shareholders of the Company dated 19 October 2012 (“**Circular**”).

#### AS ORDINARY RESOLUTIONS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

#### **ORDINARY RESOLUTION 1:**

#### **ACQUISITION OF 40% OF NOOSA INTERNATIONAL LIMITED**

**“THAT:**

- (a) the acquisition of 40% of the issued share capital of Noosa International Limited by Elastic Glory Investment Limited, a wholly owned subsidiary of the Company, for a purchase consideration of RMB70,360,000, subject to the terms and conditions of the Acquisition Agreement, the details of which are set out in the Circular, be and is hereby approved;
- (b) the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including without limitation, negotiating, signing, executing and delivering all such documents and approving any amendments, alterations or modifications to any such documents including the Acquisition Agreement and any of the Structural Agreements) as they may consider necessary, desirable or expedient so as to give effect to the Proposed Acquisition.

\* For identification purpose only

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## NOTICE OF SGM

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### **ORDINARY RESOLUTION 2:**

#### **PROPOSED PARTICIPATION BY MR. WANG IN THE 2010 SCHEME**

That the participation of Mr. Wang Shih Zen, a Controlling Shareholder, Chairman and Chief Executive Officer of the Company in the 2010 Scheme in accordance with the Scheme Rules be and is hereby approved.

### **ORDINARY RESOLUTION 3:**

#### **PROPOSED OFFER AND GRANT OF OPTIONS UNDER THE 2010 SCHEME TO MR. WANG, A CONTROLLING SHAREHOLDER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE COMPANY**

That contingent upon the passing of Ordinary Resolution 2, approval be and is hereby given for the proposed offer and grant to Mr. Wang, a Controlling Shareholder, Chairman and Chief Executive Officer of the Company of Options pursuant to and in accordance with the Scheme Rules on the following terms and the Directors be and are hereby authorised to allot and issue such Shares upon the exercise of the Options:—

- |     |  |   |  |
|-----|--|---|--|
| (a) | Proposed Date of Grant of Share Option             | : | Within twelve (12) months from the date of this SGM.   |
| (b) | Number of Shares comprised in the proposed Options | : | 600,000  |
| (c) | Exercise Price per Share                           | : | Subject to any adjustments made pursuant to the Scheme Rules, the exercise price shall be determined by the Committee in its absolute discretion and stated in the offer letter to Mr. Wang and shall be at least the higher of:<br><br>(1) the closing price of the Shares as stated in the daily quotations sheet issued by the HKSE or the closing price of the Shares on the SGX-ST, whichever is higher, on the Offer Date which must be a Trading Day; |

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## NOTICE OF SGM

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- (2) the average closing prices of the Shares as stated in the daily quotations sheets issued by the HKSE or the average closing prices of the Shares on the SGX-ST for the five consecutive Trading Days immediately preceding the Offer Date, whichever is higher; or
- (3) the nominal value of a Share on the Offer Date.
- (d) Exercise Period : 1 year from the date of the Offer Date

By Order of the Board  
**Siu Yun Tang**  
**Busarakham Kohsikaporn**  
*Joint Company Secretaries*

19 October 2012

*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. The Central Depository Pte Ltd (“CDP”) may appoint more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged at the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong (for Hong Kong Shareholders), or the Company’s share transfer agent, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00, Singapore 068898 (for Singapore Shareholders) not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.



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6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
7. As at the date of this notice, the Board of Directors of the Company comprises the following members: (1) Executive Directors: Wang Shih Zen, Wang Tao, Lu Shangmin; (2) Non-Executive Director: David Lim Teck Leong; and (3) Independent Non-Executive Directors: Chan Kam Loon, Guo Yanjun, Lo Hang Fong, Tham Wan Loong, Jerome.
8. A Depositor (as defined in the Companies Act (Chapter 50 of Singapore) (the “Singapore Companies Act”)) whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the attached Depository proxy form and lodge the same at the office of the Company’s share transfer agent in Singapore, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00, Singapore 068898 (for Singapore Shareholders) not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
9. The register of members of the Company will be closed from 12 November 2012 to 16 November 2012, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the SGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m., 9 November 2012 (for Hong Kong Shareholders), or with the Company’s Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00, Singapore 068898 for registration no later than 5:00 p.m., 9 November 2012 (for Singapore Shareholders).
10. If a Depositor whose name appears in the Depository Register wishes to attend and vote at the SGM, he must be shown to have Shares entered against his name in the Depository Register, as certified by CDP, at least forty-eight (48) hours before the time of the SGM. A depositor which is a corporation and which wishes to attend and vote at the SGM or a depositor who wishes to nominate a proxy (to be appointed by CDP) to attend the SGM must complete and deposit the proxy form at the office of the Company’s Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00, Singapore 068898 for registration no later than 10:00 a.m., 14 November 2012.
11. A member or Depositor who appoints or nominates (as applicable) a proxy to vote on his behalf should give clear instructions on the direction of voting for all resolutions.

**APPENDIX A**

**SUMMARY FINANCIAL STATEMENTS OF  
SHENZHEN JINGYING FOR THE YEARS ENDED  
31 DECEMBER 2009, 2010, 2011 AND  
FIRST QUARTER 2012**

**STATEMENT OF FINANCIAL POSITION OF SHENZHEN JINGYING**

	<b>Audited</b>			<b>Unaudited</b>	
	<b>As at 31 December</b>			<b>As at 31 March</b>	
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	
Non-current assets <sup>(1)</sup>	636,657.78 <sup>(1)(a)</sup>	11,571,006.68 <sup>(1)(b)</sup>	7,470,870.91 <sup>(1)(c)</sup>	6,611,434.95 <sup>(1)(d)</sup>	
Current assets <sup>(2)</sup>	25,209,549.12 <sup>(2)(a)</sup>	23,019,561.31 <sup>(2)(b)</sup>	9,133,834.04 <sup>(2)(c)</sup>	10,683,751.47 <sup>(2)(d)</sup>	
Total assets	25,846,206.90	34,590,567.99	16,604,704.95	17,295,186.42	
Non-current liabilities	—	—	—	—	
Current liabilities <sup>(3)</sup>	133,996.18 <sup>(3)(a)</sup>	9,376,774.40 <sup>(3)(b)</sup>	115,726.32 <sup>(3)(c)</sup>	187,377.01 <sup>(3)(d)</sup>	
Total liabilities	133,996.18	9,376,774.40	115,726.32	187,377.01	
Net current asset	25,075,552.94	13,642,786.91	9,018,107.72	10,496,374.46	
Shareholders' Equity	30,000,000.00 <sup>(4)</sup>	30,000,000.00	30,000,000.00	30,000,000.00	
Accumulated Loss	(4,287,789.28) <sup>(4)</sup>	(4,786,206.41)	(13,511,021.37)	(12,892,190.59)	
Total Equity	<u>25,712,210.72</u>	<u>25,213,793.59</u>	<u>16,488,978.63</u>	<u>17,107,809.41</u>	

*Notes:*

- (1) Non-current assets were stated in net value after deducting the provisions for depreciation.
- (1)(a) Included plant & equipment, vehicles, office equipments and other operating facilities.
- (1)(b) The increase in non-current assets was due to the increase of video media players in the amount of RMB10,934,348.90 during FY2010.
- (1)(c) The decrease in non-current assets was due principally to the amount of RMB3,463,477.99 for provision of depreciation that was charged during FY2011 and the amount of RMB331,065.81 of office equipment and vehicles at net book value which were disposed of during the period under review.
- (1)(d) The decrease in non-current assets was due to the additional provision of depreciation in the amount of RMB865,635.96 charged during the period under review.
- (2) Current assets
- (2)(a) Included cash, accounts receivable (principally shareholder loans) and inventory. The loan to shareholders during FY2009-FY2011 were due from Mr. Meng and Mr. Gu, being the only shareholders of Shenzhen Jingying. The outstanding amount was accumulated from the previous business activities of the company before FY2009. The shareholder loans were fully settled in the second quarter of 2012 and there are no more outstanding amounts due from the shareholders.
- (2)(b) The change in the current assets in FY2010 was due to the net effect from the increase of prepayment for equipments and management fee and decrease of accounts receivable (principally shareholder loans).
- (2)(c) The decrease in current assets was due to the reduction of accounts receivable (principally in shareholder loans) during FY2011.
- (2)(d) The decrease in current assets was due to the reduction of other accounts receivable during the period under review.
- (3) Current liabilities
- (3)(a) Included accounts payable, government levies and other payables.
- (3)(b) The increase in current liabilities was due to the increase in trade payables due to the procurement of video media players during FY2010.
- (3)(c) There was no major procurement of equipments during FY2011 and the current liabilities thereby was reduced.
- (3)(d) There was no major increase of current liabilities during the period under review.
- (4) Shenzhen Jingying was incorporated in 2001 with business areas including development of electronic products, computer good and advertising business. The accumulated losses were incurred from the previous business of the company. At present, the company is focusing on the provision of aviation media services in the PRC.

**APPENDIX A**

**SUMMARY FINANCIAL STATEMENTS OF  
SHENZHEN JINGYING FOR THE YEARS ENDED  
31 DECEMBER 2009, 2010, 2011 AND  
FIRST QUARTER 2012**

**INCOME STATEMENTS OF SHENZHEN JINGYING**

	Audited			Unaudited
	For the year ended 31 December			For the three months ended 31 March
	2009	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Revenue <sup>(1)</sup>	— <sup>(1)(a)</sup>	— <sup>(1)(b)</sup>	40,000.00 <sup>(1)(c)</sup>	2,010,000.00 <sup>(1)(d)</sup>
Operating expenses <sup>(2)</sup>	(76,032.00) <sup>(2)(a),(e)</sup>	(498,316.31) <sup>(2)(b)</sup>	(6,604,092.39) <sup>(2)(c)</sup>	(1,388,283.16) <sup>(2)(d),(e)</sup>
Operating profit	(76,032.00)	(498,316.31)	(6,564,092.39)	621,716.84
Other income	—	—	—	—
Other expenses <sup>(3)</sup>	—	(100.82)	(107,321.84)	(2,946.06)
Profit/(Loss) before tax	(76,032.00)	(498,417.13)	(6,671,414.23)	618,770.78
Income tax expenses	—	—	—	—
Net profit/(loss) for the year/period <sup>(4)</sup>	(76,032.00)	(498,417.13)	(6,671,414.23)	618,770.78

*Notes:*

- (1) Revenue
- (1)(a) There was no income generated in the FY2009 due to the early stage of the advertising business.
- (1)(b) There was no income generated in the FY2010 due to the early stage of the advertising business.
- (1)(c) The video media players were launched in FY2011 for trial and the advertising sales were not fully operational then.
- (1)(d) The company commenced advertising sales in 2012.
- (2) Operating expenses
- (2)(a) Operating expenses included the rental, staff cost and travelling expenses.
- (2)(b) The operating expenses increased due to the commencement of operation with increment of staff cost and travelling expenses incurred.
- (2)(c) The increase in operating expenses in FY2011 was due to the increase in provision for depreciation in the amount of RMB3,463,477.99, loss in disposal of non-current assets in the amount of RMB510,000, write off of obsolete stocks in the amount of RMB610,000 and increase in promotion cost and staff expenses in the aggregate amount of RMB950,000.
- (2)(d) Operating expense for the period included the staff cost, rental and travelling expenses.
- (2)(e) In FY2009, there were two full-time employees. The headcount has increased to eight persons currently.
- (3) Other expense included overhead expenses and finance cost. The increase in other expenses from FY 2010 to FY2011 arose from the loss from the disposal of plant and equipment.
- (4) The net loss position for the various financial periods under review was due to the fact that the company was at the early stage of establishment of the advertising business and only commenced generating some revenue in FY2011 and in the first quarter of FY2012.

**APPENDIX A**

**SUMMARY FINANCIAL STATEMENTS OF  
SHENZHEN JINGYING FOR THE YEARS ENDED  
31 DECEMBER 2009, 2010, 2011 AND  
FIRST QUARTER 2012**

**STATEMENT OF CASH FLOWS OF SHENZHEN JINGYING**

	<u>Audited</u>			<u>Unaudited</u>
	<u>For the year ended 31 December</u>			<u>For the three months ended</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash and cash equivalents at beginning of year/period	573,265.24	25,448.08	58,297.41	37,768.49
Cash inflows from operating activities <sup>(1)</sup>	—	—	—	30,000.00
Cash outflows used in operating activities <sup>(2)</sup>	(637,817.16)	(3,569,297.81)	(11,533,525.41)	(9,895,135.67)
Net cash flows from operating activities	(637,817.16)	(3,569,297.81)	(11,533,525.41)	(9,865,135.67)
Cash inflows from investing activities <sup>(3)</sup>	—	—	106,868.35	9,847,441.00
Cash outflows used in investing activities <sup>(3)</sup>	—	(11,800.00)	—	—
Net cash flows from/(used in) investing activities	—	(11,800.00)	106,868.35	9,847,441.00
Cash inflows from financing activities <sup>(4)</sup>	90,000.00	3,613,947.14	11,406,128.14	—
Cash outflows used in financing activities <sup>(4)</sup>	—	—	—	—
Net cash flows from/(used in) financing activities	90,000.00	3,613,947.14	11,406,128.14	—
Total net cash inflow/(outflow) for the year/period	(547,817.16)	32,849.33	(20,528.92)	(17,694.67)
Cash and cash equivalents at end of year/period	25,448.08	58,297.41	37,768.49	20,073.82

*Notes:*

- (1) Cash inflows from operating activities are principally derived from the receipt of advertising income and cash used in the operating activities was mainly used to pay for costs and expenses relating the company's business operations.
- (2) The cash outflows used in operating activities during FY2009 to FY2011 and for the three months ended 31 March 2012 was mainly from the operating activities due to the early start-up stages of the advertising business.
- (3) Cash flows used in investing activities mainly consisted of purchases of plant and equipment or disposal of equipments. The cash inflows from investing activities represented the disposal of equipment during the periods under review.
- (4) Cash flows from financing activities were mainly shareholder loans for payment of operating expenses and procurement of equipment by the shareholders, Mr. Gu and Mr. Meng to offset the outstanding loan to them.

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**Z-Obee Holdings Limited**

*(incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 948)**

**(Singapore Stock Code: D5N)**

*website: <http://www.z-obeecom>*

**PROFIT FORECAST IN RELATION TO THE  
DISCLOSEABLE TRANSACTION  
REGARDING THE  
ACQUISITION OF 40% SHAREHOLDING IN  
NOOSA INTERNATIONAL LIMITED**

Reference is made to the announcement dated 10 August 2012 and 17 August 2012 (the “Announcements”) of Z-Obee Holdings Limited (the “Company”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

**COMPLIANCE WITH RULE 14.61 OF THE LISTING RULES**

As disclosed in the Announcements, it is a condition precedent to the Completion that the Purchaser shall obtain a valuation report issued by an independent professional valuer appointed by the Purchaser on 100% equity interest of the Target Company Group showing that the fair market value of the Target Company Group being no less than RMB175,900,000. In the event that the fair value of the Target Company Group as indicated in the Finalised Valuation Report is less than RMB175,900,000, the Consideration shall be adjusted by reducing the amount of the Consideration payable by the Purchaser to the Vendor on the Completion on a dollar-for-dollar basis. For the avoidance of doubt, no adjustment shall be made to the Consideration if the fair market value of Target Company Group as indicated in the Finalised Valuation Report is more than RMB175,900,000. As such, no adjustment shall be required to be made to the Consideration.

The valuation on the Target Company Group prepared by Avista Valuation Advisory Limited, an independent professional valuer appointed by the Company and the Finalised Valuation Report has adopted an income approach in valuing the Target Company Group. As such, the valuation constitutes a “profit forecast” under Rule 14.61 of the Listing Rules; and Rules 14.61 and 14.62 of the Listing Rules are applicable.

Pursuant to Rule 14.61 of the Listing Rules, the following are the details of the principal assumptions, including commercial assumptions, upon which the valuation on the Target Company Group is based on.

**Valuation Basis**

The valuation was based on income approach and discounted cash flow method was adopted for valuation. The valuation has considered the following principal factors:

- Shenzhen Jingying and the Target Company Group will be operated with the corporate structure and operation model as projected by the management of the Company, the Target Company Group and Shenzhen Jingying;
- The financial and operating results of Shenzhen Jingying and the Target Company Group;
- The economic outlook in general and the specific economic and competitive elements affecting Shenzhen Jingying and the Target Company Group's businesses, their industry and their market;
- The nature and prospects of the industry of Shenzhen Jingying and the Target Company Group are operating;
- The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;
- The stage of development of Shenzhen Jingying and the Target Company Group's operation; and
- The business risks of Shenzhen Jingying and the Target Company Group (including default risk, legislation risk and economy risk).

The major assumptions used in the valuation of the Target Company Group and Shenzhen Jingying included the following:

- There will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC;
- There will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the financial projection) which have been arrived at after due and careful consideration by the management of the Company, the Target Company Group and Shenzhen Jingying;

- The availability of finance will not be a constraint on the forecast growth of Shenzhen Jingying and the Target Company Group's operation in accordance with the projection;
- Shenzhen Jingying and the Target Company Group will retain and have competent management, key personnel, and technical staff to support their ongoing operation; and
- Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate.

The life of the valuation model is perpetual with detail cash flows projection for the initial 6 years up to 2018. The discount rate adopted for the valuation is determined by first obtaining the cost of equity finance according to the capital asset pricing model with reference to the average equity beta of the comparable companies. A risk premium is then added to the cost of equity finance as the Target Company Group and Shenzhen Jingying are at initial stage of business development, which is determined by reference to the average failure rate of similar new start-up private companies. The value of the Target Company Group is further adjusted by a discount for lack of marketability (as a private company) which is determined with reference to the average annualised volatility of the comparable companies. The revenue estimation is determined based on two streams of business, (i) advertising revenue; and (ii) channel revenue. Advertising revenue is charged and based on the estimated number of passengers of aircrafts, advertisements will be assessed by each passenger. Channel fee from advertisers is more passengers oriented and is based on advertisers' preference and channel fee will be received from the advertisers on the number and duration of each program installed.

In particular, the cash flows projection in the valuation of the Target Company Group is based on (i) the business agreements entered into by the Target Company Group and Shenzhen Jingying; (ii) projected expansion and growth; (iii) the revenue estimation model abovementioned and (iv) operating expenses projected.

RSM Nelson Wheeler, the reporting accountant of the Company, has examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, for the valuation on the Target Company Group and the Finalised Valuation Report are based on. The Directors have reviewed the principal assumptions upon which the discounted future estimated cash flows is based and are of the view that the forecast has been made after due and careful enquiry.

Letters from RSM Nelson Wheeler and the board of the Directors relating to the valuation are set out as Appendix I and Appendix II to this announcement respectively. The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

<b>Name</b>	<b>Qualification</b>
Avista Valuation Advisory Limited	Professional valuer
RSM Nelson Wheeler	Certified public accountants

As at the date of this announcement, each of Avista Valuation Advisory Limited and RSM Nelson Wheeler does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of Avista Valuation Advisory Limited and RSM Nelson Wheeler has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and all reference to its name in the form and context in which it appears.

By order of the Board  
**Z-Obee Holdings Limited**  
**Wang Shih Zen**  
*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2012

*As at the date of this announcement, the executive Directors are Mr. Wang Shih Zen, Ms. Wang Tao and Mr. Lu Shangmin, the non-executive Director is Mr. David Lim Teck Leong and the independent non-executive Directors are Mr. Chan Kam Loon, Mr. Guo Yanjun, Mr. Lo Hang Fong and Mr. Tham Wan Loong Jerome.*



## APPENDIX I — LETTER FROM RSM NELSON WHEELER



**RSM Nelson Wheeler**  
**中瑞岳華(香港)會計師事務所**  
*Certified Public Accountants*

29th Floor  
Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

31 August 2012

The Board of Directors  
Z-Obee Holdings Limited  
Unit E, 26/F., Legend Tower  
7 Shing Yip Street, Kwun Tong  
Kowloon, Hong Kong

Dear Sirs,

**Z-OBEE HOLDINGS LIMITED (THE “COMPANY”)  
DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE  
BUSINESS VALUATION ON NOOSA INTERNATIONAL LIMITED (THE “TARGET  
COMPANY”) AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS THE “TARGET  
COMPANY GROUP”)**

**Independent assurance report**

In accordance with our agreed terms of engagement, we have examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows (the “Forecast”) on which the business valuation (the “Valuation”) dated 10 August 2012 prepared by Avista Valuation Advisory Limited in respect of the appraisal of the fair value of the 100% equity interest in the Target Company Group as at 30 June 2012 is based. The Valuation based on the Forecast is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**Respective responsibilities of directors and RSM Nelson Wheeler**

The directors of the Company (the “Directors”) are responsible for the preparation of the Forecast in accordance with the bases and assumptions approved by the Directors. This responsibility include carrying out appropriate procedures relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the Forecast on which the Valuation is based, and to report our conclusion to you solely for the purpose of reporting under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

The bases and assumptions adopted by the Directors include hypothetical assumptions about future events and management actions that cannot be confirmed or verified in the same way as past results, and these bases and assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the bases and assumptions and do not express opinion whatsoever thereon; and our work does not constitute any valuation on the Target Company Group.

### **Basis of Conclusion**

We conducted our work in accordance with International Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. We have examined the arithmetical accuracy of the calculations of the Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the bases and assumptions approved by the Directors.

### **Conclusion**

In our opinion, the Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions approved by the Directors.

Yours faithfully,  
**RSM Nelson Wheeler**  
*Certified Public Accountants*  
Hong Kong

**APPENDIX II — LETTER FROM THE BOARD OF DIRECTORS****Z-Obee Holdings Limited***(incorporated in Bermuda with limited liability)*Address: Unit E, 26/F., Legend Tower, 7 Shing Yip Street, Kwun Tong,  
Kowloon, Hong Kong

Tel: (852) 3583 6888 Fax: (852) 2234 6459

Date: 31 August 2012

Listing Division  
The Stock Exchange of Hong Kong Limited  
11/F., One International Finance Centre,  
1 Harbour View Street,  
Central,  
Hong Kong

Dear Sirs,

**Re: Discloseable Transaction — Acquisition of 40% shareholding in Noosa International Limited**

We refer to the valuation report dated 10 August, 2012 prepared by Avista Valuation Advisory Limited (the “**Valuer**”) in relation the valuation of Noosa International Limited and its Subsidiaries (the “**Target Company Group**”), the valuation of which constitutes a profit forecast under Rule 14.62 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

We have reviewed the bases and assumption based upon which the valuation of the Target Company Group has been prepared and reviewed the valuation by the Valuer for which the Valuer is responsible. We have also considered the report from the reporting accountant of the Company, RSM Nelson Wheeler, regarding whether the discounted future estimated cash flows of the Target Company Group and the calculations thereof has been properly complied in accordance with the bases and assumptions made by our directors.

On the basis of the foregoing, we are of the opinion that the valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the board of directors of  
**Z-Obee Holdings Limited**  
**Wang Shih Zen**  
*Chairman and Chief Executive Officer*



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Wan Chai, Hong Kong

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## **ANALYSIS REPORT**

### **Fair Value Analysis of the 100% Equity Interest of Noosa International Limited and its Subsidiaries**

**Prepared for:**

**Z-Obee Holdings Limited**

**As of 30 June 2012**

**STRICTLY CONFIDENTIAL**

The Board of Directors  
**Z-Obee Holdings Limited**  
Unit E, 26/F, Legend Tower  
7 Shing Yip Street  
Kwun Tong, Kowloon  
Hong Kong

10 August 2012

Ref No.: J12-0141

Dear Sirs,

In accordance with your instructions, we have performed a fair value analysis in connection with the 100% equity interests of Noosa International Limited and its Subsidiaries (the “Target Group”) as of 30 June 2012 (the “Analysis Date”), as Z-Obee Holdings Limited (the “Company”) intends to acquire the equity interest of the Target Group (the “Proposed Acquisition”).

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the “Directors”) and used for the Potential Acquisition solely for your internal reference purpose. This report (the “Report”) does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value, also the additional supporting documentation has been retained as a part of our work papers.

**BASIS OF ANALYSIS**

We have appraised the fair value of 100% equity interests of the Target Group.

Fair value is the estimated amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

**COMPANY BACKGROUND**

Noosa International Limited (“Noosa”) is an investment holding company incorporated in the British Virgin Islands on 16 March 2012 and is wholly owned by Mr. Lai Ying Ming, an independent third party. Through its wholly owned subsidiaries, Noosa will enter into certain Structural Agreements with the shareholders of Shenzhen Jingying Electronic Technology Limited (深圳市菁英電子科技有限公司) (the “Target Company”). The Structural Agreements are designed to provide the Target Group with effective control over and the right to enjoy the economic benefits in and/or assets of the Target Company.

The Target Company was incorporated in July 2001. It mainly engaged in the electronic media business in China through its mobile platform and operating system. Majority of the revenue of the Target Company is advertising income for the placement of advertisements by customers on the mobile platform. The core business strategy of the Target Company is to establish a media distribution channel within aircraft by installing the proprietary developed multimedia devices — VM. The Target Company enters into cooperative agreement with airline operators that VM will be installed seat-by-seat within aircrafts. It also enters strategic agreement with contents provider like TV operators, movies producers, game developer, magazine publishers etc.

We understand that the Target Company has signed cooperative agreements with Hainan Airlines as of the Analysis Date. Management expects that they would be able to liaise with Capital Airlines and Tianjin Airlines in FY2012/FY2013 for cooperation. Based on the information provided by the Management, the Target Company has signed a number of agreements and memorandum of understanding with potential customers and advertising agencies. Some of these customers include China Mobile (全球通「我能」) and Shanghai Buynow (上海百腦滙電子信息有限公司). Some of the advertising agencies include the McCann Group (麥肯 • 光明廣告有限公司), GuangDong Advertising (廣東省廣告有限公司) and Shanhai Leoburnett (上海李奧貝納廣告有限公司). These agreements cover the period up to FY2012/FY2013, in which Management expects that they would be able to build long-term relationship with these customers and agency companies. In addition, the Target Company has also signed contracts with content providers such as 深圳市優悅文化傳播有限公司 as of the Analysis Date.

**SCOPE OF WORKS**

Our investigation included the discussions with the management of the Target Company (the “Management”) to understand the transaction background and its business operations. Based on our understanding and the information provided to us, Noosa and its subsidiaries are investment holding companies with immaterial net asset value as of the Analysis Date, hence our valuation of the fair value of 100% equity interest of the Target Group was performed based solely on the businesses of the Target Company.

We reviewed the management accounts and financial projection (the “Projection”) of the Target Company provided by the Management without further verification and assumed these data we obtained from the Management during the course of analysis are true and accurate. We also assumed that the Projection provided by the Management was prepared with due care.

Excluded from the investigation are all inventories and all other tangible assets of a current nature or any intangible assets that might exist.

### **LIMITATIONS OF THE REPORT**

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company, the Target Group and the Target Company).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We understand that the independent financial adviser may require the Report for their internal reference only. They will perform their own separate analysis to satisfy their role and responsibility. Our work and the Report are not meant to substitute their own procedures to substantiate the opinion they are required to render.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

### **ANALYSIS METHODOLOGY**

In arriving at our appraised value, we have considered three accepted approaches. They are Market Approach, Cost Approach and Income Approach. In this appraisal, the Market Approach is not appropriate to form a respective basis for our opinion of value as there is neither comparable transaction nor any relevant guideline companies which principally engage in the same business as the Target Company. The Cost Approach is not appropriate as it ignores the economic benefits of ownership of the business. We considered the book value of the Target Company as at 30 June 2012 may not truly reflect the value of its equity interests, as substantial part of value will be attributed to future benefit of the Target Company, deriving from the advertising income on the mobile platforms. We have therefore relied solely on the Income Approach in determining our opinion value.

We considered that the Income Approach, a commonly accepted approach to value the business enterprise value of the Target Company, to be appropriate for this exercise. In particular, we have adopted Discounted Cash Flow (“DCF”) method as the primary method.

Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of the Target Company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

A major requirement of the discounted cash flow approach is an earnings forecast, in particular a cash flow projection, which was provided by the Management.

The fair value of the Target Company was then calculated by adding the present values of the projected yearly free cash flow in the projection period. The present values were derived by discounting the free cash flow by a discount rate that was appropriate for the risk of investing in the project.

While the DCF method gives an indicative business enterprise value (“BEV”) as a whole, the equity value is derived from BEV after adjustment of interest bearing debt, lack of marketability discount (“LoMD”) and excess assets/liabilities.

The concept of marketability deals with the liquidity of ownership interests, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this appraisal, LoMD as of the Analysis Date was estimated to be 25%.

#### **MAJOR ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS**

Before arriving at our opinion of value, we have considered the following principal factors:

- The Target Company and the Target Group will be operated with the corporate structure and operation model as projected by the Management;
- The financial and operating results of the Target Company and the Target Group;
- The economic outlook in general and the specific economic and competitive elements affecting the Target Company and the Target Group’s businesses, their industry and their market;
- The nature and prospects of the industry of the Target Company and the Target Group are operating;
- The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;



- The stage of development of the Target Company and the Target Group's operation;
- The business risks of the Target Company and the Target Group (including default risk, legislation risk and economy risk); and

Due to the changing environment in which the Target Company and the Target Group are operating, a number of assumptions have to be established in order to sufficiently support our fair value analysis of the 100% equity interests. The major assumptions adopted in this appraisal are:

- There will be no major changes in the existing political, legal, fiscal and economic conditions in China;
- There will be no major changes in the current taxation law in China, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The Projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the financial projection) which have been arrived at after due and careful consideration by the Management;
- The availability of finance will not be a constraint on the forecast growth of the Target Company and the Target Group's operation in accordance with the Projection;
- The Target Company and the Target Group will retain and have competent management, key personnel, and technical staff to support their ongoing operation; and
- Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate.

#### **DETERMINATION OF DISCOUNT RATE**

In instances where we have applied the Income Approach to value the equity interests, it is necessary to determine an appropriate discount rate at which to discount the future expected cash flows relating to the business enterprises. The starting point for establishing an appropriate discount rate for the business enterprise value is the cost of capital for the entire business. The Weighted Average Cost of Capital ("WACC") represents the weighted average return attributable to all of the capital of the business.

We have analyzed a group of comparable companies as set out in the Report.

WACC is computed with the below formula:

$$\text{WACC} = K_e * (E_q/IC) + K_d * (D/IC)$$

Where:

*K<sub>e</sub>* = Cost of equity

*E<sub>q</sub>* = Equity

*IC* = Invested capital (equity plus all interest bearing debt)

*K<sub>d</sub>* = Tax adjusted cost of debt

*D* = Debt

We have employed the Capital Asset Pricing Model (“CAPM”) to derive a cost of equity of comparables sourced from Bloomberg, which includes the components of beta 1.02, market risk premium 7.05% in China, risk-free rates 4.09% based on yield of China government bond as of the Analysis Date, and debt-to-equity ratio 0%. In estimating an appropriate cost of equity, we have included a small size premium 4.34% with reference to “SBBI Year Book 2012” considered the relative size of the Target Company as compared to those selected comparable companies. In addition, we have also included a specific risk premium 10.0% considered its uncertainty on future development and profitability of business. Based on the above CAPM, the overall cost of equity is estimated to be approximately 25.4%.

Following is the CAPM formula for derivation of *K<sub>e</sub>*:

#### **CAPM – Cost of Equity**

$$K_e = R_{rf} + MRP \times \text{Beta}$$

Where:

*K<sub>e</sub>* = cost of equity

*R<sub>rf</sub>* = risk-free rate

*MRP* = market risk premium, which is the return the market portfolio is expected to generate in excess of the risk-free rate

*Beta* = the “beta coefficient” that measures the relative risk of the asset being valued as compared to the risk of the market portfolio. It is computed by regressing returns on a comparable security on returns for the market index. It is a measure of the systematic risk of the asset.

Pre-tax cost of debt has been estimated based on the interest rate for loans terms 5 year of above in Mainland China of 7.05% published by the People’s Bank of China as of the Analysis Date. For determining the after-tax cost of debt, a tax rate of 25% for the assessment of the tax shield was taken into consideration. This resulted in an after-tax cost of debt of 5.29%. The required rates of return on equity and debt determined as illustrated above have been weighted according to the industry average capital structure based on our comparable company analysis. Based on the calculations above, we have estimated the post-tax nominal WACC of the Target Group to be approximately 25.4%.

### Selection of Comparable Companies

For this appraisal, we have searched and selected several listed companies in China and Hong Kong as comparable companies based on the similarity of industry, business and financial characteristics. In this appraisal, the selected comparables (as listed below) are those who principally engaged in media and advertising business:

Comparable Companies	Ticker	Business Activities
1. AirMedia Group Inc	AMCN.US	Operates digital media advertising networks and digital television screens displaying advertising in Chinese airports
2. Cinderella Media Group	0550.HK	Operates media advertising businesses, sells advertising in in-flight magazines published by Chinese airlines and recruitment magazines and prints books for export
3. Focus Media Holding Ltd	FMCN.US	Operates an out-of-home advertising network in China and uses audiovisual television displays which are placed primarily in high-traffic areas
4. VisionChina Media Inc	VISN.US	Operates an out-of-home advertising network and uses real-time mobile digital television broadcasts to deliver content and advertising on mass transportation systems in China
5. Clear Media Ltd	0100.HK	An outdoor media company in China which installs bus shelters network in several cities and reaches most affluent consumers.
6. Roadshow Holdings Ltd	0888.HK	Operates out-of-home media sales business and markets advertising spaces to the exterior and interior of transit vehicles, shelters, and outdoor signage.

Theoretically speaking, comparable companies should be selected considering the business for which the Target Company is engaging in. However, to the best of our knowledge and endeavor, for electronic media industry many of them are conglomerates who engage in a wide range of advertising services. For those comparable companies selected, we have examined their business nature and financial information of the segment (if available from public source) by which the Target Company is engaging in.

**CONCLUSION OF VALUE**

Based on the investigation and analysis stated above and on the analysis method employed, it is our opinion that the fair value of the 100% equity interests of the Target Group as of 30 June 2012 is **RENMINBI ONE HUNDRED AND SEVENTY-FIVE MILLION AND NINE HUNDRED THOUSAND ONLY (RMB 175,900,000)**.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Z-Obee Holdings Limited nor the value reported.

Yours faithfully,  
For and on behalf of  
**Avista Valuation Advisory Limited**

**Vincent C B Pang**  
*CFA, HKICPA, CPA (Aus.)*  
*Director*

*Note: Mr. Vincent Pang is a member of Chartered Financial Analyst Institute, Hong Kong Institute of Certified Public Accountants and CPA Australia. Vincent has over 10-year experience in financial valuation and business consulting in Hong Kong and China.*

**APPENDIX I — GENERAL LIMITATIONS AND CONDITIONS**

This Report was prepared based on the following general assumptions and limiting conditions:

All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

This Report has been prepared solely for the use or uses stated. It is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arising in connection with any such unintended use.

Prior written consent must be obtained from Avista Valuation Advisory Limited for publication of this Report. No part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organizations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

**1A NAME OF THE SCHEME**

The Scheme shall be called the “Z-Obee Holdings Limited Employee Share Option Scheme 2010”.

**1. DEFINITIONS****1.1 In the Scheme the following expressions have the following meanings:**

“Adoption Date”	means the date on which the Scheme is conditionally adopted by the resolution of the Shareholders;
“Associate”	unless otherwise provided herein, such term shall have the meaning ascribed to it under the HKSE Listing Rules;
“Auditors”	means the auditors of the Company for the time being;
“Board”	means the board of Directors of the Company for the time being;
“Bermuda Companies Act”	means the Companies Act 1981 of Bermuda as amended, modified or supplemented from time to time;
“Board”	means the board of directors of the Company;
“Business Day”	means a day on which the HKSE and SGX-ST is open for the business of dealing in securities;
“CDP”	means the Central Depository (Pte) Limited of Singapore;
“Company”	means Z-Obee Holdings Limited, a company incorporated in Bermuda with limited liability;
“Committee”	means a committee of Directors who are duly authorised and appointed by the Board to administer the scheme for the time being and where the Company has established a remuneration committee pursuant to the Code of Corporate Governance under the SGX Listing Manual, the remuneration committee shall administer the Scheme;
“connected person”	such term shall have the meaning ascribed to it under the HKSE Listing Rules;

“Controlling Shareholder”	means such terms as defined in the SGX-ST Listing Manual;
“Electronic Communication”	means a communication sent by electronic transmission in any form through any medium;
“Director”	a director of the Company from time to time;
“Grantee”	means any Participant who accepts an Offer in accordance with the terms of the Scheme or (where the context so permits) a person who is entitled to any such Option in consequence of the death of the original Grantee;
“Group”	means the Company and the Subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK Listing”	The listing of all the Shares on the Main Board of the HKSE;
“HKSE”	means The Stock Exchange of Hong Kong Limited or other principal stock exchange in Hong Kong for the time being or such other stock exchange which is the principal stock exchange (as determined by the Board) on which the Shares are for the time being listed or traded;
“HKSE Listing Committee”	means the listing sub-committee of board of directors of the HKSE;
“HKSE Listing Date”	means the date on which dealings in the Shares on the HKSE first commence;
“SGX-ST Listing Manual”	means the Listing Manual of the SGX-ST as may be amended from time to time;
“HKSE Listing Rules”	means the Rules Governing the Listing of Securities on the HKSE as may be amended from time to time;
“Offer”	means the offer of the grant of an Option made in accordance with paragraph 5;

“Offer Date”	Means the date on which an offer is made to a Participant;
“Option”	means a right to subscribe for Shares granted pursuant to the Scheme;
“Option Period”	means, in respect of any particular Option, a period of not less than one year and not more than 10 years after the Offer Date to be notified by the Committee to each Grantee which period of time shall commence on the first anniversary of the Offer Date and expire on the last day of such period as determined by the Committee;
“Participants”	means persons eligible under Rule 4 of the Scheme and who are holders of Options;
“Prospectus”	means the prospectus to be issued by the Company in connection with the HK Listing;
“Scheme”	means this share option scheme in its present form or as amended from time to time;
“SGX-ST”	The Singapore Exchange Securities Trading Limited;
“Share(s)”	means share(s) of US\$0.008 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Shareholder(s)”	holder(s) of Shares;
“Subscription Price”	means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in paragraph 7;
“Subsidiary”	means, in relation to a company, a company which is for the time being and from time to time a subsidiary within the meaning of Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time) whether incorporated in Hong Kong or elsewhere.



Under Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong, a corporation shall, subject to subsection (3), be deemed to be a subsidiary of another corporation, if:

- (a) that other corporation
    - (i) controls the composition of the board of directors of the first-mentioned corporation;
    - (ii) controls more than half of the voting power of the first-mentioned corporation; or
    - (iii) holds more than half of the issued share capital of the first-mentioned corporation (excluding any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital); or
  - (b) the first-mentioned corporation is a subsidiary of any corporation which is that other corporation's subsidiary.
- (2) For the purposes of subsection (1), the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors, and for the purposes of this provision that other corporation shall be deemed to have power to make such an appointment if —
- (a) a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power; or

- (b) a person's appointment as a director follows necessarily from his being a director or other officer of that other corporation.
- (3) In determining whether one corporation is a subsidiary of another corporation —
  - (a) any shares held or power exercisable by that other corporation in a fiduciary capacity shall be treated as not held or exercisable by it;
  - (b) subject to paragraphs (c) and (d), any shares held or power exercisable —
    - (i) by any person as a nominee for that other corporation (except where that other corporation is concerned only in a fiduciary capacity); or
    - (ii) by, or by a nominee for, a subsidiary of that other corporation, not being a subsidiary which is concerned only in a fiduciary capacity, shall be treated as held or exercisable by that other corporation;
  - (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first-mentioned corporation or of a trust deed for securing any issue of such debentures shall be disregarded; and

- (d) any shares held or power exercisable by, or by a nominee for, that other corporation or its subsidiary (not being held or exercisable as mentioned in paragraph (c)) shall be treated as not held or exercisable by that other corporation if the ordinary business of that other corporation or its subsidiary, as the case may be, includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business;

“Substantial Shareholder” as such term is defined under the SGX-ST Listing Manual; and

“\$” means Hong Kong dollars, the lawful currency of Hong Kong.

1.2 Paragraph headings are inserted for convenience or reference only and shall be ignored in the interpretation of the Scheme. References to paragraphs or sub paragraphs are to paragraphs or sub paragraphs of the Scheme.

1.3 Unless the context otherwise requires, words importing the singular shall include the plural and vice versa; and words importing natural persons shall include corporations and un-incorporated associations; words importing the masculine gender shall include the feminine gender and the neuter gender.

## **2. PURPOSE OF THE SCHEME**

The purpose of the Scheme is to provide persons who are eligible under Rule 4 of the Scheme and working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

The Scheme recognizes the fact that the services of such persons are important to the success and continued well-being of the Group. Implementation of the Scheme will enable the Company to give recognition to the contributions made by such person. At the same time, it will give such persons an opportunity to have a direct interest in the Company and will also help to achieve the following positive objectives:—

- (a) to motivate each Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key employees and Group Executive Directors whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instill loyalty to, and a stronger identification by the Participants with the long-term prosperity of the Company;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (e) to align the interests of the Participants with the interests of the Shareholders.

### **3. CONDITIONS**

- 3.1 The Scheme shall take effect subject to the passing of the necessary resolution to adopt the Scheme by the Shareholders and is conditional upon (a) the HKSE Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in the Prospectus and granting the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Scheme, on the HKSE; (b) the commencement of dealings in the Shares on the HKSE; and (c) the approval in principle of the SGX-ST to the listing and quotation of the Shares to be issued pursuant to the Scheme on the SGX-ST.
- 3.2 If any of the above conditions are not satisfied on or before the date falling 60 days after the date of the Prospectus, the Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Scheme.
- 3.3 Reference in paragraph 3.1 to the HKSE Listing Committee and the SGX-ST granting the approvals, listing and permission referred to therein shall include any such approvals, listing and permission which are granted subject to the fulfillment of any condition precedent or condition subsequent.
- 3.4 A certificate of a Director that the conditions set out in paragraph 3.1 have been satisfied and the date on which such conditions were satisfied or that such conditions have not been satisfied as of any particular date and the exact date of the “Adoption Date” shall be conclusive evidence of the matters certified.

**4. ELIGIBILITY**

- 4.1 Confirmed employees of the Group (including Group Executive Directors and Group Non-executive Directors) and who are not undischarged bankrupts and have not entered into a composition with their respective creditors on or prior to the relevant Offer Date, shall be eligible to participate in the Scheme at the absolute discretion of the Committee.
- 4.2 Controlling Shareholders and their Associates (as defined under SGX-ST Listing Manual) shall, if each person meets the eligibility criteria in Rule 4.1, be eligible to participate in the Scheme if:—
- (a) the aggregate number of Shares available to Controlling Shareholders and their Associates (as defined under SGX-ST Listing Manual) shall not exceed 25% of the Shares available under the Scheme;
  - (b) the aggregate number of Shares available to each Controlling Shareholder or his Associate (as defined under SGX-ST Listing Manual) shall not exceed 10% of the Shares available under the Scheme; and
  - (c) the separate approval of independent Shareholders is obtained for each Participant in respect of his participation and the number of Shares comprise in the Options and the terms thereof.
- 4.3 There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other companies within the Group.
- 4.4 Subject to the Bermuda Companies Act, any requirement of the SGX-ST and the HKSE, the terms of eligibility to participate in the Scheme may be amended from time to time at the absolute discretion of the Board.

**5. DURATION AND ADMINISTRATION OF THE SCHEME**

- 5.1 Subject to the fulfillment of the conditions in paragraph 3 and the termination provisions in paragraph 15, the Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which period no further Options will be granted but in respect of all Options which remain exercisable at the end of such period, the provisions of the Scheme shall remain in full force and effect.
- 5.2 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him.

- 5.3 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the Scheme) and/or to give effect to the provisions of the Scheme, for the implementation and administration of the Scheme as it thinks fit.
- 5.4 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with:—
- (a) the lapse of any Options pursuant to any provision of the Scheme;
  - (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee or, any discretion under the Scheme; and/or
  - (c) any decision or determination of the Committee made pursuant to any provision of the Scheme.
- 5.5 Any decision or determination of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final, binding and conclusive (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Scheme).

## **6. GRANT OF OPTIONS**

- 6.1 On and subject to the terms of the Scheme and all applicable statutory regulatory requirements, the Committee shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Committee may in its absolute discretion select to subscribe for such number of Shares as the Committee may (subject to paragraph 10) determine at the Subscription Price.
- 6.2 A grant of Options shall not be made after a price sensitive development of the Group has occurred or a price sensitive matter has been the subject of a decision of the Group until the following Business Day after such price sensitive information has been announced pursuant to the requirements of the HKSE Listing Rules and the SGX-ST Listing Manual. In particular, during the period of one month immediately preceding the earlier of:—
- (A) the date of the Board meeting (as such date is first notified to the HKSE in accordance with the HKSE Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the HKSE Listing Rules); and
  - (B) the deadline for the Company to publish an announcement of its result for any year, half-year under the HKSE Listing Rules, or quarterly or any other interim period (whether or not required under the HKSE Listing Rules), and ending on the date of the results announcements, no Option may be granted.

- 6.3 An Offer shall be made to a Participant by letter in such form as the Committee may from time to time determine (the “Offer Letter”), specifying the number of Shares under the Option, the Subscription Price and the Option Period in respect of which the Offer is made and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Scheme. An Offer shall remain open for acceptance by the Participant to whom an Offer is made for a period of 21 days from the Offer Date provided that no such Offer shall be open for acceptance after the expiry of the effective period of the Scheme stated in paragraph 5.1.
- 6.4 The grant of an Option shall be deemed to have been accepted when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a payment or remittance in favour of the Company of \$1.00 by way of consideration for the grant thereof is received by the Company within 21 days from the Offer Date or within such other period of time as may be determined by the Committee pursuant to the HKSE Listing Rules. Such payment or remittance shall in no circumstances be refundable nor be deemed to be part of the Subscription Price.
- 6.5 Any Offer may be accepted or deemed to have been accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the HKSE or the SGX-ST or an integral multiple thereof. To the extent that the Offer is not accepted and received by the Company within 21 days in the manner indicated in paragraph 6.4, it will be deemed to have been irrevocably declined and the Offer will lapse.
- 6.6 Subject to the provisions of the Scheme, the Bermuda Companies Act, the HKSE Listing Rules and the SGX-ST Listing Manual, the Committee may, when making the Offer, impose any conditions, restrictions or limitations in relation thereto as it may at its absolute discretion think fit.

## **7. SUBSCRIPTION PRICE**

Subject to any adjustments made pursuant to paragraph 11, the Subscription Price in respect of each Share issued pursuant to the exercise of Options granted hereunder shall be a price determined by the Committee in its absolute discretion and notified to a Participant (which shall be stated in the Offer Letter as referred to in paragraph 5.3) and shall be at least the higher of:—

- (A) the closing price of the Shares as stated in the daily quotations sheet issued by the HKSE or the closing price of the Shares on the SGX-ST, whichever is higher, on the Offer Date which must be a Business Day;

- (B) the average closing prices of the Shares as stated in the daily quotations sheets issued by the HKSE or the average closing prices of the Shares on the SGX-ST for the five consecutive Business Days immediately preceding the Offer Date, whichever is higher; or
- (C) the nominal value of a Share on the Offer Date.

## **8. EXERCISE OF OPTIONS**

- 8.1 Options granted with the Subscription Price shall only be exercisable in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the Offer Date of that Option provided always that the Options shall be exercised before the tenth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 8.2 An Option shall be personal to the Grantee and shall not be assignable or transferrable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any Option or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on the part of the Company.
- 8.3 Unless otherwise determined by the Committee and specified in the Offer Letter (as defined in paragraph 6.3) at the time of the Offer, there is no performance target required to be achieved before an Option can be exercised. An Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) in the manner as set out in the Offer Letter, this paragraph and paragraphs 8.1 and 8.4 by the Grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. After receipt of the notice and the remittance and, where appropriate, receipt of the Auditors' certificate pursuant to paragraph 11, the Company shall within 30 days of the date upon which an Option is effectively exercised (being the date of such receipt by the secretary of the Company) allot the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and instruct the relevant share registrar to issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.



- 8.4 Subject as hereinafter provided and to the restrictions which may be imposed by the Committee, the Option may be exercised by the Grantee at any time during the Option Period provided that:—
- (A) in the event that the Grantee ceases to be a Participant for any reason (other than on his death) including the termination of his employment or engagement on one or more of the grounds specified in paragraph 9.1(E) (ii), the Option granted to such Grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Committee otherwise determines to grant an extension at the absolute discretion of the Committee in which event the Grantee may exercise the Option in accordance with the provisions of paragraph 8.3 within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Committee on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Committee. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant;
  - (B) in the event the Grantee who is an individual dies before exercising the Option in full and none of the events which would be a ground for termination of his employment or engagement under paragraph 9.1(E) (ii) arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months or such longer period as the Committee may at its absolute discretion determine from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised);
  - (C) if a general or partial offer, whether by way of take-over or share re-purchase offer is made to all the holders of Shares (other than by way of scheme of arrangement pursuant to paragraph 8.4(D) below) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong and the Singapore Code on Take-Over and Mergers) with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent to which it has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional;

- (D) if a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;
- (E) other than a general or partial offer or a scheme of arrangement contemplated in paragraph 8.4(D) above, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees on the same day as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or his personal representative(s)) may by notice in writing to the Company accompanied by the remittance of the Subscription Price in respect of the relevant Option (such notice to be received by the Company not later than two Business Days before the proposed meeting) exercise any of his Options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. The Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the Grantee which may fall to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Scheme. The Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and
- (F) if a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same day as or soon after it despatches such notice to each member of the Company give notice thereof to all the Grantees and thereupon, each Grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company, accompanied by the remittance of the Subscription Price in respect of the relevant Option (such notice to be received by the Company not later than two Business Days prior to the proposed general meeting of the

Company) exercise the Option (to the extent which has become exercisable and not already exercised) whether in full or in part and the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the Grantee which may fall to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares.

- (G) If a Participant ceases to be employed by the Group by reason of his:—
- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
  - (b) redundancy;
  - (c) retirement at or after the legal retirement age; or
  - (d) retirement before the legal retirement age with the consent of the Committee;

or for any other reason approved by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon expiry of such period, the Option shall immediately lapse and become null and void.

- 8.5 The Options carry no rights to vote at general meeting of Shareholders, and are not entitled to receive dividends. The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the memorandum of association and by-laws of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue (the “Exercise Date”) and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. Shares allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered into the register of members of the Company as the holder thereof.

## 9. LAPSE OF OPTION

- 9.1 An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:—
- (A) the expiry of the Option Period (subject to the provisions of paragraphs 5.1 and 15);
  - (B) the expiry of the periods referred to in paragraphs 8.4(A), (B), (E), or (G) where applicable;

- (C) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in paragraph 8.4(C);
  - (D) subject to the scheme of arrangement as referred to in paragraph 8.4(D) becoming effective, the expiry of the period referred to in paragraph 8.4(D);
  - (E)
    - (i) subject to the expiry of the period of extension (if any) referred to in paragraph 8.4(A), the date on which the Grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in paragraph 9.1(E) (ii) below. A transfer of employment from one company to another company within the Group shall not be considered a cessation of employment;
    - (ii) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant Subsidiary or the board of the relevant associated company of the Company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his employment or engagement at common law or pursuant to any applicable laws or under the Grantee's service contract or supply contract with the Company, the relevant Subsidiary or the relevant associated company of the Company (as the case may be). A resolution of the Board, the board of the relevant Subsidiary or the board of the relevant associated company of the Company (as the case may be) to the effect that the employment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 9.1(E) (ii) shall be final, conclusive and binding on the Grantee;
  - (F) the date of the commencement of the winding-up of the Company referred to in paragraph 8.4(F);
  - (G) the date on which the Grantee commits a breach of paragraph 8.2; or
  - (H) the date on which the Option is cancelled by the Board as provided in paragraph 16.
- 9.2 If an Option shall lapse, the Committee shall notify the Grantee in writing of such lapse.

**10. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**

10.1 Subject to paragraph 10.2:—

- (A) The total number of Shares which may be allotted and issued upon exercise of all Options to be granted under this Scheme and any other share option scheme of the Company must not in aggregate exceed 10 per cent. (the “Scheme Mandate Limit”) of the Shares in issue immediately following completion of the Listing (as defined in the Prospectus) unless the Company obtains a fresh approval from the Shareholders pursuant to paragraph 10.1(B). Options lapsed in accordance with paragraph 9 shall not be counted for the purpose of calculating the Scheme Mandate Limit.
- (B) The Company may seek approval of the Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted by the Directors under the Scheme and any other share option schemes of the Company shall not exceed 10 per cent. (the “Renewal Limit”) of the issued share capital of the Company at the date of approval to renew such limit. Options previously granted under the Scheme (including those outstanding, cancelled, lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Renewal Limit. The Company shall send a circular to the Shareholders containing the information required under the HKSE Listing Rules and the SGX-ST Listing Manual for the purpose of seeking the approval of the Shareholders for the Renewal Limit.
- (C) The Company may authorise the Directors to grant Options to specified Participants beyond the Scheme Mandate Limit or the Renewal Limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In such case, the Company must send a circular to the Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Participants who may be granted such Options, the number and terms of the Option to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose, the information and the disclaimer required under the HKSE Listing Rules and the SGX-ST Listing Manual and such further information as may be required by the HKSE and SGX-ST from time to time.

10.2 Notwithstanding anything in paragraph 10.1 and subject to paragraph 11, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share-based incentive schemes of the Company shall not exceed 15 per cent. of the total number of Shares in issue (excluding treasury shares) from time to time. No Options shall be granted under the Scheme or any other share-based incentive schemes of the Company or any of its Subsidiaries which will result in the limit being exceeded.

- 10.3 (A) Subject to paragraphs 4.2 and 10.3(B), the total number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Scheme and any other share-based incentive schemes of the Group to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1 per cent. of the total number of Shares in issue.
- (B) Any further grant of options in excess of the 1 per cent. limit as prescribed under paragraph 10.3(A) must be subject to the approval of the Shareholders in general meeting, at which such Participant and his associates must abstain from voting. A circular shall be sent to the Shareholders with disclosure of the identity of the Participant, the number and terms of the options to be granted and any options previously granted to such Participant. The number and terms (including the exercise price) of options to be granted to such Participant under the circumstances set out in this paragraph 10.3(B) shall be fixed before the Shareholders' approval. The date of the board meeting of the Company for proposing such further grant shall be taken as the Offer Date for the purpose of calculating the Subscription Price.
- 10.4 (A) Any grant of Options to a Participant who is a Director, chief executive, or Substantial Shareholder (as defined in the HKSE Listing Rules) of the Company, or any of their respective associates (including discretionary trust in which any Connected Persons are beneficiary) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Grantee).
- (B) Where the Committee proposes to grant any Option to a Participant who is a Substantial Shareholder (as defined in the HKSE Listing Rules) or an independent non-executive Director, or any of their respective associates and such Option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Scheme and other share-based incentive schemes of the Company (including option exercised and outstanding) to such Participant in the 12-month period up to and including the date of grant being proposed by the Committee (the "Relevant Date"):
- (i) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue at the Relevant Date; and
  - (ii) having an aggregate value, based on the higher of closing prices of the Shares as stated in the HKSE's and as stated on the SGX-ST on the Relevant Date and if the Relevant Date is not a Business Day, the Business Day immediately preceding the Relevant Date, in excess of \$5,000,000,

such proposed grant of Options must be approved by the Shareholders of the Company by way of a poll in general meeting with the Participant concerned and all Connected Persons abstaining from voting in favour. The Company must send a circular to the Shareholders of the Company which must contain:

- (i) details of the number and terms (including Subscription Price) of the Options to be granted to each Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the Subscription Price;
- (ii) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the relevant Grantee) to the independent Shareholders as to voting; and
- (iii) the information and disclaimer required under the HKSE Listing Rules and the SGX-ST Listing Manual and the information as may be required by the HKSE and SGX-ST from time to time.

The Relevant Date shall be taken as the date of grant of the Option(s) to the relevant Participant for the purpose of this Clause 10.4(B).

10.5 Subject to paragraphs 10.1 to 10.3 above, the maximum number of Shares referred to in paragraphs 10.1 to 10.3 will be adjusted in such manner as the Auditors or the independent financial adviser (acting as experts and not as arbitrators) shall certify to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, repurchase, consolidation, sub-division or reduction in the share capital of the Company or otherwise howsoever (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party).

## **11. REORGANISATION OF CAPITAL STRUCTURE**

11.1 In the event of any alternation in the capital structure of the Company whilst any Option remains exercisable or the Scheme remains in effect, and such event arises from a capitalisation issue, rights issue or other offer of securities to the Shareholders (including any securities convertible into share capital or warrants or options to subscriber for any share capital of the Company, but excluding Options under the Scheme and options under any other similar employee share option scheme of the Company, repurchase, sub-division or consolidation of the Shares or reduction of capital in the Company or otherwise howsoever then, in any such case (other than in the case of capitalisation of profits or reserves), the Committee shall instruct the Auditor or the independent financial adviser (acting as experts and not as arbitrators) to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:
- (i) the number or nominal amount of Shares to which the Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
  - (ii) the Subscription Price; and/or
  - (iii) the maximum number of Shares referred to in paragraph 9.1(A); and/or
  - (iv) the method of the exercise of the Options,
- or any combination thereof, as an independent financial adviser appointed by the Company or the Auditors shall certify in writing to the Committee, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that
- (i) any such alterations shall give a Grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled;
  - (ii) any such alternation shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
  - (iii) no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;
  - (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
  - (v) such alterations shall not be to the advantage in any respect of the Grantee without specific prior approval of the Shareholders.
- (B) in respect of any such adjustment, other than any made on capitalisation issue, the independent financial adviser or the Auditors must confirm to the Committee in writing that the adjustment so made satisfies the requirements of Rule 17.03(13) of the HKSE Listing Rules and Rule 850 of the SGX-ST Listing Manual, the supplementary guidance issued by the HKSE on 5 September 2005, any relevant provisions of the HKSE Listing Rules, SGX-ST Listing Manual and any guidance/interpretation of the HKSE Listing Rules issued by HKSE and the note thereto from time to time.



- 11.2 The capacity of the independent financial adviser or the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final, conclusive and binding on the Company and the Grantees. The costs of the independent financial adviser or the Auditors shall be borne by the Company. Notice of such alteration(s) (if any) shall be given to the Grantees by the Company.
- 11.3 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for a private placement of securities or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST or the HKSE during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstances requiring adjustment under this paragraph 11.
- 11.4 The restriction on the number of Shares to be offered to any Grantee under paragraph 10 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this paragraph 11.

## **12. SHARE CAPITAL**

The exercise of any Option shall be subject to the Shareholders approving in general meeting any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

## **13. DISPUTES**

Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of an independent financial adviser appointed by the Company or the Auditors who shall act as experts and not as arbitrators and whose decision, save in the case of manifest error, shall be final, conclusive and binding.

## **14. ALTERATION OF THE SCHEME**

- 14.1 The Scheme may be altered in any respect by resolution of the Committee except
- (a) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration, may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would

thereby become entitled to not less than three-quarters (3/4) in nominal amount of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;

- (b) any modification or alteration which would be to the advantage of Participants under the Scheme or to extend the class of persons eligible for the grant of the Options shall be subject to the prior approval of the Shareholders in general meeting or to extend the class of person eligible for the grant of the Options;
- (c) no modification or alteration shall be made without compliance with the SGX-ST Listing Manual, HKSE Listing Rules and such other regulatory authorities as may be necessary; and
- (d) matters contained in Rules 844 to 849, and Rules 853 to 854 of the SGX-ST Listing Manual.

Except with the prior approval of a resolution of the Shareholders in general meeting, with Grantees and their Associates (as defined under SGX-ST Listing Manual) abstaining from voting, for the purposes of paragraph 14.1(a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attaching to any Option shall be final, binding and conclusive. For the avoidance of doubt, nothing in this paragraph 14.1 shall affect the right of the Committee under any other provision of the Scheme to amend or adjust any Option.

- 14.2 Any alterations to the terms and conditions of the Scheme, which are of a material nature, change the authority of the Committee or any changes to the terms of the Options granted, shall be approved by the HKSE and the Shareholders, except where the alterations take effect automatically under the existing terms of the Scheme.
- 14.3 The amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the HKSE Listing Rules and the relevant provisions in the SGX-ST Listing Manual.
- 14.4 Any change to the authority of the Committee or scheme administrators in relation to any alteration to the terms of the Scheme must be approved by the Shareholders at general meeting.
- 14.5 Notwithstanding anything to the contrary contained in paragraph 14, the Committee may at any time by resolution (and without other formality, save for the prior approval of the Shareholders, the SGX-ST and HKSE) amend or alter the Scheme in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Scheme to comply with, or take into account, any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Bermuda Companies Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST and the HKSE).

**15. TERMINATION**

The Company by an ordinary resolution in general meeting or the Committee may at any time terminate the operation of the Scheme and in such event no further Options shall be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme, the HKSE Listing Rules and the SGX-ST Listing Manual.

**16. CANCELLATION OF OPTIONS GRANTED**

The Committee may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised. Where the Company cancels Options and offers new Options to the same Option holder, the offer of such new Options may only be made under this Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph 9.

**17. DISCLOSURE IN ANNUAL REPORT**

17.1 The Company shall make the following disclosures in its annual report:

- (a) The names of the members of the Board administering the Scheme.
- (b) The information required in the table below for the following Participants:—
  - (i) Directors of the Company;
  - (ii) Participants who are Controlling Shareholders of the Company and their Associates (as defined under SGX-ST Listing Manual); and
  - (iii) Participants, other than those in (i) and (ii) above, who receive 5% or more of the total number of Options available under the Scheme and any other share based incentive schemes of the Company;

Name of participant	Options granted during financial year under review (including terms)	Aggregate	Aggregate	Aggregate number of Options outstanding as at end of financial year under review
		number of Options granted since the commencement of the Scheme to the end of the financial year under review	number of Options exercised since the commencement of the Scheme to the end of the financial year under review	

17.2 If any of the requirements are not applicable, an appropriate negative statement must be included by the Company in its annual report.

## **18. MISCELLANEOUS**

18.1 The Scheme shall not form part of any employment contract, service contract, supply contract or engagement contract between any member of the Group and any Participant and the rights and obligations of any Participant under the terms of his office or employment or engagement any member of the Group shall not be affected by his participation in the Scheme or any right which he may have to participate in it and the Scheme shall afford such a Participant no additional rights to compensation or damages in consequence of the termination of such office or employment or engagement for any reason. By accepting an Option, a Grantee shall be deemed irrevocably to have accepted the grant subject to the provisions of this Scheme and to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for loss of any rights under the Scheme.

18.2 The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

18.3 (a) Each Participant shall be responsible for all fees of CDP and of the branch registrar of the Company in Hong Kong relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option, the deposit of share certificate(s) with CDP or its equivalent in Hong Kong (if any), or the Participant's securities account with CDP or its equivalent in Hong Kong, or the Participant's securities sub-account with a depository agent or its Hong Kong equivalent and all taxes referred to in paragraph 18.9 which shall be payable by the relevant Participant.

(b) Save for the taxes referred to in paragraph 18.9 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme, including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

18.4 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to the Shareholders generally.

18.5 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong or Singapore and, in the case of the Grantee, his address in Hong Kong or Singapore, or the PRC as notified to the Company from time to time provided that in case of notice or other communication given by the Company to a Grantee, it may be given by Electronic Communication.

- 18.6 Any notice or other communication served by post:
- (A) by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
  - (B) by the Grantee shall not be regarded as received until the same shall have been actually received by the Company.
- 18.7 Any notice or other communication by Electronic Communication by the Company to a Grantee shall be deemed to have been served on the day on which the Electronic Communication is transmitted to the Grantee and no notification has been received by the Company that the Electronic Transmission has not reached the Grantee. Any failure in transmission of the Electronic Communication which is beyond the sender's control shall not invalidate the effectiveness of the notice or communication being served.
- 18.8 All allotments and issues of Shares will be subject to any necessary consents under any relevant enactment or regulations for the time being in force in Bermuda, Hong Kong, Singapore or elsewhere and a Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of the Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in the Scheme. The Company shall owe no liability to any Grantee for the lapse of any Options granted to any Grantee as referred to in paragraph 8.
- 18.9 All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.
- 18.10 The Scheme and all Options granted hereunder shall be governed by and construed in accordance with the Bermuda Companies Act, the HKSE Listing Rules, the SGX-ST Listing Manual and the laws of Hong Kong in force from time to time.
- 18.11 Notwithstanding any provisions herein contained and subject to the Bermuda Companies Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the Scheme, including but not limited to the Company's delay in allotting and issuing the Shares or in applying for or procuring the listing of the new Shares on the SGX-ST or the HKSE.
- 18.12 Grantee who are Shareholders are to abstain from voting on any Shareholders' resolution relating to the Scheme.
- 18.13 No Directors are trustees of the Scheme or have a direct or indirect interest in the trustees of the Scheme.