
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Imperium Group Global Holdings Limited (the “**Company**”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 losses howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Imperium Group Global Holdings Limited

帝國集團環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0776)

- (1) CONTINUING CONNECTED TRANSACTIONS;**
- (2) WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES; AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



Astrum Capital Management Limited

A notice convening the extraordinary general meeting (the “**EGM**”) of the Company to be held at Conference Room, Room 02, 26/F., One Harbour Square, No. 181, Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 23 October 2020 at 3:00 p.m. is set out on pages 80 to 81 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

A letter from the Board is set out on pages 8 to 47 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 48 to 49 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 50 to 72 of this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event no later than 3:00 p.m. (Hong Kong time) on Wednesday, 21 October 2020. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Please see the section headed “Precautionary Measures for the EGM” in this circular for measures being taken to try to prevent and control the spread of the COVID-19 pandemic at the EGM.

7 October 2020

PRECAUTIONARY MEASURES FOR THE EGM

Reference to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the EGM.

VOTING BY PROXY IN ADVANCE OF THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

PREVENTIVE MEASURES AT THE EGM

The Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;
- (ii) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (iii) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;

PRECAUTIONARY MEASURES FOR THE EGM

- (iv) seating at the EGM will be arranged in a manner to allow for appropriate social distancing; and
- (v) no refreshments will be served and there will be no corporate gifts.

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of the COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Imperium Group Global Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Friday, 23 October 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the VIE Agreements and the transactions contemplated thereunder
“First Declaration Letter”	the declaration letter dated 28 May 2020 entered into between Ms. Zheng Y.L. and her spouse in relation to the First VIE Agreements
“First Equity Pledge Agreement”	the equity pledge agreement dated 28 May 2020 and entered into among Hainan Seven Elements, Hainan Wanhui and the Registered Shareholders pursuant to which the Registered Shareholders has pledged by way of first priority pledge the entire equity interests in Hainan Seven Elements in favour of Hainan Wanhui

DEFINITIONS

“First Irrevocable Option Agreement”	the irrevocable option agreement dated 28 May 2020 and entered into among Hainan Seven Elements, Hainan Wanhui and the Registered Shareholders pursuant to which Hainan Seven Elements and the Registered Shareholders have irrevocably granted the right in favour of Hainan Wanhui to purchase or for its nominee to purchase the entire equity interests in Hainan Seven Elements
“First Management Services Agreement”	the management services agreement dated 28 May 2020 and entered into among Hainan Seven Elements, Hainan Wanhui and the Registered Shareholders pursuant to which Hainan Wanhui shall provide the consulting and management services to Hainan Seven Elements
“First Powers of Attorney”	the three powers of attorney each dated 23 May 2020 and executed by the director, shareholders and legal representative of Hainan Seven Elements respectively and Hainan Seven Elements, as the confirming party, in favour of Hainan Wanhui pursuant to which Hainan Wanhui was irrevocably appointed by the director, shareholders and legal representative of Hainan Seven Elements (as the case may be) to be her/its attorney-in-fact
“First Undertaking Letters”	the three undertaking letters each dated 23 May 2020 and executed by the director, shareholders and legal representative of Hainan Seven Elements respectively and Hainan Seven Elements, as the confirming party, in favour of Hainan Wanhui in relation to certain undertakings for the First VIE Agreements

DEFINITIONS

“First VIE Agreements”	a series of agreements, including but not limited to the First Management Services Agreement, the First Equity Pledge Agreement, the First Irrevocable Option Agreement, the First Powers of Attorney, the First Undertaking Letters and the First Declaration Letter, executed for the purpose of establishing the variable interest entity arrangement between Hainan Wanhui and Hainan Seven Elements, through which the financial results of Hainan Seven Elements are consolidated with the financial results of Hainan Wanhui as “variable interest entity” (as defined in Hong Kong and International Financial Reporting Standards)
“Group”	the Company and its subsidiaries
“Hainan Seven Elements”	海南七元素網絡科技有限公司 (Hainan Seven Elements Network Technology Co., Ltd.*), a company established in the PRC with limited liability
“Hainan Wanhui”	海南萬輝網路科技有限公司 (Hainan Wanhui Network Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, which directly controls Hainan Seven Elements and Hainan Yihuan through the variable interest entity arrangements immediately after entering into of the VIE Agreements
“Hainan Yihuan”	海南易幻網路科技有限公司 (Hainan Yihuan Network Technology Co., Ltd.), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, which has been established by the Board for the purpose of advising the Independent Shareholders on the VIE Agreements and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Astrum Capital”	Astrum Capital Management Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contract), and type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, which has been appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the VIE Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than those who have a material interests in the VIE Agreements and the transaction contemplated thereunder and their associates
“Independent Third Parties”	the independent third parties who are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
“Irrevocable Option Agreement(s)”	collectively, the First Irrevocable Option Agreement and the Second Irrevocable Option Agreement
“Latest Practicable Date”	30 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Services Agreements”	collectively, the First Management Services agreement and the Second Management Services Agreement
“Mr. Cheng”	Mr. Cheng Ting Kong, an executive Director, a controlling shareholder and the spouse of Ms. Yeung
“Ms. Yeung”	Ms. Yeung So Mui, an executive Director and the spouse of Mr. Cheng

DEFINITIONS

“Ms. Zheng Q.F.”	鄭巧芳 (Zheng Qiaofang*)
“Ms. Zheng Y.L.”	鄭藝玲 (Zheng Yiling*)
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Legal Advisers”	Hills & Co., the legal advisers to the Company as to PRC law
“Registered Shareholders”	collectively, Ms. Zheng Q.F. and Ms. Zheng Y.L.
“Second Declaration Letter”	the declaration letter dated 23 June 2020 entered into between Ms. Zheng Y.L. and her spouse in relation to the Second VIE Agreements
“Second Equity Pledge Agreement”	the equity pledge agreement dated 23 June 2020 and entered into among Hainan Yihuan, Hainan Wanhui and Ms. Zheng Y.L. pursuant to which Ms. Zheng Y.L. has pledged by way of first priority pledge the entire equity interests in Hainan Yihuan in favour of Hainan Wanhui
“Second Irrevocable Option Agreement”	the irrevocable option agreement dated 23 June 2020 and entered into among Hainan Yihuan, Hainan Wanhui and Ms. Zheng Y.L. pursuant to which Hainan Yihuan and Ms. Zheng Y.L. have irrevocably granted the right in favour of Hainan Wanhui to purchase or for its nominee to purchase the entire equity interests in Hainan Yihuan
“Second Management Services Agreement”	the management services agreement dated 23 June 2020 and entered into among Hainan Yihuan, Hainan Wanhui and Ms. Zheng Y.L. pursuant to which Hainan Wanhui shall provide the consulting and management services to Hainan Yihuan

DEFINITIONS

“Second Powers of Attorney”	the three powers of attorney each dated 23 June 2020 and executed by Ms. Zheng Y.L. as the director, shareholder and legal representative of Hainan Yihuan respectively and Hainan Yihuan, as the confirming party, in favour of Hainan Wanhui pursuant to which Hainan Wanhui was irrevocably appointed by Ms. Zheng Y.L. to be her attorney-in-fact
“Second Undertaking Letters”	the three undertaking letters each dated 23 June 2020 and executed by Ms. Zheng Y.L. as the director, shareholder and legal representative of Hainan Yihuan respectively and Hainan Yihuan, as the confirming party, in favour of Hainan Wanhui in relation to certain undertakings for the Second VIE Agreements
“Second VIE Agreements”	a series of agreements, including but not limited to the Second Management Services Agreement, the Second Equity Pledge Agreement, the Second Irrevocable Option Agreement, the Second Powers of Attorney, the Second Undertaking Letters and the Second Declaration Letter, executed for the purpose of establishing the variable interest entity arrangement between Hainan Wanhui and Hainan Yihuan, through which the financial results of Hainan Yihuan are consolidated with the financial results of Hainan Wanhui as “variable interest entity” (as defined in Hong Kong and International Financial Reporting Standards)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“VIE Agreements”	collectively, the First VIE Agreements and the Second VIE Agreements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency in the PRC
“%”	per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



Imperium Group Global Holdings Limited

帝國集團環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0776)

Executive Directors:

Mr. Cheng Ting Kong (*Chairman*)
Ms. Yeung So Mui
Mr. Luk Wai Keung
Mr. Leung Kwok Yin

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Fung Tze Wa
Mr. Ting Wong Kacee
Mr. Tse Ting Kwan

*Head office and principal place of
business in Hong Kong:*

Room 02, 26/F., One Harbour Square
No. 181 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

7 October 2020

To the Independent Shareholders

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS;
(2) WAIVER FROM STRICT COMPLIANCE WITH RULES
14A.52 AND 14A.53 OF THE LISTING RULES; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 14 September 2020 in relation to the VIE Agreements.

LETTER FROM THE BOARD

On 28 May 2020, Hainan Seven Elements, Hainan Wanhui and the Registered Shareholders entered into the First VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Seven Elements to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Seven Elements. The acquisition by Hainan Wanhui of the effective control of Hainan Seven Elements from the Registered Shareholders did not involve any consideration.

On 23 June 2020, Hainan Yihuan, Hainan Wanhui and Ms. Zheng Y.L. entered into the Second VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Yihuan to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Yihuan. The acquisition by Hainan Wanhui of the effective control of Hainan Yihuan from Ms. Zheng Y.L. did not involve any consideration.

The purpose of this circular is to provide you, among other things, (i) further information on the details of the VIE Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

INFORMATION ON HAINAN SEVEN ELEMENTS

Hainan Seven Elements is a company established in the PRC with limited liability on 26 December 2017. As at the Latest Practicable Date, Hainan Seven Elements has a registered capital of RMB1,000,000, which has not been paid up and is owned as to 95% by Ms. Zheng Q.F. and 5% by Ms. Zheng Y.L. Ms. Zheng Q.F. is the sole director of Hainan Seven Elements.

Hainan Seven Elements is principally engaged in development and design of online game programs and operation of online games. It currently holds (i) the Business Licence for Value-added Telecommunications Business issued by Hainan Communications Administration (海南省通信管理局); and (ii) the Permit for Cyber Culture Business Operations issued by Hainan Provincial Department of Culture, Radio, Film, Television, Publication and Sports (海南省旅遊和文化廣電體育廳). Since its establishment in December 2017, Hainan Seven Elements has not yet commenced its online game business.

LETTER FROM THE BOARD

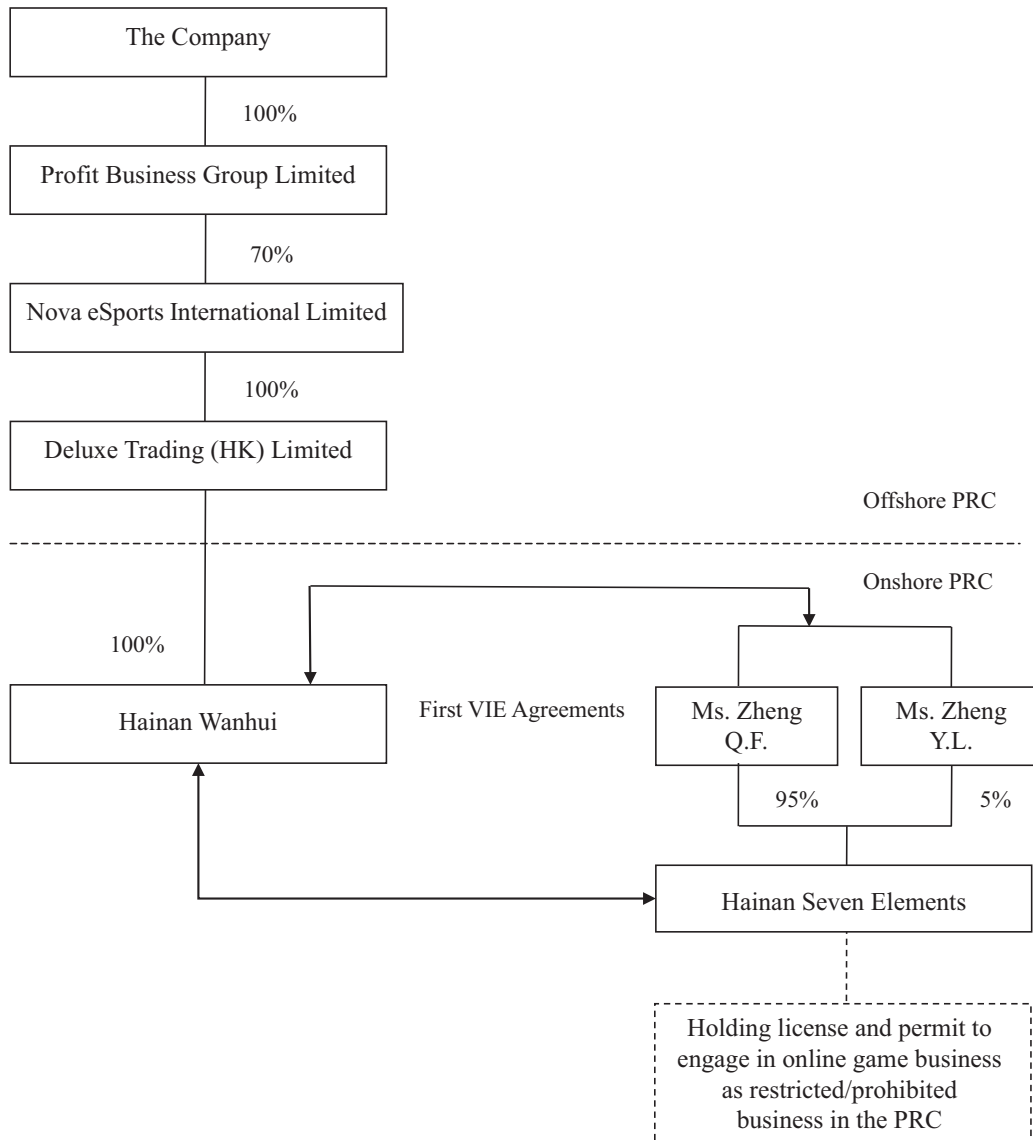
Set out below is the financial information of Hainan Seven Elements for the two financial years ended 31 December 2018 and 31 December 2019 and the six months ended 30 June 2020:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	—	—	—
Profit/(loss) before taxation	—	—	(170)
Profit/(loss) after taxation	—	—	(170)

The major asset of Hainan Seven Elements constitutes of cash and bank balance and its major liability constitutes of other payables.

LETTER FROM THE BOARD

Group structure of Hainan Seven Elements



LETTER FROM THE BOARD

INFORMATION ON HAINAN YIHUAN

Hainan Yihuan is a company established in the PRC with limited liability on 23 April 2018. As at the Latest Practicable Date, Hainan Yihuan has a registered capital of RMB10,000,000, which has not been paid up and is wholly-owned by Ms. Zheng Y.L., who is also the sole director of Hainan Yihuan.

Hainan Yihuan is principally engaged in development and design of online game programs and operation of online games. It currently holds (i) the Business Licence for Value-added Telecommunications Business issued by Hainan Communications Administration (海南省通信管理局); and (ii) the Permit for Cyber Culture Business Operations issued by Hainan Provincial Department of Culture, Radio, Film, Television, Publication and Sports (海南省旅遊和文化廣電體育廳). Since its establishment in April 2018, Hainan Yihuan has not yet commenced its online game business.

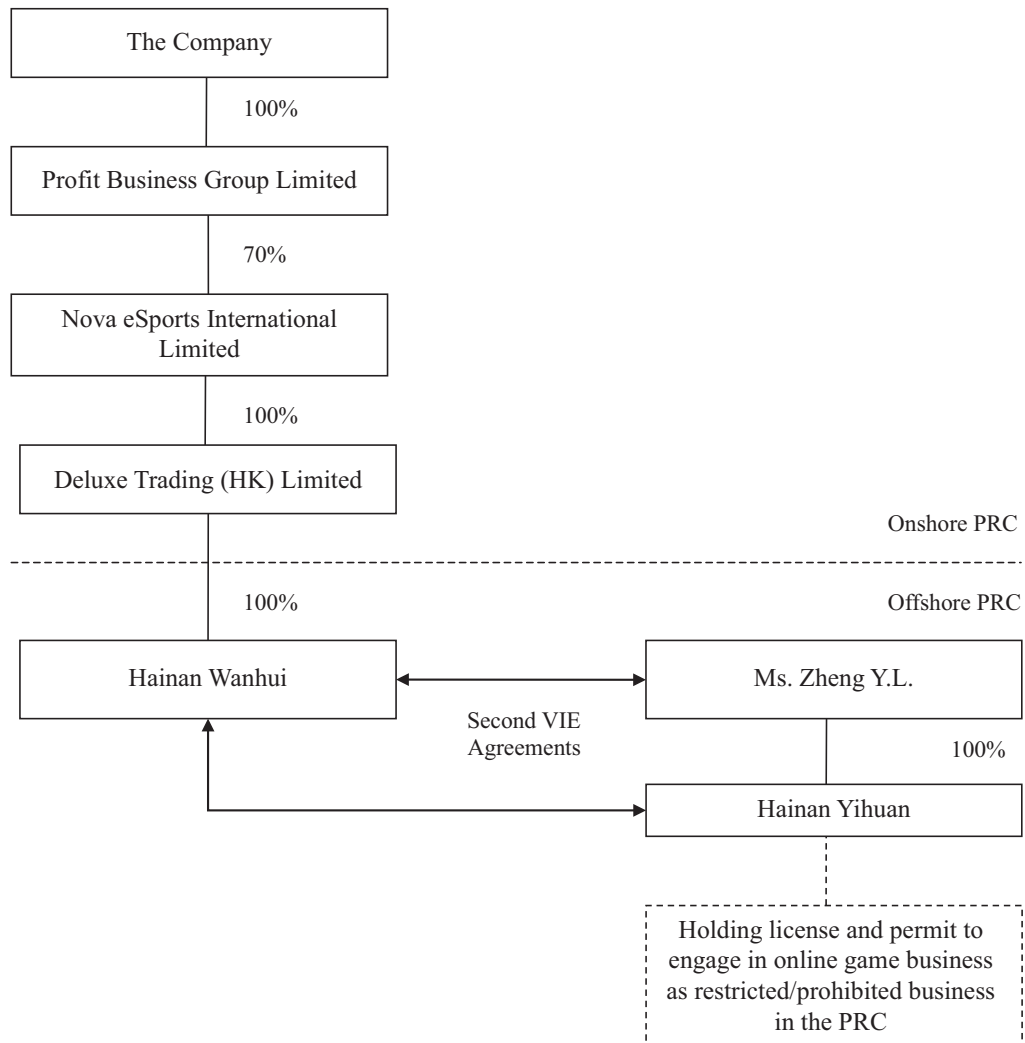
Set out below is the financial information of Hainan Yihuan for the two financial years ended 31 December 2018, and 31 December 2019 and the six months ended 30 June 2020:

	For the year ended 31 December 2018 RMB'000 (approximately) (unaudited)	For the year ended 31 December 2019 RMB'000 (approximately) (unaudited)	For the six months ended 30 June 2020 RMB'000 (approximately) (unaudited)
Revenue	—	—	—
Profit/(loss) before taxation	—	—	(8)
Profit/(loss) after taxation	—	—	(8)

The major assets of Hainan Yihuan constitute of cash and bank balance and its major liabilities constitute of other payables.

LETTER FROM THE BOARD

Group structure of Hainan Yihuan



INFORMATION ON HAINAN WANHUI

Hainan Wanhui is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in computer technology development, design and development of computer software, mobile phone software and online games, information technology consulting, computer and internet technology consulting, technical services, technology transfer, business management consulting and business information consulting.

LETTER FROM THE BOARD

REASON FOR AND BENEFIT OF THE ACQUISITION OF HAINAN SEVEN ELEMENTS AND HAINAN YIHUAN

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and sale of furnishings and home products, online game business, property investment and money lending business.

As set out in the annual report of the Company for the year ended 31 December 2019, the Group has been exploring the feasibilities of expansion into the lucrative online game business in the PRC. This will enable the Group's online game business to expand its customer base and increase the economy of scale for its operation. The Group is confident in developing its online game business into a prominent regional game distributor.

Each of Hainan Seven Elements and Hainan Yihuan holds the Business Licence for Value added Telecommunications Business and the Permit for Cyber Culture Business Operations for carrying on the online games business in the PRC. As part of the Group's plan for expanding its online games business into the PRC market, the Group has been interested in acquiring the equity interests in each of Hainan Seven Elements and Hainan Yihuan. However, due to the PRC legal restrictions on investments in the PRC by foreign investors mentioned in the paragraph headed "Reasons for entering into the VIE Agreements" below in this circular, the Group could not directly acquire any equity interests in Hainan Seven Elements and Hainan Yihuan.

Although Hainan Seven Elements and Hainan Yihuan are both principally engaged in the same activities and hold the same licence and permit and will serve as a platform for developing the Group's online games business in the PRC, each will be governed by a separate management team and will be serving different operational needs of the Group. Hainan Seven Elements will focus on publishing the Group's online game titles through partnerships with various game platforms and by utilising traditional advertising methods. On the other hand, Hainan Yihuan will operate in conjunction with the esports business and will focus on publishing the Group's online game titles by utilising the Group's esports club for marketing such game titles to its massive fan base and followers from various social medias. The objective of such arrangement is to enable the development of the esports business as a separate business unit as well as to enable the management of the Group to better monitor and evaluate its business performance.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE VIE AGREEMENTS

Investments in the PRC by foreign investors is primarily regulated by 外商投資准入特別管理措施(負面清單) (2019年版) (Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019)*) (the “**Negative List**”), the version applicable at the time of signing the VIE Agreements, which is promulgated and amended from time to time jointly by the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC.

Pursuant to the Negative List, the online game business in the PRC carried on by each of Hainan Seven Elements and Hainan Yihuan falls into (i) the value-added telecommunication services business, which is considered “restricted”; and (ii) the internet cultural services business, which is considered “prohibited”. Therefore, foreign investors can only operate the value-added telecommunication business in the PRC under joint ventures with the foreign portion of the total investment and hence shareholding below 50% whereas foreign investors are prohibited from investing in the internet cultural services business in the PRC. As a foreign investor, the Group would be prohibited from owning any equity interests in Hainan Seven Elements or Hainan Yihuan under the current PRC laws. As such, the establishment of the variable interest entity arrangements between (i) Hainan Wanhui and Hainan Seven Elements under the First VIE Agreements; and (ii) Hainan Wanhui and Hainan Yihuan under the Second VIE Agreements, are necessary for the Group to proceed with the acquisition of Hainan Seven Elements and Hainan Yihuan.

On 28 May 2020, Hainan Seven Elements, Hainan Wanhui and the Registered Shareholders entered into the First VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Seven Elements to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Seven Elements. The acquisition by Hainan Wanhui of the effective control of Hainan Seven Elements from the Registered Shareholders did not involve any consideration.

On 23 June 2020, Hainan Yihuan, Hainan Wanhui and Ms. Zheng Y.L. entered into the Second VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Yihuan to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Yihuan. The acquisition by Hainan Wanhui of the effective control of Hainan Yihuan from Ms. Zheng Y.L. did not involve any consideration.

LETTER FROM THE BOARD

The acquisition of the effective control of Hainan Seven Elements and Hainan Yihuan by Hainan Wanhui at nil consideration was determined after arms' length negotiations between Hainan Wanhui, on the one hand, and the Registered Shareholders or Ms. Zheng Y.L., on the other hand, taking into account the following factors: (i) each of Hainan Seven Elements and Hainan Yihuan has not commenced its online game business and/or recorded any revenue from the date of its establishment and up to the Latest Practicable Date; (ii) the total amount of assets of each of Hainan Seven Elements and Hainan Yihuan is insignificant; (iii) the setup costs of each of Hainan Seven Elements and Hainan Yihuan, including the cost for acquiring the relevant Business Licences for Value-added Telecommunications Business and the relevant Permits for Cyber Culture Business Operations is insignificant; (iv) the Group plans to inject capital into each of Hainan Seven Elements and Hainan Yihuan by way of loans to support their respective general working capital needs; and (v) each of Ms. Zheng Q.F. and Ms. Zheng Y.L. will remain as part of the management team to oversee the operations of Hainan Seven Elements and Hainan Yihuan.

In view of the above, the Directors consider that the entering into of the VIE Agreements and the terms of the VIE Agreements, including the acquisition by Hainan Wanhui of the effective control of Hainan Seven Elements and Hainan Yihuan at nil consideration, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Group has not encountered any interference or encumbrance from any governing bodies in operating its business through Hainan Seven Elements and Hainan Yihuan under the VIE Agreements.

INFORMATION OF THE VIE AGREEMENTS

(1) First Management Services Agreement

Date : 28 May 2020

Parties : (1) Hainan Seven Elements;

(2) Hainan Wanhui; and

(3) The Registered Shareholders

LETTER FROM THE BOARD

Scope of services : Hainan Wanhui (a) shall be involved in the business management, project management and technical services, personnel arrangement and financial management of Hainan Seven Elements; (b) shall provide investment and strategic business advice on the operation and technical services of Hainan Seven Elements; and (c) shall participate and assist in Hainan Seven Elements' operations and project management, complete the management consulting services in respect of Hainan Seven Elements and provide the relevant report and technical services to Hainan Seven Elements in a timely manner.

The consulting and management services to be provided by Hainan Wanhui to Hainan Seven Elements shall include but not limited to the following:

- (i) to provide Hainan Seven Elements with related software and intellectual property rights owned by Hainan Wanhui;
- (ii) to conduct research and development, maintenance and upgrading of software in respect of the business of Hainan Seven Elements as well as to provide relevant technical consultation and technical services;
- (iii) to provide services relating to design, installation, day-today management, maintenance and upgrading of network system hardware and database design;
- (iv) to provide consulting services in respect of the procurement of the necessary equipment, hardware and software systems required for the operation of Hainan Seven Elements;
- (v) to provide customer order management services and customer services;

LETTER FROM THE BOARD

- (vi) to be engaged in the selection and procurement process for the hiring of qualified persons and experts who have extensive experience in the development and design of online games programs and operation of online games, and where necessary, to provide training to the managers, department heads, administrative personnel and all other employees of Hainan Seven Elements;
- (vii) to provide strategic advice to Hainan Seven Elements in relation to contracts to be entered into in its ordinary course of business or contracts reasonably required for its business;
- (viii) to formulate rules, regulations, internal control policies, risk control management systems, administrative standards and policies for accounting, budget plans, marketing, personnel and operations for Hainan Seven Elements and its business practices as well as to assist Hainan Seven Elements in the implementation of such policies and business practices;
- (ix) to formulate plans and make preparations for public relations and marketing activities of Hainan Seven Elements and assist Hainan Seven Elements in the entering into of contracts with third parties in relation to the development and design of online game program and the operation of online games;
- (x) to review and improve the operations of Hainan Seven Elements;
- (xi) to carry out such actions as may be reasonably required for the operation of the business of Hainan Seven Elements;
- (xii) to make business decisions relating to investments, establishing of branch offices and subsidiaries, mergers and acquisitions on behalf of Hainan Seven Elements;

LETTER FROM THE BOARD

(xiii) to provide Hainan Seven Elements with global market information, market research data and analysis in relation to the development and design of online game program and the operation of online games; and

(xiv) to provide investment and strategic business advice on the operation and investment project of Hainan Seven Elements as well as to participate in and assist in the management of the operations of its projects.

Fee : Hainan Seven Elements shall pay to Hainan Wanhui the services fee, which shall be equivalent to the total revenue of Hainan Seven Elements minus all relevant costs, expenses and taxes payable by Hainan Seven Elements, on an annual basis. In the event that Hainan Seven Elements is loss-making for a given year, then Hainan Seven Elements will not be required to pay any Management Services Fee for the relevant year until Hainan Seven Elements records a surplus.

Term : The First Management Services Agreement has taken effect from 28 May 2020 and shall remain in effect indefinitely except for the First Management Services Agreement to be terminated by Hainan Wanhui: (a) by giving Hainan Seven Elements not less than 30 days prior notice in writing; or (b) if the entire equity interests in and assets of Hainan Seven Elements is transferred to Hainan Wanhui or its nominee pursuant to the First Irrevocable Option Agreement; or (c) if Hainan Seven Elements ceases to operate any business, becomes insolvent or bankrupt or is in the process of winding up or liquidation.

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(2) First Equity Pledge Agreement

Date : 28 May 2020

Parties : (1) Hainan Seven Elements;
(2) Hainan Wanhui; and
(3) The Registered Shareholders

Subject : The Registered Shareholders has pledged, by way of first priority pledge, the entire equity interests in Hainan Seven Elements (including all dividend and interest paid or payable thereon) in favour of Hainan Wanhui as security for the performance of the obligations of Hainan Seven Elements under the First Management Services Agreement.

Term : The First Equity Pledge Agreement has taken effect from 28 May 2020 and shall remain in effect until Hainan Seven Elements and the Registered Shareholders have unconditionally and irrevocably fulfilled all the obligations (including but not limited to the settlement and/or the payment of the service fee and any liquidated damage) under the First Management Services Agreement.

(3) First Irrevocable Option Agreement

Date : 28 May 2020

Parties : (1) Hainan Seven Elements;
(2) Hainan Wanhui; and
(3) The Registered Shareholders

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- Subject : Hainan Seven Elements and the Registered Shareholders have irrevocably granted the right in favour of Hainan Wanhui to purchase or for its nominee to purchase the entire equity interests in Hainan Seven Elements at nil consideration (or to the extent that nil consideration for transfer of the equity interests in a company is prohibited under the relevant local laws and regulations or prohibited by the local government departments, at such consideration to be determined by Hainan Wanhui).
- Term : The exercise period of the option under the First Irrevocable Option Agreement shall remain in effect indefinitely as permitted by the relevant laws and regulations and/or until Hainan Wanhui exercises such option. Hainan Wanhui may exercise the option under the First Irrevocable Option Agreement or assign its rights under such option at any time by way of serving a notice in writing to Hainan Seven Elements and the Registered Shareholders.

(4) First Powers of Attorney

- Date : 28 May 2020
- Parties : (1) Hainan Seven Elements;
- (2) Hainan Wanhui;
- (3) Ms. Zheng Q.F.; and
- (4) the Registered Shareholders

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- Subject : (i) Ms. Zheng Q.F., as the director, and Hainan Seven Elements, as the confirming party, have irrevocably executed the director's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Q.F. to, among others, (a) exercise all directors' rights of Hainan Seven Elements including but not limited to the passing of board resolutions and to appoint and remove the manager and/or other senior management of Hainan Seven Element; and (b) to sign on the director's behalf all necessary transfer documents and other documents to give effect to the VIE Agreements;
- (ii) the Registered Shareholders, as the shareholders, and Hainan Seven Elements, as the confirming party, have irrevocably executed the shareholders' power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of the Registered Shareholders to, among others, (a) exercise all shareholders' rights of Hainan Seven Elements pursuant to its articles of association and the relevant PRC laws including but not limited to convene and attend the shareholders' general meeting, to exercise its voting right at the shareholders' general meeting and to pass shareholders' resolutions; (b) designate and appoint the legal representative, executive director, director, supervisor, general manager and other senior management of Hainan Seven Element; (c) make decisions to sell or dispose of the entire equity interests of Hainan Seven Elements held by the Registered Shareholders; and (d) formulate any profit distribution plan; and

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(iii) Ms. Zheng Q.F., as the legal representative, and Hainan Seven Elements, as the confirming party, have irrevocably executed the legal representative's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Q.F. to, among others, (i) exercise all legal representative's duties of Hainan Seven Elements pursuant to its articles of association and the relevant PRC laws; and (ii) to sign on the legal representative's behalf all necessary transfer documents and other documents to give effect to the First VIE Agreements.

Term : The First Powers of Attorney have taken effect from 28 May 2020 and shall remain in effect until the revocation or termination of the First Management Services Agreement, the First Equity Pledge Agreement and the First Irrevocable Option Agreement.

(5) First Undertaking Letters

Date : 28 May 2020

Parties : (1) Hainan Seven Elements;
(2) Hainan Wanhui;
(3) Ms. Zheng Q.F.; and
(4) the Registered Shareholders

LETTER FROM THE BOARD

- Subject : (i) Ms. Zheng Q.F., as the director, and Hainan Seven Elements, as the confirming party, have irrevocably and unconditionally executed the director's undertaking letter in favour of Hainan Wanhui pursuant to which Ms. Zheng Q.F. has undertaken, among others, (i) to exercise her director's rights including but not limited to voting right for board resolutions in accordance with the instructions of Hainan Wanhui; and (ii) that Hainan Seven Elements shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; (iii) that Hainan Seven Elements shall pay the services fee to Hainan Wanhui pursuant to the First Management Services Agreement;
- (ii) the Registered Shareholders, as the shareholders, and Hainan Seven Elements, as the confirming party, have irrevocably and unconditionally executed the shareholders' undertaking letter in favour of Hainan Wanhui pursuant to which the Registered Shareholders have undertaken, among others, (i) to exercise their shareholders' right including but not limited to voting right at shareholders' general meeting in accordance with the instructions of Hainan Wanhui; and (ii) that Hainan Seven Elements shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; (iii) that Hainan Seven Elements shall pay the services fee to Hainan Wanhui pursuant to the First Management Services Agreement; and

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(iii) Ms. Zheng Q.F., as the legal representative, and Hainan Seven Elements, as the confirming party, have irrevocably and unconditionally executed the legal representative's undertaking letter in favour of Hainan Wanhui pursuant to which Ms. Zheng Q.F. has undertaken, among others, (i) to exercise her legal representative's rights including but not limited to the signing of the relevant documents in its capacity as legal representative of Hainan Seven Elements in accordance with the instructions of Hainan Wanhui; and (ii) that Hainan Seven Elements shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; (iii) that Hainan Seven Elements shall pay the services fee to Hainan Wanhui pursuant to the First Management Services Agreement.

Term : The First Undertaking Letters have taken effect from 28 May 2020.

(6) First Declaration Letter

Date : 28 May 2020

Parties : (1) Ms. Zheng Y.L.; and
(2) Ms. Zheng Y.L.'s spouse

Subject : Ms. Zheng Y.L. and her spouse have irrevocably declared that, among other things, (i) acknowledge that the 5% equity interests held by Ms. Zheng Y.L. in Hainan Seven Elements do not form part of their matrimonial property and Ms. Zheng Y.L. is entitled to sign and fulfill the First VIE Agreements in her personal capacity; and (ii) the spouse of Ms. Zheng Y.L. undertakes that in the event of divorce between Ms. Zheng Y.L. and him, he will not make any claim for the assets or profits of Hainan Seven Elements or be involved in the day-to-day management of Hainan Seven Elements.

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Ms. Zheng Q.F. did not execute any declaration letter in respect the variable interest entity arrangement between Hainan Wanhui and Hainan Seven Elements as she is not married yet.

Term : The First Declaration Letter has taken effect from 28 May 2020.

Second VIE Agreements

(1) Second Management Services Agreement

Date : 23 June 2020

Parties : (1) Hainan Yihuan;
(2) Hainan Wanhui; and
(3) Ms. Zheng Y.L.

Scope of services : Hainan Wanhui (a) shall be involved in the business management, project management and technical services, personnel arrangement and financial management of Hainan Yihuan; (b) shall provide investment and strategic business advice on the operation and technical services of Hainan Yihuan; and (c) shall participate and assist in Hainan Yihuan' operations and project management, complete the management consulting services in respect of Hainan Yihuan and provide the relevant report and technical services to Hainan Yihuan in a timely manner.

The consulting and management services to be provided by Hainan Wanhui to Hainan Yihuan shall include but not limited to the following:

(i) to provide Hainan Yihuan with related software and intellectual property rights owned by Hainan Wanhui;

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- (ii) to conduct research and development, maintenance and upgrading of software in respect of the business of Hainan Yihuan as well as to provide relevant technical consultation and technical services;
- (iii) to provide services relating to design, installation, day-today management, maintenance and upgrading of network system hardware and database design;
- (iv) to provide consulting services in respect of the procurement of the necessary equipment, hardware and software systems required for the operation of Hainan Yihuan;
- (v) to provide customer order management services and customer services;
- (vi) to be engaged in the selection and procurement process for the hiring of qualified persons and experts who have extensive experience in the development and design of online games programs and operation of online games, and where necessary, to provide training to the managers, department heads, administrative personnel and all other employees of Hainan Yihuan;
- (vii) to provide strategic advice to Hainan Yihuan in relation to contracts to be entered into in its ordinary course of business or contracts reasonably required for its business;
- (viii) to formulate rules, regulations, internal control policies, risk control management systems, administrative standards and policies for accounting, budget plans, marketing, personnel and operations for Hainan Yihuan and its business practices as well as to assist Hainan Yihuan in the implementation of such policies and business practices;

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- (ix) to formulate plans and make preparations for public relations and marketing activities of Hainan Yihuan and assist Hainan Yihuan in the entering into of contracts with third parties in relation to the development and design of online game program and the operation of online games;
- (x) to review and improve the operations of Hainan Yihuan;
- (xi) to carry out such actions as may be reasonably required for the operation of the business of Hainan Yihuan;
- (xii) to make business decisions relating to investments, establishing of branch offices and subsidiaries, mergers and acquisitions on behalf of Hainan Yihuan;
- (xiii) to provide Hainan Yihuan with global market information, market research data and analysis in relation to the development and design of online game program and the operation of online games; and
- (xiv) to provide investment and strategic business advice on the operation and investment project of Hainan Yihuan as well as to participate in and assist in the management of the operations of its projects.

Fee : Hainan Yihuan shall pay to Hainan Wanhui the services fee, which shall be equivalent to the total revenue of Hainan Yihuan minus all relevant costs, expenses and taxes payable by Hainan Yihuan, on an annual basis. In the event that Hainan Yihuan is loss-making for a given year, then Hainan Yihuan will not be required to pay any services fee for the relevant year until Hainan Yihuan records a surplus.

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Term : The Second Management Services Agreement has taken effect from 23 June 2020 and shall remain in effect indefinitely except for the Second Management Services Agreement to be terminated by Hainan Wanhui; (a) by giving Hainan Yihuan not less than 30 days prior notice in writing; or (b) if it transfers the entire equity interests in and assets of Hainan Yihuan to itself or its nominee pursuant to the Second Irrevocable Option Agreement; or (c) if Hainan Yihuan ceases to operate any business, becomes insolvent or bankrupt or is in the process of winding up or liquidation.

(2) Second Equity Pledge Agreement

Date : 23 June 2020

Parties : (1) Hainan Yihuan;
(2) Hainan Wanhui; and
(3) Ms. Zheng Y.L.

Subject : Ms. Zheng Y.L. has pledged, by way of first priority pledge, the entire equity interests in Hainan Yihuan (including all dividend and interest paid or payable thereon) in favour of Hainan Wanhui as security for the performance of the obligations of Hainan Yihuan under the Second Management Services Agreement.

Term : The Second Equity Pledge Agreement has taken effect from 23 June 2020 and shall remain in effect until Hainan Yihuan and Ms. Zheng Y.L. have unconditionally and irrevocably fulfilled all the obligations (including but not limited to the settlement and/or the payment of the services fee and any liquidated damage) under the Second Management Services Agreement.

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(3) Second Irrevocable Option Agreement

Date : 23 June 2020

Parties : (1) Hainan Yihuan;
(2) Hainan Wanhui; and
(3) Ms. Zheng Y.L.

Subject : Hainan Yihuan and Ms. Zheng Y.L. have irrevocably granted the right in favour of Hainan Wanhui to purchase or for its nominee to purchase the entire equity interests in Hainan Yihuan at nil consideration (or to the extent that nil consideration for transfer of the equity interests in a company is prohibited under the relevant local laws and regulations or prohibited by the local government departments, at such consideration to be determined by Hainan Wanhui).

Term : The exercise period of the option under the Second Irrevocable Option Agreement shall remain in effect indefinitely as permitted by the relevant laws and regulations and/or until Hainan Wanhui exercises such option. Hainan Wanhui may exercise the option under the Second Irrevocable Option Agreement or assign its rights under such option at any time by way of serving a notice in writing to Hainan Yihuan and Ms. Zheng Y.L..

(4) Second Powers of Attorney

Date : 23 June 2020

Parties : (1) Hainan Yihuan;
(2) Hainan Wanhui; and
(3) Ms. Zheng Y.L.

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- Subject : (i) Ms. Zheng Y.L., as the director, and Hainan Yihuan, as the confirming party, have irrevocably executed the director's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Y.L. to, among others, (a) exercise all directors' rights of Hainan Yihuan including but not limited to the passing of board resolutions and to appoint and remove the manager and/or other senior management of Hainan Yihuan; and (b) to sign on the director's behalf all necessary transfer documents and other documents to give effect to the Second VIE Agreements;
- (ii) Ms. Zheng Y.L., as the shareholder, and Hainan Yihuan, as the confirming party, have irrevocably executed the shareholders' power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Y.L. to, among others, (a) exercise all shareholders' rights of Hainan Yihuan pursuant to its articles of association and the relevant PRC laws including but not limited to convene and attend the shareholders' general meeting, to exercise its voting right at the shareholders' general meeting and to pass shareholders' resolutions; (b) designate and appoint the legal representative, executive director, director, supervisor, general manager and other senior management of Hainan Yihuan; (c) make decisions to sell or dispose of the entire equity interests in Hainan Yihuan held by Ms. Zheng Y.L.; and (d) formulate any profit distribution plan; and

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(iii) Ms. Zheng Y.L., as the legal representative, and Hainan Yihuan, as the confirming party, have irrevocably executed the legal representative's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Y.L. to, among others, (i) exercise all legal representative's duties of Hainan Yihuan pursuant to its articles of association and the relevant PRC laws; and (ii) to sign on the legal representative's behalf all necessary transfer documents and other documents to give effect to the Second VIE Agreements.

Term : The Second Powers of Attorney have taken effect from 23 June 2020 and shall remain in effect until the revocation or termination of the Second Management Services Agreement, the Second Equity Pledge Agreement and the Second Irrevocable Option Agreement.

(5) Second Undertaking Letters

Date : 23 June 2020

Parties : (1) Hainan Yihuan;
(2) Hainan Wanhui; and
(3) Ms. Zheng Y.L.

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- Subject : (i) Ms. Zheng Y.L., as the director, and Hainan Yihuan, as the confirming party, have irrevocably and unconditionally executed the director's undertaking letter in favour of Hainan Wanhui pursuant to which Ms. Zheng Y.L. has undertaken, among others, (i) to exercise her director's rights including but not limited to voting right for board resolutions in accordance with the instructions of Hainan Wanhui; and (ii) that Hainan Yihuan shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; (iii) that Hainan Yihuan shall pay the services fee to Hainan Wanhui pursuant to the Second Management Services Agreement;
- (ii) Ms. Zheng Y.L., as the shareholder, and Hainan Yihuan, as the confirming party, have irrevocably and unconditionally executed the shareholders' undertaking letter in favour of Hainan Wanhui pursuant to which Ms. Zheng Y.L. has undertaken, among others, (i) to exercise her shareholder's right including but not limited to voting right at shareholders' general meeting in accordance with the instructions of Hainan Wanhui; and (ii) that Hainan Yihuan shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; (iii) that Hainan Yihuan shall pay the services fee to Hainan Wanhui pursuant to the Second Management Services Agreement; and
- (iii) Ms. Zheng Y.L., as the legal representative, and Hainan Yihuan, as the confirming party, have irrevocably and unconditionally executed the director's undertaking letter in favour of Hainan Wanhui pursuant to which Ms. Zheng Y.L. has undertaken, among others, (i) to exercise her legal representative's rights including but not limited to the signing of the relevant documents in its capacity as legal representative of Hainan Yihuan in accordance with the instructions of Hainan Wanhui; and (ii) that Hainan Yihuan shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; (iii) that Hainan Yihuan shall pay the services fee to Hainan Wanhui pursuant to the Second Management Services Agreement.

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Term : The Second Undertaking Letters have taken effect from 23 June 2020.

(6) Second Declaration Letter

Date : 23 June 2020

Parties : (1) Ms. Zheng Y.L.; and
(2) Ms. Zheng Y.L.'s spouse

Subject : Ms. Zheng Y.L. and her spouse have irrevocably declared that, among other things, (i) acknowledge that the entire equity interests held by Ms. Zheng Y.L. in Hainan Yihuan do not form part of their matrimonial property and Ms. Zheng Y.L. is entitled to sign and fulfill the Second VIE Agreements in her personal capacity; and (ii) the spouse of Ms. Zheng Y.L. undertakes that in the event of divorce between Ms. Zheng Y.L. and him, he will not make any claim for the assets or profits of Hainan Yihuan or be involved in the day-to-day management of Hainan Yihuan.

Term : The Second Declaration Letter has taken effect from 23 June 2020.

Protection of the interest and assets of Hainan Seven Elements and Hainan Yihuan

The VIE Agreements include a provision that each agreement is binding on the liquidators, the successors and permitted assignees of the respective parties. In the event of death, bankruptcy or divorce of any party of registered shareholders of Hainan Seven Elements and/or Hainan Yihuan, Hainan Wanhui may exercise its option(s) under the respective Irrevocable Option Agreement(s) to replace the relevant party of such registered shareholders, thus protecting the interest of the Group and allowing Hainan Wanhui to enforce its rights under the VIE Agreements against the liquidators, the successors and permitted assignees of the shareholders of Hainan Seven Elements and Hainan Yihuan.

In order to have effective control over and to safeguard the assets of Hainan Seven Elements and Hainan Yihuan, the VIE Agreements provide that, without the prior written consent of Hainan Wanhui, Hainan Seven Elements and Hainan Yihuan shall not, in any form, dispose of significant assets (including but not limited to any significant customer resources, fixed assets, trademarks, technical knowhow or other intellectual property rights and/or other equity interests or similar

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interests held by Hainan Seven Elements or Hainan Yihuan), operating rights and/or dispose of all or part of its business (including sale, replacement, mortgage or disposal in any other ways), with respect to it and/or its subsidiaries (if any).

The VIE Agreements also provide that, without the prior written consent of Hainan Wanhui, (i) Hainan Seven Elements and Hainan Yihuan shall not increase or decrease the registered capital or accept any investment or capital increase from the Registered Shareholders or Ms. Zheng Y.L. or any third parties to Hainan Seven Elements or Hainan Yihuan or change the form of the company or make any major adjustments regarding carrying out liquidation or dissolution; or the business scope, mode, profit model, marketing strategy, business policy or customer relationship; (ii) Hainan Seven Elements and Hainan Yihuan shall not enter into any partnership or joint venture or profit sharing arrangement with any third parties, or any other arrangements for the transfer of benefits or profit sharing in the form of royalties, service fees or consultancy fees; and (iii) Hainan Seven Elements and Hainan Yihuan shall not declare or distribute dividends, dividends or any other interests to its shareholders, including the after-tax profits that Seven Elements and Hainan Yihuan has not yet allocated before the commencement of the VIE Agreements.

VIE Agreements confer economic benefits on Hainan Wanhui from Hainan Seven Elements and Hainan Yihuan

The VIE Agreements confer upon the Group the right to enjoy all the economic benefit of Hainan Seven Elements and Hainan Yihuan by the Management Services Agreements under which Hainan Seven Elements and Hainan Yihuan shall pay to Hainan Wanhui the services fee, which shall be equivalent to the total revenue of Hainan Seven Elements and Hainan Yihuan respectively minus all relevant costs, expenses and taxes payable by Hainan Seven Elements and Hainan Yihuan, on an annual basis.

VIE Agreements confer control from Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui

The VIE Agreements confer upon the Group sufficient control over the board and daily operations of Hainan Seven Elements and Hainan Yihuan. The appointment of directors of Hainan Seven Elements and Hainan Yihuan is subject to approval from Hainan Wanhui. If Hainan Wanhui is dissatisfied with the performance of the director(s) of Hainan Seven Elements and/or Hainan Yihuan and proposes to remove such director(s), Hainan Seven Elements and/or Hainan Yihuan shall remove such person(s) as director(s) upon Hainan Wanhui's proposal.

Moreover, under the Management Services Agreements, Hainan Wanhui will formulate rules, regulations, internal control policies, risk control management systems, standards administration, accounting, budget, marketing, human resources and operating policies, as well as the practices

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which relevant to or affecting the business of Hainan Seven Elements and Hainan Yihuan, and assist Hainan Seven Elements and Hainan Yihuan in the effective implementation of relevant policies and business practices.

Hainan Wanhui will retain the custody of the constitutional items of Hainan Seven Elements and Hainan Yihuan, including the company chop and seal. At the request of Hainan Wanhui, Hainan Seven Elements and Hainan Yihuan will provide Hainan Wanhui with the relevant legal documents and other information on their business operation.

Internal control measures to be implemented by the Group

The VIE Agreements contain certain provisions in order to exercise effective control over and to safeguard the assets of Hainan Seven Elements and Hainan Yihuan. In addition to the internal control measures as provided in the VIE Agreements, the Company plans to adopt additional internal control measures over Hainan Seven Elements and Hainan Yihuan to safeguard the relevant assets, which may include but not limited to the following:

- (a) the finance team of the Company shall conduct regular site visits to Hainan Seven Elements and Hainan Yihuan and conduct personnel interviews and submit reports to the Board;
- (b) the finance team of the Company shall collect monthly management accounts, bank statements and cash balances and major operational data of Hainan Seven Elements and Hainan Yihuan for review. Upon discovery of any suspicious matters, the finance team of the Company shall report to the Board;
- (c) Hainan Seven Elements and Hainan Yihuan shall submit copies of their latest bank statements for every bank accounts within 15 days after the end of each month;
- (d) Hainan Seven Elements and Hainan Yihuan shall assist and facilitate the Group to conduct all on-site internal audits, if required;
- (e) the Group will consult the PRC Legal Advisers, if required, in the event of new legal developments in the PRC affecting the arrangement contemplated under the VIE Agreements, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment to the VIE Agreements is required to be made; and

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- (f) the Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the VIE Agreements.

Dispute resolutions and dealings with the assets of Hainan Seven Elements and Hainan Yihuan in winding up situation contained in the VIE Agreements

The terms of the VIE Agreements provide that the arbitration tribunal may award (i) remedies over the equity interests or assets of Hainan Seven Elements and Hainan Yihuan; or (ii) injunctive relief (e.g. for the conduct of business or to compel the transfer of assets); or (iii) order the winding up of Hainan Seven Elements and Hainan Yihuan.

The VIE Agreements also include a clause in relation to dispute resolution among the parties whereby, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, the Cayman Islands, the PRC and the location where the principal assets of the Company and Hainan Seven Elements and Hainan Yihuan are located.

Rights to consolidate the accounts of Hainan Seven Elements and Hainan Yihuan pursuant to the VIE arrangements

The Company has confirmed with its auditors that it has the right to consolidate the accounts of each of Hainan Seven Elements and Hainan Yihuan pursuant to the VIE arrangements.

VIE Arrangements would be terminated if the Company is allowed to operate without them

The Company agrees that it would unwind the VIE Agreements as soon as the relevant laws and regulations allow the value-added telecommunications business and the internet cultural services business in the PRC to be operated by foreign investors without adopting a VIE structure. However, it is uncertain at this stage when the restrictions on foreign ownership in value-added telecommunications businesses and the internet cultural services business will be lifted in the PRC.

Hainan Seven Elements and Hainan Yihuan to return consideration to Hainan Wanhui upon termination of the VIE Agreements

Under the Irrevocable Option Agreements, upon termination of the VIE arrangements, the respective registered shareholders of Hainan Seven Elements and Hainan Yihuan must return to Hainan Wanhui or its nominee any consideration that such registered shareholders had received from Hainan Wanhui for the acquisition of the equity interests in Hainan Seven Elements and Hainan Yihuan.

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Hainan Seven Elements, Hainan Yihuan and their respective registered shareholders' right to terminate any of the VIE Agreements

Hainan Seven Elements, Hainan Yihuan and their respective registered shareholders are generally not entitled to terminate any of the VIE Agreement unless, among others, (a) the laws, regulations and departmental rules prohibit or restrict the carrying out of the terms of the VIE Agreements; (b) Hainan Wanhui breaches the terms of the VIE Agreements and has not rectified such breach within 20 days after receiving the relevant written notice; (c) Hainan Wanhui becomes bankrupt or is unable to repay its debts; (d) the occurrence of a force majeure event which continues for more than 120 days; and (e) if Hainan Wanhui becomes entitled to acquire the equity interests in each of Hainan Seven Elements and Hainan Yihuan directly according to the PRC laws and if such equity interests in Hainan Seven Elements and Hainan Yihuan were transferred to Hainan Wanhui.

PRC legal opinion in respect of the VIE Arrangements

The PRC Legal Advisers has confirmed, among others, that (i) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, the use of the VIE structures and the VIE Agreements do not violate the relevant prevailing laws and regulations in the PRC; (ii) the VIE Agreements would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law; and (iii) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, which may not be enforceable under PRC law, the VIE Agreements are enforceable under the laws of the PRC. Based on the above, the Directors believe that the VIE Agreements conferring significant control and economic benefits from Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui are enforceable under the relevant laws and regulations.

Directors' view

The Directors are of the view that the terms of the VIE Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Cheng and Ms. Yeung has a material interest in the transactions contemplated under the VIE Agreements and has abstained from voting on the Board resolution(s) for considering and approving the VIE Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated

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under the VIE Agreements, and therefore none of the other Directors are required to abstain from voting on the Board resolution(s) for considering and approving the VIE Agreements and the transactions contemplated thereunder.

RISKS AND LIMITATIONS RELATING TO THE VIE STRUCTURES

1. Economic risks of the Company

Hainan Wanhui, as the primary beneficiary of Hainan Seven Elements and Hainan Yihuan, is not obligated under any of the VIE Agreements to share the losses of Hainan Seven Elements and Hainan Yihuan or provide financial support to Hainan Seven Elements and Hainan Yihuan. Moreover, as a limited liability company, each of Hainan Seven Elements and Hainan Yihuan is solely liable for its own debts and losses. However, since the relevant parties have already entered into VIE Agreements, the financial results of Hainan Seven Elements and Hainan Yihuan will be consolidated into the financial statements of the Group and it is likely that the Company's business and financial position will be affected if Hainan Seven Elements and Hainan Yihuan suffer losses or fails to obtain the requisite licenses and approvals to continue operating their respective online games business in the PRC.

2. Limitations in exercising the options to acquire ownership in Hainan Seven Elements and Hainan Yihuan

In the case that Hainan Wanhui exercises its options to acquire all or part of the equity interests in Hainan Seven Elements and/or Hainan Yihuan under the respective Irrevocable Option Agreement(s), the acquisition of the entire equity interests in Hainan Seven Elements and/or Hainan Yihuan may only be conducted to the extent as permitted by the applicable PRC laws and may be subject to necessary approvals and relevant procedures under applicable PRC laws.

Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of Hainan Seven Elements and/or Hainan Yihuan, which may have a material adverse impact on Hainan Wanhui's businesses, prospects and results of operation.

Hainan Wanhui may need to pay a substantial amount of enterprise income tax for the income from the ownership transfer according to the First Irrevocable Option Agreement and the Second Irrevocable Option Agreement.

It is not assured that if conflicts arise, the Registered Shareholders or Ms. Zheng Y.L. will act in the best interests of Hainan Wanhui or that the conflicts will be resolved in favour of Hainan Wanhui. If any of the Registered Shareholders or Ms. Zheng Y.L. fail to perform their/her

LETTER FROM THE BOARD

obligations under the respective VIE Agreements, Hainan Wanhui may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to Hainan Wanhui's operations and will be subject to uncertainties as discussed above.

3. Arrangements when potential conflicts of interest arise

Hainan Wanhui shall rely on the VIE Agreements to exercise control over and to draw the economic benefits from Hainan Seven Elements and Hainan Yihuan. Hainan Wanhui may not be able to provide sufficient incentives to the Registered Shareholders or Ms. Zheng Y.L. for the purpose of encouraging them/her to act in the best interests of Hainan Seven Elements and Hainan Yihuan, other than stipulating the relevant obligations in the VIE Agreements. The Registered Shareholders or Ms. Zheng Y.L. may breach the VIE Agreements in the event of conflicts of interest or deterioration of their/her relationship with Hainan Wanhui, the results of which may have a material adverse impact on Hainan Wanhui's business, prospects and results of operation.

4. Other risks relating to the VIE Agreements

Firstly, although (i) there is currently no indication that the VIE Agreements will be interfered or objected by any PRC regulatory authorities; and (ii) the PRC Legal Advisers is of the view that save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, the VIE Agreements do not violate any prevailing PRC laws or regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations especially in the areas of value-added telecommunication services business and the internet cultural services business. For instance, the PRC regulatory authorities may issue further guidelines that impose stricter foreign ownership requirements in that area of business. Given the uncertain legal and business environment in the PRC, it is difficult to foresee whether the PRC regulatory authorities will take the same view regarding the VIE Agreements as the PRC Legal Advisers in the future.

Secondly, the VIE Agreements may not provide control as effective as direct ownership. Hainan Wanhui does not have any direct equity ownership in Hainan Seven Elements and/or Hainan Yihuan and has relied on the VIE Agreements to effect changes in the management of Hainan Seven Elements and/or Hainan Yihuan and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Hainan Seven Elements, Hainan Yihuan or their respective shareholder(s) refuse to cooperate, the Company will face difficulties in effecting control over the businesses of Hainan Seven Elements and Hainan Yihuan through the VIE structures, which may adversely affect the Company's business efficiency.

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Thirdly, the VIE Agreements may be subject to scrutiny by the tax authorities and additional tax may be imposed. Under the Management Services Agreements, Hainan Seven Elements and/or Hainan Yihuan are required to pay Hainan Wanhui service fees for the services rendered by Hainan Wanhui. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year when such transactions are conducted.

Fourthly, the VIE Agreements are governed by the PRC laws. When a dispute arises under any of the VIE Agreements, the parties to the dispute may have to rely on legal remedies under the PRC laws. The VIE Agreements provide that dispute will be submitted to Shenzhen Court of International Arbitration for arbitration to be conducted in Shenzhen. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of Hainan Wanhui to enforce the VIE Agreements. There is no assurance that such arbitration result will be in favour of Hainan Wanhui and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by Hainan Wanhui. As Hainan Wanhui may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over Hainan Seven Elements and Hainan Yihuan and the conduct of the value-added telecommunication services business and the internet cultural services business could be materially and adversely affected, and may disrupt the business of Hainan Wanhui and have a material adverse impact on Hainan Wanhui's business, prospects and results of operation.

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

However, the PRC Legal Advisers is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of Hainan Seven Elements and Hainan Yihuan. In addition, even though the VIE Agreements provide that overseas courts (e.g. courts in Hong Kong and Cayman Islands) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the PRC laws. As a result, in the event that Hainan Seven Elements,

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Hainan Yihuan or their respective shareholder(s) breaches the terms of the VIE Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Hainan Seven Elements and Hainan Yihuan could be materially and adversely affected.

Hainan Wanhui currently does not maintain any insurance to cover the risks relating to the VIE Agreements.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES

Notwithstanding that the transactions contemplated under the VIE Agreements technically constitute continuing connected transaction for the purpose of Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to the Company, for all transactions contemplated under the VIE Agreements to be subject to strict compliance with the requirements set forth under Rule 14A.53 and Rule 14A.52 of the Listing Rules.

The Company applied to the Stock Exchange, and the Stock Exchange has granted, for a waiver to the Company from (i) setting maximum aggregate annual caps for the management services fee payable by each of Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui under the Management Services Agreements pursuant to Rule 14A.53 of the Listing Rules; and (ii) setting a fixed term for each of the VIE Agreements pursuant to Rule 14A.52 of the Listing Rules, subject to the following conditions:

- (a) save as described in paragraph (d) below, no changes to the terms of the VIE Agreements will be made without the approval of the independent Shareholders;
- (b) save as described in paragraph (d) below, no changes to the terms of the VIE Agreements will be made without the approval of the independent non-executive Directors;
- (c) the VIE Agreements shall continue to enable the Group to receive the economic benefits derived by each of Hainan Seven Elements and Hainan Yihuan through: (i) Hainan Wanhui's right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in each of Hainan Seven Elements and Hainan Yihuan; (ii) the business structure under which the revenue generated by each of Hainan Seven Elements and Hainan Yihuan is substantially retained by Hainan Wanhui (insofar that no annual caps shall be set on the amount of the management services fees payable by each of Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui under the Management Services

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Agreements); and (iii) Hainan Wanhui's right to control the management and operation of, as well as, in substance, all of the voting rights of each of Hainan Seven Elements and Hainan Yihuan;

- (d) the framework of the VIE structures may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group may wish to establish, without obtaining the approval of the independent shareholders of the Company, on substantially the same terms and conditions as the VIE Agreements. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group may establish upon renewal and/or cloning of the VIE Agreements will be treated as the Group's connected persons and transactions between these connected persons and the Group other than those under similar VIE Agreements shall comply with Chapter 14A of the Listing Rules. This condition is subject to compliance with the relevant laws, regulations and approvals of the PRC;
- (e) unless the transactions are exempt under the Listing Rules, the Group will disclose details relating to the VIE Agreements on an ongoing basis as follows:
 - (i) the VIE Agreements will be disclosed in the Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules;
 - (ii) the independent non-executive Directors will review the VIE Agreements annually and confirm in the Company's annual report and accounts for the relevant year that: (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the VIE Agreements and that the revenue generated by each of Hainan Seven Elements and Hainan Yihuan (minus all relevant costs, expenses and taxes payable by each of them) has been substantially retained by Hainan Wanhui; (b) no dividends or other distributions have been made by either Hainan Seven Elements or Hainan Yihuan to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (c) any new contracts entered into, renewed and/or cloned between the Group on the one hand and Hainan Seven Elements and/or Hainan Yihuan on the other hand during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole;

LETTER FROM THE BOARD

- (iii) the Group's auditors will carry out review procedures annually on the transactions carried out pursuant to the VIE Agreements and will provide a letter to the Directors with a copy to the Stock Exchange, at least ten business days before the bulk printing of the Company's annual report, confirming that (a) the transactions have been approved by the Directors; (b) the transactions have been entered into, in all material respects, in accordance with the relevant VIE Agreements; and (c) that no dividends or other distributions have been made by either Hainan Seven Elements or Hainan Yihuan to the holders of its equity interests which are not otherwise subsequently assigned/transferred to the Group;
- (iv) for the purpose of Chapter 14A of the Listing Rules, each of Hainan Seven Elements and Hainan Yihuan will be treated as the Company's wholly-owned subsidiary, and its directors, chief executives or substantial shareholders and their respective associates (as defined in the Listing Rules) will be treated as connected persons of the Company and transactions between these connected persons and the Group, other than those under the VIE Agreements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- (v) each of Hainan Seven Elements, Hainan Yihuan and its registered shareholders will undertake that, for so long as the shares of the Company are listed on the Stock Exchange, each of Hainan Seven Elements, Hainan Yihuan and its registered shareholders will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review of the connected transactions.

Save as described in paragraph (d) above, if any terms of the VIE Agreements are altered or if the Company enters into any new agreements with any connected persons in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) Hainan Seven Elements is owned as to 95% by Ms. Zheng Q.F. and 5% by Ms. Zheng Y.L.; (ii) Hainan Yihuan is wholly-owned by Ms. Zheng Y.L.; and (iii) each of Ms. Zheng Q.F. and Ms. Zheng Y.L. is a relative of Mr. Cheng, an executive Director and the controlling shareholder. As such, each of Ms. Zheng Q.F., Ms. Zheng Y.L., Hainan Seven Elements and Hainan Yihuan is a deemed connected person of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the applicable percentage ratios (other than the profits ratio) in respect of the expected annual services fee payable by each of Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui under each of the First Management Services Agreement and the Second Management Services Agreement respectively during its term may be more than 5%, the transactions contemplated under the VIE Agreements will constitute continuing connected transactions on the part of the Company and may be subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notwithstanding that the transactions contemplated under each of the VIE Agreements technically constitute continuing connected transactions on the part of the Company for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company, (i) for the transactions contemplated under each of the First VIE Agreements and the Second VIE Agreements, being the service fees payable under each of the First Management Services Agreement and the Second Management Services Agreement respectively, to be subject to the annual cap requirement under Rule 14A.53 of the Listing Rules; and (ii) for the term of each of the VIE Agreements to be limited to three years or less under Rule 14A.52 of the Listing Rules.

The Company applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) setting annual caps for the transactions contemplated under each of the VIE Agreements under Rule 14A.53 of the Listing Rules; and (ii) limiting the term of each of the VIE Agreements to three years or less pursuant to Rule 14A.52 of the Listing Rules, subject to the conditions set out in this circular.

GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the VIE Agreements and the transactions contemplated thereunder, and as to whether the VIE Agreements are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The notice convening the EGM is set out on pages 80 to 81 of this circular. The EGM will be convened and held at Conference Room, Room 02, 26/F., One Harbour Square, No. 181, Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 23 October 2020 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among others, the VIE Agreements and the transactions contemplated thereunder. The voting at the EGM will be taken by way of poll.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Cheng, Ms. Yeung and their respective associates hold 214,428,488 Shares, representing approximately 74.66% of the total issued share capital of the Company. Mr. Cheng, Ms. Yeung and their respective associates are required to abstain from voting on the resolution(s) to approve the VIE Agreements and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, save for Mr. Cheng and Ms. Yeung, no other Shareholder has a material interest in the VIE Agreements and the transactions contemplated thereunder or is required to abstain from voting on the resolution(s) to approve the VIE Agreements and the transactions contemplated thereunder at the EGM.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than 3:00 p.m. (Hong Kong time) on Wednesday, 21 October 2020. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 48 to 49 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 50 to 72 of this circular, considers that the VIE Agreements were entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the VIE Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the VIE Agreements and the transactions contemplated thereunder.

The Board considers that the VIE Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommends that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Imperium Group Global Holdings Limited
Cheng Ting Kong
Chairman



Imperium Group Global Holdings Limited

帝國集團環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0776)

7 October 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 7 October 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the VIE Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the VIE Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how the Independent Shareholders should vote on the proposed resolution to approve the VIE Agreements and the transactions contemplated thereunder at the EGM. Astrum Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 50 to 72 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 47 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the VIE Agreements and the transactions contemplated thereunder, and the advice from the Independent Financial Adviser, we consider that the VIE Agreements were entered into on normal commercial terms following arm’s length negotiations between the parties

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

thereto and in the ordinary and usual course of business of the Group, and that the terms of the VIE Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions at the EGM to approve the VIE Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Fung Tze Wa
*Independent non-executive
Director*

Mr. Ting Wong Kacee
*Independent non-executive
Director*

Mr. Tse Ting Kwan
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a full text of the letter of advice from Astrum Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in relation to the VIE Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation into this circular.



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

7 October 2020

To the Independent Board Committee and the Independent Shareholders of
Imperium Group Global Holdings Limited

Dear Sirs,

**(I) CONTINUING CONNECTED TRANSACTIONS; AND
(II) WAIVER FROM STRICT COMPLIANCE WITH
RULES 14A.52 AND 14A.53 OF THE LISTING RULES**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Imperium Group Global Holdings Limited (the “**Company**”) in relation to continuing connected transactions resulting from the entering into of the First VIE Agreements and the Second VIE Agreements. The details of the Continuing Connected Transactions and the VIE Agreements were disclosed in the announcement of the Company dated 14 September 2020 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 8 to 47 of the circular of the Company dated 7 October 2020 (the “**Circular**”) to its Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 28 May 2020, Hainan Seven Elements, Hainan Wanhui and the Registered Shareholders entered into the First VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Seven Elements to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Seven Elements.

On 23 June 2020, Hainan Yihuan, Hainan Wanhui and Ms. Zheng Y.L. entered into the Second VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Yihuan to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Yihuan.

Each of Mr. Cheng Ting Kong (“**Mr. Cheng**”), being an executive Director and a controlling shareholder of the Company, and Ms. Yeung So Mui (“**Ms. Yeung**”), being an executive Director and the spouse of Mr. Cheng, has a material interest in the transactions contemplated under the VIE Agreements and has abstained from voting on the Board resolution(s) for considering and approving the VIE Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the VIE Agreements, and therefore none of the other Directors are required to abstain from voting on the Board resolution(s) for considering and approving the VIE Agreements and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among others, the VIE Agreements and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Cheng, Ms. Yeung and their respective associates hold 214,428,488 Shares, representing approximately 74.66% of the total issued share capital of the Company. Mr. Cheng, Ms. Yeung and their respective associates are required to abstain from voting on the resolution(s) to approve the VIE Agreements and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, save for Mr. Cheng and Ms. Yeung, no other Shareholder has a material interest in the VIE Agreements and the transactions contemplated thereunder or is required to abstain from voting on the resolution(s) to approve the VIE Agreements and the transactions contemplated thereunder at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fung Tze Wa, Mr. Ting Wong Kacee and Mr. Tse Ting Kwan, has been established to advise the Independent Shareholders regarding the VIE Agreements and the transactions contemplated thereunder, and as to whether the VIE Agreements are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect thereof at the EGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the VIE Agreements, the PRC legal opinion in respect of the VIE Agreements, the annual report of the Company for the financial years ended 31 December 2019 (the “**2019 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations and financial condition of Hainan Seven Elements and Hainan Yihuan. We have also (i) considered such other information, analysis and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the VIE Agreements, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility in providing information of the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the VIE Agreements and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group, Hainan Seven Elements and Hainan Yihuan. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the entering into of the VIE Agreements. Except for the inclusion in the Circular, this letter should not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENCE DECLARATION

During the last two years, we have acted as the independent financial adviser of two listed companies on the Stock Exchange, of which Mr. Cheng (an executive Director and the controlling Shareholder) is one of the controlling shareholders of both of the listed companies, in respect of certain connected transactions. Save as disclosed above, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, its subsidiaries, Hainan Seven Elements, Hainan Yihuan, their directors or chief executive, or any of their respective associates. In the last two years, there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the VIE Agreements, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the VIE Agreements.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the entering into of the VIE Agreements we have taken into consideration the following factors and reasons:

1. Information on the Group

According to the Letter from the Board, the principal activities of the Group include (i) manufacturing and sale of furnishings and home products; (ii) online games business; (iii) property investment; and (iv) money lending business.

The table below summarises the consolidated financial results of the Group for the two years ended 31 December 2018 and 2019 (“**FY2018**” and “**FY2019**” respectively) and the six months ended 30 June 2019 and 2020 (“**PE2019**” and “**PE2020**” respectively) as extracted from the 2019 Annual Report and the 2020 Interim Report:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 1: Summary of the consolidated financial results of the Group

	FY2018 <i>(audited)</i> <i>HK\$'000</i>	FY2019 <i>(audited)</i> <i>HK\$'000</i>	PE2019 <i>(unaudited)</i> <i>HK\$'000</i>	PE2020 <i>(unaudited)</i> <i>HK\$'000</i>
Revenue	252,363	233,567	121,390	79,883
— Stainless steel furnishings	238,848	182,810	86,390	65,124
— Online game	5,081	44,029	30,897	12,915
— Property investment	1,329	1,463	768	657
— Money lending	7,105	5,264	3,335	1,187
Gross profit	27,753	21,148	11,234	2,676
(Loss) before taxation	(33,203)	(78,174)	(36,907)	(40,245)
(Loss) for the year attributable to owners of the Company	(34,901)	(77,936)	(37,398)	(39,006)
	As at 31 December 2018 <i>(audited)</i> <i>HK\$'000</i>	As at 31 December 2019 <i>(audited)</i> <i>HK\$'000</i>	As at 30 June 2020 <i>(unaudited)</i> <i>HK\$'000</i>	
Non-current assets	90,513	86,911	87,036	
Current assets	155,991	138,749	98,379	
Current (liabilities)	(148,296)	(108,657)	(107,239)	
Net current assets (liabilities)	7,695	30,092	(8,860)	
Non-current (liabilities)	(5,892)	(100,650)	(99,514)	
Equity attributable to owners of the Company	91,054	18,591	(24,398)	

Source: the 2019 Annual Report and the 2020 Interim Report

(i) For the year ended 31 December 2019 (i.e. FY2019)

In FY2019, the Group's total revenue amounted to approximately HK\$233.6 million, representing a decrease of approximately 7.4% as compared to approximately HK\$252.4 million in FY2018. Such decrease was mainly attributable to the decrease in revenue from stainless steel furnishings business from approximately HK\$238.8 million in FY2018 to approximately HK\$182.8 million in FY2019, but partially offset by the increase in revenue from online game business from

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approximately HK\$5.1 million in FY2018 to approximately HK\$44.0 million in FY2019. Following the decline in revenue, the Group's gross profit decreased by approximately 23.8% from approximately HK\$27.8 million in FY2018 to approximately HK\$21.1 million in FY2019.

In FY2019, loss attributable to owners of the Company amounted to approximately HK\$77.9 million, representing an increase of approximately 123.3% as compared to the loss of approximately HK\$34.9 million in FY2018, which was mainly attributable to the increase in (i) distribution costs from approximately HK\$7.6 million in FY2018 to approximately HK\$26.5 million in FY2019; (ii) other operating expenses from approximately HK\$4.8 million in FY2018 to approximately HK\$13.4 million in FY2019; and (iii) administrative expenses from approximately HK\$52.1 million in FY2018 to approximately HK\$56.0 million in FY2019.

As at 31 December 2019, the Group's total assets and total liabilities amounted to approximately HK\$225.7 million (31 December 2018: approximately HK\$246.5 million) and approximately HK\$209.3 million (31 December 2018: approximately HK\$154.2 million), respectively. The equity attributable to owners of the Company decreased from approximately HK\$91.1 million as at 31 December 2018 to approximately HK\$18.6 million as at 31 December 2019. The decrease in equity was primarily due to loss attributable to owners of the Company of approximately HK\$77.9 million in FY2019, which was partially offset by the capital contribution of approximately HK\$6.7 million and share-based payment of approximately HK\$3.2 million.

(ii) For the period ended 30 June 2020 (i.e. PE2020)

In PE2020, the Group's total revenue amounted to approximately HK\$79.9 million, representing a decrease of approximately 34.2% as compared to approximately HK\$121.4 million in PE2019. Such decrease was mainly attributable to the decrease in revenue from (i) stainless steel furnishings business from approximately HK\$86.4 million in PE2019 to approximately HK\$65.1 million in PE2020; (ii) online game business from approximately HK\$30.9 million in PE2019 to approximately HK\$12.9 million in PE2020; and (iii) money lending business from approximately HK\$3.3 million in PE2019 to approximately HK\$1.2 million in PE2020. Following the decline in revenue, the Group's gross profit decreased by approximately 76.2% from approximately HK\$11.2 million in PE2019 to approximately HK\$2.7 million in PE2020.

In PE2020, loss attributable to owners of the Company amounted to approximately HK\$39.0 million, representing an increase of approximately 4.3% as compared to the loss of approximately HK\$37.4 million in PE2019.

As at 30 June 2020, the Group's total assets and total liabilities amounted to approximately HK\$185.4 million (31 December 2019: approximately HK\$225.7 million) and approximately HK\$206.8 million (31 December 2019: approximately HK\$209.3 million), respectively. The equity

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attributable to owners of the Company decreased from net assets of approximately HK\$18.6 million as at 31 December 2019 to net liabilities of approximately HK\$24.4 million as at 30 June 2020. The decrease in equity was primarily due to loss attributable to owners of the Company of approximately HK\$39.0 million in PE2020, which was partially offset by the acquisition of a subsidiary of approximately HK\$6.7 million.

2. Information on Hainan Seven Elements and Hainan Yihuan

(i) Hainan Seven Elements

Hainan Seven Elements is a company established in the PRC with limited liability on 26 December 2017. As at Latest Practicable Date, Hainan Seven Elements had a registered capital of RMB1,000,000, which had not been paid up and was owned as to 95% by Ms. Zheng Q.F. and 5% by Ms. Zheng Y.L. Ms. Zheng Q.F. is the sole director of Hainan Seven Elements. Each of Ms. Zheng Q.F. and Ms. Zheng Y.L. is a relative of Mr. Cheng, an executive Director and the controlling Shareholder. As advised by the Management, both Ms. Zheng Q.F. and Ms. Zheng Y.L. are not directors or officers of the Company.

Hainan Seven Elements is principally engaged in the development and design of online games programs and operation of online games. It currently holds (i) the Business Licence for Value-added Telecommunications Business issued by the Hainan Communications Administration (海南省通信管理局); and (ii) the Permit for Cyber Culture Business Operations issued by Hainan Provincial Department of Culture, Radio, Film, Television, Publication and Sports (海南省旅遊和文化廣電體育廳). Since its establishment in December 2017, Hainan Seven Elements has not yet commenced its online games business and therefore no revenue was recorded. For the six months ended 30 June 2020, Hainan Seven Elements recorded a minimal loss of approximately RMB170,000 due to administrative expenses.

(ii) Hainan Yihuan

Hainan Yihuan is a company established in the PRC with limited liability on 23 April 2018. As at the Latest Practicable Date, Hainan Yihuan had a registered capital of RMB10,000,000, which had not been paid up and was wholly-owned by Ms. Zheng Y.L., who is also the sole director of Hainan Yihuan. Ms. Zheng Y.L. is a relative of Mr. Cheng, an executive Director and the controlling Shareholder. As advised by the Management, Ms. Zheng Y.L. is not directors or officers of the Company.

Hainan Yihuan is principally engaged in the development and design of online games programs and operation of online games. It currently holds (i) the Business Licence for Value-added Telecommunications Business issued by Hainan Communications Administration (海

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南省通信管理局); and (ii) the Permit for Cyber Culture Business Operations issued by Hainan Provincial Department of Culture, Radio, Film, Television, Publication and Sports (海南省旅遊和文化廣電體育廳). Since its establishment in April 2018, Hainan Yihuan has not yet commenced its online games business and therefore no revenue was recorded. For the six months ended 30 June 2020, Hainan Yihuan recorded a minimal loss of approximately RMB8,000 due to administrative expenses.

3. Background of and reasons for the entering into of the VIE Agreements

The Group has tapped into the game business since the second half of 2017. Throughout these few years, the Group has continuously reviewed and diversified its game business from the beginning of launching mobile game titles in Hong Kong, Taiwan and Southeast Asia (excluding the PRC) in 2018 to the expansion of console games and online games in 2019 and the extension of the online game and esport business to the PRC in 2020.

In respect of the development of online game business in the PRC, the Directors noted that under the current laws and regulations of the PRC, foreign investors are “restricted” to invest and operate in the value-added telecommunication services business and “prohibited” to invest and operate in the internet cultural services business, implying that the development of the Group’s online game business in the PRC market has to be structured in a different way (e.g. through contractual arrangement) other than direct investment by the Group. Given that each of Hainan Seven Elements and Hainan Yihuan holds the Business Licence for Value-added Telecommunications Business and the Permit for Cyber Culture Business Operations for carrying on the online games business in the PRC, and each of Hainan Seven Elements and Hainan Yihuan has a clean operational and financial background as they have not yet commenced any business, the Directors consider Hainan Seven Elements and Hainan Yihuan as suitable and desirable platforms for the development of PRC online game business via the VIE Agreements.

Although the Group does not hold any equity interest in Hainan Seven Elements and Hainan Yihuan, the VIE Agreements are designed and structured in a way that the financial results, the entire economic benefits and the risks of the businesses of Hainan Seven Elements and Hainan Yihuan will be able to flow into the indirect wholly-owned subsidiary of the Group (namely Hainan Wanhui) and Hainan Wanhui will have indirect control over Hainan Seven Elements and Hainan Yihuan. The entering into of the VIE Agreements did not involve in any consideration. The Company has confirmed with its auditors that it has the right to consolidate the accounts of each of Hainan Seven Elements and Hainan Yihuan pursuant to the VIE Agreements.

According to the Letter from the Board, each of Hainan Seven Elements and Hainan Yihuan will be governed by a separate management team and will be serving different operational needs of the Group. Hainan Seven Elements will focus on publishing the Group’s online games’ titles

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through partnerships with various game platforms and by utilising traditional advertising methods. On the other hand, Hanan Yihuan will operate in conjunction with the esports business and will focus on publishing the Group's online games titles by utilising the Group's esports club for marketing such game titles to its massive fan base and followers from various social medias. The objective of such arrangement is to enable the development of the esports business as a separate business unit as well as to enable the management of the Group to better monitor and evaluate its business performance.

Having considered that (i) the expansion of online game and esport business to the PRC is in line with the development strategy of the Group; (ii) the Group is not allowed to directly invest or operate in the online game business in the PRC under the current laws and regulations of the PRC; (iii) each of Hainan Seven Elements and Hainan Yihuan possesses the necessary licence for the operation of the online game business in PRC; (iv) the VIE Agreements enable the Group to control the management and operation of, and receive the economic benefits derived by, each of Hainan Seven Elements and Hainan Yihuan; and (v) the entering into of the VIE Agreements did not involve in any consideration, we are of the view that the entering into of the VIE Agreements are in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the VIE Agreements

Each of the First VIE Agreements and the Second VIE Agreements contains a set of agreements. Set out below is a summary of those agreements and the brief description of the subject matter. For the principal terms of the VIE Agreements, please refer to the Letter from the Board.

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The First VIE Agreements

Agreements under the First VIE Agreements

Brief description of the subject matter

1. First Management Services Agreement

Scope of services

Hainan Wanhui (a) shall be involved in the business management, project management and technical services, personnel arrangement and financial management of Hainan Seven Elements; (b) shall provide investment and strategic business advice on the operation and technical services of Hainan Seven Elements; and (c) shall participate and assist in Hainan Seven Elements' operations and project management, complete the management consulting services in respect of Hainan Seven Elements and provide the relevant report and technical services to Hainan Seven Elements in a timely manner.

Fee

Hainan Seven Elements shall pay to Hainan Wanhui the services fee, which shall be equivalent to the total revenue of Hainan Seven Elements minus all relevant costs, expenses and taxes payable by Hainan Seven Elements, on an annual basis. In the event that Hainan Seven Elements is loss-making for a given year, then Hainan Seven Elements will not be required to pay any Management Services Fee for the relevant year until Hainan Seven Elements records a surplus.

2. First Equity Pledge Agreement

The Registered Shareholders has pledged, by way of first priority pledge, the entire equity interest in Hainan Seven Elements (including all dividend and interest paid or payable thereon) in favour of Hainan Wanhui as security for the performance of the obligations of Hainan Seven Elements under the First Management Services Agreement.

3. First Irrevocable Option Agreement

Hainan Seven Elements and the Registered Shareholders have irrevocably granted the right in favour of Hainan Wanhui to purchase or for its nominee to purchase the entire equity interest in Hainan Seven Elements at nil consideration.

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4. First Powers of Attorney
- The execution of:
- (i) the director's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Q.F.;
 - (ii) the shareholders' power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of the Registered Shareholders; and
 - (iii) the legal representative's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Q.F.
5. First Undertaking Letters
- The execution of:
- (i) the director's undertaking letter in favour of Hainan Wanhui;
 - (ii) the shareholders' undertaking letter in favour of Hainan Wanhui; and
 - (iii) the legal representative's undertaking letter in favour of Hainan Wanhui
6. First Declaration Letter
- Ms. Zheng Y.L. and her spouse have irrevocably declared that, among other things, (i) acknowledge that the 5% equity interests held by Ms. Zheng Y.L. in Hainan Seven Elements do not form part of their matrimonial property and Ms. Zheng Y.L. is entitled to sign and fulfill the First VIE Agreements in her personal capacity; and (ii) the spouse of Ms. Zheng Y.L. undertakes that in the event of divorce between Ms. Zheng Y.L. and him, he will not make any claim for the assets or profits of Hainan Seven Elements or be involved in the day-to-day management of Hainan Seven Elements.

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The Second VIE Agreements

*Agreements under the
Second VIE Agreements* *Brief description of the subject matter*

1. Second Management
Services Agreement

Scope of services

Hainan Wanhui (a) shall be involved in the business management, project management and technical services, personnel arrangement and financial management of Hainan Yihuan; (b) shall provide investment and strategic business advice on the operation and technical services of Hainan Yihuan; and (c) shall participate and assist in Hainan Yihuan's operations and project management, complete the management consulting services in respect of Hainan Yihuan and provide the relevant report and technical services to Hainan Yihuan in a timely manner.

Fee

Hainan Yihuan shall pay to Hainan Wanhui the services fee, which shall be equivalent to the total revenue of Hainan Yihuan minus all relevant costs, expenses and taxes payable by Hainan Yihuan, on an annual basis. In the event that Hainan Yihuan is loss-making for a given year, then Hainan Yihuan will not be required to pay any services fee for the relevant year until Hainan Yihuan records a surplus.

2. Second Equity Pledge
Agreement

Ms. Zheng Y.L. has pledged, by way of first priority pledge, the entire equity interest in Hainan Yihuan (including all dividend and interest paid or payable thereon) in favour of Hainan Wanhui as security for the performance of the obligations of Hainan Yihuan under the Second Management Services Agreement.

3. Second Irrevocable
Option Agreement

Hainan Yihuan and Ms. Zheng Y.L. have irrevocably granted the right in favour of Hainan Wanhui to purchase or for its nominee to purchase the entire equity interests in Hainan Yihuan at nil consideration.

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4. Second Powers of Attorney
- The execution of:
- (i) the director's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Y.L.;
 - (ii) the shareholders' power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Y.L.; and
 - (iii) the legal representative's power of attorney in favour of Hainan Wanhui pursuant to which Hainan Wanhui was appointed as the exclusive attorney-in-fact of Ms. Zheng Y.L.
5. Second Undertaking Letters
- The execution of:
- (i) the director's undertaking letter in favour of Hainan Wanhui;
 - (ii) the shareholders' undertaking letter in favour of Hainan Wanhui; and
 - (iii) the legal representative's undertaking letter in favour of Hainan Wanhui
6. Second Declaration Letter
- Ms. Zheng Y.L. and her spouse have irrevocably declared that, among other things, (i) acknowledge that the entire equity interests held by Ms. Zheng Y.L. in Hainan Yihuan do not form part of their matrimonial property and Ms. Zheng Y.L. is entitled to sign and fulfill the Second VIE Agreements in her personal capacity; and (ii) the spouse of Ms. Zheng Y.L. undertakes that in the event of divorce between Ms. Zheng Y.L. and him, he will not make any claim for the assets or profits of Hainan Yihuan or be involved in the day-to-day management of Hainan Yihuan.

In accordance with the Stock Exchange's Guidance Letter HKEx-GL77-14 which provides guidance to listed issuers using contract-based arrangements or structures to indirectly own and control any part of their businesses, the structured contracts should be narrowly tailored to achieve the issuer's business purpose and minimise the potential for conflict with relevant PRC laws and regulations, and the issuer should obtain a PRC legal opinion that the contractual arrangements comply with PRC laws, rules and regulations. Accordingly, we have obtained and reviewed the VIE Agreements and the PRC legal opinion in respect of the VIE Agreements, and noted that:

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- (i) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, the use of the VIE structures and the VIE Agreements do not violate the relevant prevailing laws and regulations in the PRC;
- (ii) the VIE Agreements would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law;
- (iii) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, which may not be enforceable under PRC law, the VIE Agreements are enforceable under the laws of the PRC;
- (iv) the First Powers of Attorney and the Second Powers of Attorney were executed which grant Hainan Wanhui and its successors (including a liquidator replacing Hainan Wanhui) the power to exercise all rights of each of Hainan Seven Elements and Hainan Yihuan's shareholders, including the rights to vote in a shareholders' meeting, sign minutes, file documents with the relevant companies registry;
- (v) the terms of the VIE Agreements provide that the arbitration tribunal may award (i) remedies over the equity interests or assets of Hainan Seven Elements and Hainan Yihuan; or (ii) injunctive relief (e.g. for the conduct of business or to compel the transfer of assets); or (iii) order the winding up of Hainan Seven Elements and Hainan Yihuan;
- (vi) the VIE Agreements include a clause in relation to dispute resolution among the parties whereby, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, the Cayman Islands, the PRC and the location where the principal assets of the Company and Hainan Seven Elements and Hainan Yihuan are located;
- (vii) the VIE Agreements confer upon the Group the right to enjoy all the economic benefit of Hainan Seven Elements and Hainan Yihuan by the Management Services Agreements under which Hainan Seven Elements and Hainan Yihuan shall pay to Hainan Wanhui the services fee, which shall be equivalent to the total revenue of Hainan Seven Elements and Hainan Yihuan respectively minus all relevant costs, expenses and taxes payable by Hainan Seven Elements and Hainan Yihuan, on an annual basis;

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- (viii) the VIE Agreements provide that, without the prior written consent of Hainan Wanhui, Hainan Seven Elements and Hainan Yihuan shall not, in any form, dispose of significant assets (including but not limited to any significant customer resources, fixed assets, trademarks, technical knowhow or other intellectual property rights and/or other equity interests or similar interests held by Hainan Seven Elements or Hainan Yihuan), operating rights and/or dispose of all or part of its business (including sale, replacement, mortgage or disposal in any other ways), with respect to it and/or its subsidiaries (if any);
- (ix) the Company has confirmed with its auditors that it has the right to consolidate the accounts of each of Hainan Seven Elements and Hainan Yihuan pursuant to the VIE arrangements;
- (x) the Group will adopt the internal control as set out under the section headed “Internal control measures to be implemented by the Group” in the Letter from the Board to monitor the operation of Hainan Seven Elements and Hainan Yihuan and the VIE Agreements;
- (xi) the Company agrees that it would unwind the VIE Agreements as soon as the relevant laws and regulations allow the value-added telecommunications business and the internet cultural services business in the PRC to be operated by foreign investors without adopting a VIE structure;
- (xii) the Irrevocable Option Agreements provide that, upon termination of the VIE arrangements, the respective registered shareholders of Hainan Seven Elements and Hainan Yihuan must return to Hainan Wanhui or its nominee any consideration that such registered shareholders had received from Hainan Wanhui for the acquisition of the equity interests in Hainan Seven Elements and Hainan Yihuan;
- (xiii) the VIE Agreements include a provision that each agreement is binding on the liquidators, successors, and permitted assignees of the respective parties. In the event of death, bankruptcy or divorce of any party of registered shareholders of Hainan Seven Elements and/or Hainan Yihuan, Hainan Wanhui may exercise its option(s) under the respective Irrevocable Option Agreement(s) to replace the relevant party of such registered shareholders, thus protecting the interest of the Group and allowing Hainan Wanhui to enforce its rights under the VIE Agreements against the liquidators, successors and permitted assignees of the shareholders of Hainan Seven Elements and Hainan Yihuan.

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Having considered the above, we are of the view that the VIE Agreements take into account of the principles set out in the Stock Exchange's guidance letter HKEx-GL-77-14 and the terms of the VIE Agreements are on normal commercial terms, fair and reasonable.

5. The waiver from strict compliance with the Listing Rules

The Company applied for, and the Stock Exchange has granted the following waivers:

5.1. Waiver from limiting the term of each of the VIE Agreements to three years or less pursuant to Rule 14A.52 of the Listing Rules

The VIE Agreements are structured to facilitate the expansion of the Group's business into the online game and esports business in the PRC. So long as the restriction on the foreign investors to invest and operate in the online game business in PRC are still applicable, the VIE Agreements are necessary and fundamental for the Group to carry on the online game business in the PRC. As the VIE Agreements enable Hainan Wanhui to obtain the effective control of Hainan Seven Elements and Hainan Yihuan and to absorb the financial results, the entire economic benefits and the risks of the businesses of Hainan Seven Elements and Hainan Yihuan, the VIE Agreements are the key for the Group to treat each of the Hainan Seven Elements and Hainan Yihuan as its subsidiary and therefore consolidate their financial results into that of the Group. Given the VIE Agreements are of paramount importance to the operation of the online game business in the PRC, it is commercially desirable for the VIE Agreements to be of a term of more than three years in order to secure the economic benefits from the business of Hainan Seven Elements and Hainan Yihuan in the long term until the Hainan Wanhui or any nominee of the Group are permitted to be a registered shareholder of Hainan Seven Elements and Hainan Yihuan.

In order to access the fairness and reasonableness of the duration of the VIE Agreements, we have identified a list of contract-based arrangements or structures adopted by companies listed on the Stock Exchange (the "**Comparable Company(ies)**") which enable the relevant listed companies to obtain control over the operating businesses of the PRC companies in which foreign investment is restricted by the relevant PRC laws and regulations (the "**Comparable Transactions**") as announced during the period commencing from 29 May 2019, being the twelve-month period prior to the date of the First VIE Agreements, up to and including 23 June 2020, being the date of the Second VIE Agreements (the "**Review Period**"). To the best of our knowledge and as far as we are aware of, we identified 14 Comparable Transactions which were announced during the Review Period and have not lapsed as at the Latest Practicable Date. The following table sets forth the relevant details of the Comparable Transactions:

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Table 2: Details of the Comparable Transactions

Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement
19 June 2020	Bojun Education Company Limited (1758)	Private education business	No fixed term	Foreign ownership in the private education industry in the PRC is subject to prohibition and restrictions under the relevant PRC laws and regulations.
15 June 2020	China Renaissance Holdings Limited (“China Renaissance”) (1911)	<p>(i) Act as general partners of new private equity funds/fund of funds established by China Renaissance to invest in private equities or other third-party managed private funds; and</p> <p>(ii) Act as limited partner of other private equity funds established or managed by third parties</p>	No fixed term	Applicable laws and regulatory restrictions on foreign ownership.
5 June 2020	China Youzan Limited (8083)	Operation of live streaming platforms in the PRC	<p>(1) The relevant exclusive business cooperation agreement: perpetual</p> <p>(2) Others: no fixed term</p>	To comply with the foreign ownership restrictions under the PRC laws and regulations.
29 May 2020	Huifu Payment Limited (1806)	Payment services and fintech enabling services	No fixed term	The relevant businesses fall in the category where foreign investment is subject to restriction according to the PRC laws and regulations.

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement
29 April 2020	WAC Holdings Limited (8619)	Value-added telecommunication services, specifically online data processing and transaction processing (operating e-commerce) in the PRC	(1) The relevant service agreement: 10 years (renewable) (2) Others: no fixed term	The PRC laws and regulations do not allow a foreign investor without good track record and operational experience in value-added telecommunication services to own, whether directly or indirectly, any company that engages in the relevant business in the PRC.
13 March 2020 and 28 April 2020	A8 New Media Group Limited (800)	Provision of telecommunications value-added services business in the PRC	(1) The relevant exclusive business cooperation and service agreement: 20 years (renewable) (2) Others: no fixed term	Foreign investors are restricted to conduct telecommunications value-added services business pursuant to applicable PRC laws and regulations.
27 November 2019	Tongdao Liepin Group (formerly known as Wise Talent Information Technology Co., Ltd) (6100)	Provision of online questionnaire software-as-a-service	(1) The relevant exclusive option agreement and the relevant exclusive business cooperation agreement: 10 years (renewable) (2) Others: no fixed term	The license required for the operation of the relevant business is subject to foreign investment restrictions under the PRC regulatory framework.
26 November 2019	Sino-life Group Limited (8296)	Research, production and sales of products of stem cells	Proposed to be more than three years (<i>Note</i>)	Foreign ownership restrictions under the PRC laws and regulations.

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement
1 November 2019	Haidilao International Holding Ltd. (6862)	(i) Online games operation; (ii) Value-added telecommunication business; and (iii) Other ancillary businesses	(1) The relevant exclusive management consulting service agreement: 10 years (renewable) (2) Others: no fixed term	Foreign investment restrictions under the PRC laws.
31 October 2019	Health and Happiness (H&H) International Holdings Limited (“ H&H International ”) (1112)	E-commerce business	3 years (renewable)	Under the relevant rules and regulations in the PRC, foreign investors hold more than 50% of the equity interest of a company conducting e-commerce business could apply the relevant permit from the relevant authority. However, as there is no specific implementation guidance as to the regulation of foreign investors, the e-commerce business could not be transferred to H&H International for operation.
28 August 2019	Meitu, Inc. (1357)	Provision of online recruitment services	(1) The relevant exclusive option agreement and exclusive business cooperation agreement: 10 years (renewable) (2) Others: no fixed term	Foreign investment activities in the PRC shall be subject to the restrictions as set forth in the PRC laws and regulations.

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement
23 July 2019	TCL Electronics Holdings Limited (1070)	Value-added telecommunications business and internet cultural business in the PRC	(1) The relevant exclusive business co-operation agreement and the relevant exclusive purchase right agreement: 18 years (renewable) (2) Others: no fixed term	Foreign investment restrictions under the PRC laws.
15 July 2019	Inke Limited (3700)	Development of technology and internet cultural activities	(1) The relevant exclusive consulting and service agreement: 10 years (renewable) (2) Others: no fixed term	Foreign investment in the business of internet cultural activities in the PRC is prohibited.
31 May 2019	Steering Holdings Limited (formerly known as Dafy Holdings Limited) (1826)	Value-added telecommunications business	No fixed term	Restriction and ambiguity in the relevant qualification requirement for foreign investors to invest in a value-added telecommunications services company

Source: the website of the Stock Exchange

Note: According to the announcement of Sino-life Group Limited (stock code: 8296) (“Sino-life”) dated 26 November 2019, Sino-life would apply to the Stock Exchange for a waiver from, among others, fixing a term of the relevant VIE agreements not exceeding three years pursuant to Chapter 20 of the GEM Listing Rules. As the relevant waiver had not been granted as at the Latest Practicable Date, we have excluded it from our analysis for the duration of the VIE agreements under the Comparable Transactions.

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As shown in Table 2 above, a series of contractual arrangements were entered into by the Comparable Companies with the relevant PRC operating company(ies) and/or their respective shareholders such that those Comparable Companies can effectively control the PRC operating company(ies) and therefore consolidate the financial results of those PRC operating company(ies) into their consolidated financial statements. Save for the contractual arrangement entered into by H&H International which is of duration of three years, the duration of all other contractual arrangements contemplated under the Comparable Transactions ranged from ten years to an indefinite term. The duration of the VIE Agreements of an indefinite term falls within the range of the duration of the contractual arrangements contemplated under the Comparable Transactions. Therefore, we consider that the duration of the VIE Agreements of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature to the VIE Agreements.

5.2. Waiver from setting annual caps for the transactions contemplated under each of the VIE Agreements pursuant to Rule 14A.53 of the Listing Rules

Pursuant to the First Management Services Agreement and the Second Management Services Agreement, each of Hainan Seven Elements and Hainan Yihuan shall pay to Hainan Wanhui the services fee on an annual basis. This arrangement is indeed enabling the economic benefits generated by each of Hainan Seven Elements and Hainan Yihuan to flow into Hainan Wanhui. If annual caps are set for the services fee to be paid by each of Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui, there will be a limitation on Hainan Wanhui in respect of the full capture of the economic benefits generated by each of Hainan Seven Elements and Hainan Yihuan, which defects the purpose of the arrangement under the VIE Agreements. We concur with the view of the Directors that it would be unduly burdensome and impracticable for the Company to set the annual caps at the beginning of the financial year or to renew the annual caps during the interim of the financial year upon foreseeing the possible breach of which.

Therefore, we are of the view that it is commercially reasonable for the Company not to set maximum annual caps for the services fees payable by each of Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui in order to allow effective operation of the VIE Agreements in respect of the full capture of economic benefits by the Group generated by each of Hainan Seven Elements and Hainan Yihuan.

6. Conditions of the waivers

The Stock Exchange has agreed to grant the waiver subject to the following conditions, (i) save as described in paragraph (iv) below, no changes to the terms of the VIE Agreements will be made without the approval of the Independent Shareholders; (ii) save as described in paragraph (iv) below, no changes to the terms of the VIE Agreements will be made without the approval of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the independent non-executive Directors; (iii) the VIE Agreements shall continue to enable the Group to receive the economic benefits derived by each of Hainan Seven Elements and Hainan Yihuan through: (a) Hainan Wanhui's right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in each of Hainan Seven Elements and Hainan Yihuan; (b) the business structure under which the revenue generated by each of Hainan Seven Elements and Hainan Yihuan is substantially retained by Hainan Wanhui (insofar that no annual caps shall be set on the amount of the management services fees payable by each of Hainan Seven Elements and Hainan Yihuan to Hainan Wanhui under the Management Services Agreements); and (c) Hainan Wanhui's right to control the management and operation of, as well as, in substance, all of the voting rights of each of Hainan Seven Elements and Hainan Yihuan; (iv) the framework of the VIE structures may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group may wish to establish, without obtaining the approval of the independent shareholders of the Company, on substantially the same terms and conditions as the VIE Agreements.; and (v) there will be ongoing reporting and approval procedures as disclosed in the Letter from the Board of this circular.

We consider that the above mentioned conditions safeguard the interests of the Company and the Shareholders, in particular that any change to the terms of the VIE Agreements will require the approval from the independent non-executive Directors and the Independent Shareholders.

7. Possible financial effects of the VIE Agreements

Through the VIE Agreements, Hainan Wanhui will have effective control over the finance and operation of each of Hainan Seven Elements and Hainan Yihuan. As disclosed in the "Letter from the Board" of this Circular, the financial results of each of Hainan Seven Elements and Hainan Yihuan will be consolidated into the financial statements of the Group. As such, the Group will have additional revenue stream from the operation of Hainan Seven Elements and Hainan Yihuan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION

Having considered the above factors, we consider that (i) the entering into the VIE Agreements is in the ordinary and usual course of the business of the Group; (ii) the terms of the VIE Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole; and (iii) the duration of the VIE Agreements of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature to the VIE Agreements. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the VIE Agreements.

Yours faithfully,

For and on behalf of

Astrum Capital Management Limited

Hidulf Kwan

Managing Director

Rebecca Mak

Director

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2011 and has participated in and completed various independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Long position in the Shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Mr. Cheng (<i>Note 1</i>)	Interest through a controlled corporation	214,428,488	74.66%
Ms. Yeung (<i>Note 2</i>)	Interest of spouse	214,428,488	74.66%

Notes

- 214,428,488 Shares are held by Diamond State Holdings Limited, the issued share capital of which is wholly-owned by Mr. Cheng. Mr. Cheng is deemed to be interested in 214,428,488 Shares held by Diamond State Holdings Limited under the SFO.

2. Ms. Yeung is the spouse of Mr. Cheng. Ms. Yeung is deemed to be interested in all the Shares in which Mr. Cheng is deemed to be interested under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares, underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital, were as follows:

Long position in the Shares:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest
Diamond State Holdings Limited	Beneficial owner	214,428,488	74.66%
<i>(Note)</i>			

Note: Diamond State Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is wholly-owned by Mr. Cheng.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the issued share capital of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

Mr. Cheng, an executive Director, (i) is a director and a beneficial owner of Sun Finance Company Limited (“SFCL”), a company incorporated in Hong Kong and a licensed money lender engaged in money lending business under the Money Lenders Ordinance; and (ii) is a director and a substantial shareholder (as defined under the Listing Rules) of Sun International Group Limited, which engages in money lending business through its subsidiary, Sun International Credit Limited (“SICL”), a company incorporated in Hong Kong and a licensed money lender under the Money Lenders Ordinance.

SFCL and SICL competes or may compete, either directly or indirectly, with the business of the Group.

The Board considers that, having considered the following facts:

- (i) Mr. Cheng is fully aware of his fiduciary duty to the Group and he will abstain from voting on any matter when there is or may be a conflict of interest;

- (ii) the Group is a capable of, and does carry on its business independently of, and on an arm's length basis with the competing business of SFCL and SICL;
- (iii) an executive committee will be informed to ensure business opportunities and the performance of Best Gold Corporation Limited, a wholly-owned subsidiary of the Company will be independently assessed and reviewed from time to time;
- (iv) Mr. Cheng will abstain from voting on any matter where there is or may be a conflict of interest in accordance with the requirements of the articles of association of the Company; and
- (v) Mr. Cheng will allow Best Gold Corporation Limited to remain as an independent operating entity with its own management team and distribution network and will not involve in its daily management.

Since (i) all the major and important corporate actions of the Company are and will be fully deliberated and determined by the Board; and (ii) any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the articles of association of the Company, the Board is of the view that each of the relevant Directors does not, by himself or in an individual capacity, competes with the Company and/or the business of the Group. The Group's interest is adequately safeguarded.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up.

6. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

7. QUALIFICATION AND CONSENTS OF EXPERTS

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualifications
Astrum Capital	a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contract), and type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Hills & Co.	the legal advisers to the Company as to PRC law

Each of Astrum Capital and Hills & Co. has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report(s) and/or opinion(s) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Astrum Capital and Hills & Co. did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Astrum Capital and Hills & Co. did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ip Ka Ki (“**Mr. Ip**”). Mr. Ip obtained a Bachelor’s Degree in Business Administration (Honours) in Accountancy from the Lingnan University in 2003. He is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Chartered Secretaries. He has over 15 years of experience in accounting, auditing and finance.
- (b) The Company’s registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The Company’s head office and principal place of business in Hong Kong is at Room 02, 26/F., One Harbour Square, No. 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (d) The principal share registrar of the Company is Maples Fund Services (Cayman) Limited, whose registered office is at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.
- (e) The Hong Kong branch registrar of the Company is Tricor Investor Services Limited, whose registered office is at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (f) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at Room 02, 26/F., One Harbour Square, No. 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

- (a) the VIE Agreements;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 48 to 49 of this circular;

- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 50 to 72 of this circular;
- (d) the PRC legal opinions from the PRC Legal Advisers in respect of the VIE Agreements;
- (e) the written consents referred to in the section headed “7. Qualifications and consents of experts” in this appendix;
- (f) the memorandum of association and the articles of association of the Company; and
- (g) this circular.

NOTICE OF EGM



Imperium Group Global Holdings Limited

帝國集團環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0776)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Imperium Group Global Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Conference Room, Room 02, 26/F., One Harbour Square, No. 181, Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 23 October 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution to be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the VIE Agreements (as defined in the Company’s circular dated 7 October 2020), a copy of which is tabled at the meeting marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the VIE Agreements and the transactions contemplated thereunder as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the Board
Imperium Group Global Holdings Limited
Cheng Ting Kong
Chairman

Hong Kong, 7 October 2020

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or, if he is the holder of two or more shares, more than one person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 3:00 p.m. (Hong Kong time) on Wednesday, 21 October 2020.