**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, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in GET Holdings Limited ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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# GET HOLDINGS LIMITED
# 智易控股有限公司*

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock code: 8100)**

# MAJOR TRANSACTION:
# ACQUISITION OF 100% INTEREST IN THE TARGET
# AND
# NOTICE OF SPECIAL GENERAL MEETING

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A notice convening the SGM to be held at 10:30 a.m. on Tuesday, 30 December 2014 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed herein.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication and on the Company's website at www.geth.com.hk.

* *For identification purposes only*

11 December 2014

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

# CONTENTS

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

| | |
|---|---|
| "Acquisition" | the acquisition of the Sale Shares |
| "Board" | the board of Directors |
| "close associates" | has the meaning ascribed to it under the GEM Listing Rules |
| "Company" | GET Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on GEM |
| "Completion" | completion of the sale and purchase of the Sale Shares |
| "Completion Date" | the third business day after the last outstanding Condition shall have been fulfilled or waived (or such other date agreed by the Purchaser and the Vendor in writing) on which Completion is to take place |
| "Condition(s)" | the conditions precedent to which Completion is subject to as set out in the paragraph headed "Conditions precedent" under the section of "Letter from the Board" below |
| "connected person(s)" | has the meaning ascribed to it under the GEM Listing Rules |
| "Consideration" | the sum of HK$18 million, being the consideration for the sale and purchase of the Sale Shares |
| "Director(s)" | the director(s) of the Company |
| "Enlarged Group" | the Group as enlarged by the Acquisition |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM |
| "Group" | the Company and its subsidiaries |
| "Guarantor" | Mr. Chan Sek Keung, Ringo |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Parties" | third parties independent of the Company and connected persons of the Company and "Independent Third Party" shall be construed accordingly |

| | |
|---|---|
| "Latest Practicable Date" | 8 December 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| "Loan Facilities" | the existing loan facilities in use by the Target as at the date of the SP Agreement |
| "Long Stop Date" | 31 January 2015 (or such later date as the Purchaser and the Vendor may agree in writing) |
| "Material Adverse Change" | any change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations of the Target as a whole |
| "PRC" | the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Purchaser" | e-Perfect IT Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Restructuring of the Loan Facilities" | (i) the repayment of all Loan Facilities and other third party indebtedness of the Target (other than those which are trade in nature); or (ii) the replacement of all Loan Facilities and other third party indebtedness of the Target (other than those which are trade in nature); or (iii) the release of all Loan Facilities and other third party indebtedness of the Target (other than those which are trade in nature) and related collateral security, in each case, to the intent that the all Loan Facilities and other third party indebtedness of the Target shall not be shared with any entity not being a subsidiary of the Target (if any) and that the Target will not be providing any form of collateral security, including but not limited to corporate guarantee, in favour of any third party in respect of liabilities of any third party |
| "Sale Shares" | 10,000 Shares, representing 100% of the issued share capital of the Target as at Completion, legally and beneficially owned by the Vendor immediately prior to Completion |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |

| | |
|---|---|
| "SGM" | a special general meeting of the Company to be held at 10:30 a.m. on Tuesday, 30 December 2014 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, approving the Acquisition and other transactions contemplated under the SP Agreement |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "SP Agreement" | the agreement dated 31 October 2014 entered into between the Purchaser, the Vendor and the Guarantor in relation to the Acquisition |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target" | Wafer Systems (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability |
| "Vendor" | Wafer Systems Limited, a company incorporated in Hong Kong with limited liability |
| "Warrantors" | the Vendor and the Guarantor |
| "Warrantors' Warranties" | the representations, warranties and undertakings given by the Warrantors under the SP Agreement |

# GET HOLDINGS LIMITED
# 智易控股有限公司*

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock code: 8100)**

*Executive Directors:*
Mr. Kuang Hao Kun Giovanni *(Chairman)*
Mr. Xue Qiushi *(Chief Executive Officer)*

*Independent Non-executive Directors:*
Mr. Lam Kit Sun
Mr. Yip Chi Fai Stevens
Ms. Xiao Yiming

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business in Hong Kong:*
Room 1703, 17/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

11 December 2014

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION: ACQUISITION OF 100% INTEREST IN THE TARGET

### INTRODUCTION

Reference is made to the announcement of the Company dated 31 October 2014 in which the Company announced that on 31 October 2014, after trading hours, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the SP Agreement pursuant to which the Vendor had conditionally agreed to sell, and the Purchaser had conditionally agreed to acquire, the Sale Shares (representing 100% of the issued share capital of the Target) at the Consideration of HK$18,000,000.

The purpose of this circular is to provide you with, among other things, (i) details of the SP Agreement and the transactions contemplated thereunder (including the Acquisition); (ii) further information of the Group, the Target and, as appropriate the Enlarged Group; and (iii) the notice of the SGM.

* *For identification purposes only*

## THE SP AGREEMENT

Major terms of the SP Agreement are set out below.

**Date:**

31 October 2014

**Parties:**

(1) the Purchaser, e-Perfect IT Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;

(2) the Vendor, Wafer Systems Limited, a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties; and

(3) the Guarantor, Mr. Chan Sek Keung, Ringo. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Guarantor is an Independent Third Party. The Guarantor is joined as party to the SP Agreement to guarantee the performance by the Vendor of its obligations under the SP Agreement.

**Assets to be acquired**

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% equity interest in the Target, free from all encumbrances, and together with all rights and benefits attaching thereto.

To the best of the Directors' knowledge, information and belief, there is no restriction which applies to the subsequent sale of the Sale Shares.

**Consideration**

The Consideration payable by the Purchaser to the Vendor is HK$18 million and shall be settled in cash as follows:

(i) as to HK$5 million shall be paid upon signing of the SP Agreement as refundable deposit ("**Deposit**"); and

(ii) the balance of the Consideration shall be paid upon Completion.

The Consideration will be funded by the Group's internal resources.

**Basis of Consideration**

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the preliminary business valuation of the Target as at 30 September 2014 in the sum of about HK$23.53 million as appraised by an independent appraiser engaged by the Company. Such preliminary business valuation of the Target as at 30 September 2014 was subsequently revised to HK$23,986,000 by the independent appraiser due to audit adjustments to the interest expense, staff costs and operating expenses of the Target. The business valuation of the Target is set out in Appendix IV to this circular.

The Directors consider that the future performance of the Target could be affected by some external factors which are out of its control. If any of the risk factors materialized, depending on the severity, there might be negative impacts on the Target's profitability and there will be a risk that the goodwill will be impaired. For example, a financial crisis might affect the Target's revenue, making it difficult to achieve its sales targets. Higher inflation increases the Target's operating costs and hence reduces its profits. Besides, the emergence of competitive technologies might also exert pressure on revenue.

After due and careful consideration of the business valuation of the Target and taking into account the Target's comprehensive products portfolio and its profitability records in the past few years as well as its business prospects, the Directors are of the opinion that the Consideration is fair and reasonable.

**Conditions precedent**

Completion is subject to the fulfilment or (if applicable) waiver of the following Conditions:

(a) the purchase of the Sale Shares and other transactions as contemplated under the SP Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the SGM;

(b) legal opinions issued by the Target's Hong Kong legal counsel which provide, among others, that (i) all necessary approvals from and/or necessary filings (if applicable) to governmental entities in connection with the execution, performance and enforcement of the SP Agreement having been obtained and being in full force and effect; (ii) all licences necessary for the business and operations of the Target (if applicable) having been obtained and being in full force and effect; and (iii) the formation and valid subsistence of the Target and such other matters as the Purchaser may consider necessary in a form satisfactory to the Purchaser having been received by the Purchaser;

(c) the Purchaser being reasonably satisfied with the results of the due diligence exercise to be conducted on (whether on legal, accounting, financial, operational, properties or other aspects that the Purchaser considers appropriate) the Target and its assets, properties, liabilities, activities, operations, prospects and other status which the Purchaser thinks appropriate to conduct;

(d) all necessary consents, approvals, waivers and authorisations required to be obtained on the part of the Vendor in respect of the SP Agreement and the transactions contemplated thereby having been obtained;

(e) there is no Material Adverse Change or prospective Material Adverse Change in the Target's business, operations, financial conditions or prospects taken as a whole since the date of the SP Agreement;

(f) the Purchaser being satisfied that, from the date of the SP Agreement and at any time before the Completion, that the Warrantors' Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Warrantors' Warranties or other provisions of the SP Agreement by the Warrantors; and

(g) the completion of the Restructuring of the Loan Facilities, which is to the satisfaction of the Purchaser.

Conditions (a) and (d) are not capable of being waived by any parties to the SP Agreement. The Purchaser may waive Conditions (b), (c), (e), (f) and (g) and in waiving any of such Conditions, the Purchaser may, in its absolute discretion, impose such conditions to such waiver. During the course of negotiation of the SP Agreement by the parties, only those Conditions which must be complied with under applicable laws and regulations or rules (i.e. Conditions (a) and (d)) were made incapable of being waived and all other Conditions were made capable of being waived by the Group for the sake of flexibility. As regards Conditions (b), (c), (e), (f) and (g), the Group has engaged legal adviser and reporting accountants to conduct legal due diligence and audit review on the Target and the Group has also engaged an independent appraiser to appraise the value of the Target. In addition, the Group has requested the Target to engage legal adviser to issue legal opinion on, among others, formation and valid subsistence of the Target as well as assisting the Target in the Restructuring of the Loan Facilities. While certain of the Conditions (including Conditions (b), (c), (e), (f) and (g)) are capable of being waived by the Group for the sake of flexibility, the Group currently does not have any intention to waive any of the Conditions. Up to the Latest Practicable Date, the Group is currently not aware of any circumstances which lead to the waiver of the Conditions.

If any of the Conditions shall not have been fulfilled or (if applicable) waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties to the SP Agreement under the SP Agreement shall cease and terminate, save and except the provision regarding the refund of the Deposit and certain provisions relating to confidentiality, costs and expenses and certain miscellaneous matters which provisions shall remain in full force and effect, and no party to the SP Agreement shall have any claim against the other save for claim (if any) in respect of any antecedent breach thereof. If the SP Agreement is terminated for the above reason, the Vendor shall refund the Deposit received by it to the Purchaser within three business days from the date of such termination without interests.

**Completion**

Subject to the fulfilment or waiver (as the case may be) of all the Conditions set out above, Completion shall take place on the Completion Date.

Immediately after Completion, the Company will own 100% equity interest in the Target through the Purchaser. The Target will become a wholly-owned subsidiary of the Company.

## INFORMATION ABOUT THE TARGET

The Target is a company incorporated in Hong Kong with limited liability and is principally engaged in the network system integration, including provision of network infrastructure solutions and network professional services in Hong Kong and the PRC.

Set out below is a summary of certain audited financial information of the Target for the two years ended 31 December 2013:

| | For the year ended 31 December 2012 | For the year ended 31 December 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Net profit (before taxation) | 250 | 1,571 |
| Net profit (after taxation) | 250 | 1,571 |

The unaudited total asset value and net liability of the Target as at 30 September 2014 were approximately HK$58,771,000 and HK$4,599,000 respectively.

## INFORMATION ABOUT THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in (i) research, development and distribution of personal computer performance software, anti-virus software, mobile phone applications and toolbar advertisement, (ii) website development, e-learning products and services, (iii) securities investment, (iv) money lending, (v) provision of insurance and Mandatory Provident Fund schemes brokerage services and (vi) provision of corporate management solutions and information technology ("**IT**") contract services.

## REASONS FOR AND BENEFITS OF THE ACQUISITION UNDER THE SP AGREEMENT

The Target is principally engaged in the network system integration, including provision of network infrastructure solutions and network professional services in Hong Kong and the PRC.

The Group aims at becoming a comprehensive IT business platform. Therefore, the Acquisition is in line with the business development strategy of the Group, by which the Group can expand its business into the network construction and management. The Directors believe that the Acquisition will provide a better support to the Group's software development and strengthen the Group's position in the IT industry, which will in turn enhance the financial performance of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE GEM LISTING RULES

As certain of the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the GEM Listing Rules and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## SGM

The SGM will be held at 10:30 a.m. on Tuesday, 30 December 2014 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong for the Shareholders to consider and, if thought fit, approve, among other matters, the Acquisition and other transactions contemplated under the SP Agreement.

In compliance with the GEM Listing Rules, the resolution will be voted on by way of poll at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has any material interest in the Acquisition and no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

## RECOMMENDATION

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

## ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board
**GET Holdings Limited**
**Kuang Hao Kun Giovanni**
*Chairman*

## 1. FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 respectively have been set out in the Company's annual reports for the years ended 31 December 2011 (from pages 24 to 95), 31 December 2012 (from pages 42 to 115) and 31 December 2013 (from pages 60 to 167).

Details of the financial information of the Group for the six months ended 30 June 2014 is set out in the unaudited condensed consolidated financial statements in the interim report of the Company for the six months ended 30 June 2014 (from pages 3 to 33).

All annual reports and interim report of the Company have been posted on the website of the Company at www.geth.com.hk. Please visit the Company's website for more details.

## 2. INDEBTEDNESS OF THE ENLARGED GROUP

### Borrowings

At the close of the business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following outstanding borrowings:

| | Note | Current portion<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| Performance shares | 1 | 23,210 | 23,210 |
| Bank and other borrowings, secured | 2 | | |
| — Portion of bank and other borrowings due for repayment within one year | | 15,424 | 15,424 |
| | | 15,424 | 15,424 |
| Amount due to a fellow subsidiary | 3 | 8,203 | 8,203 |
| Others | | 972 | 972 |
| | | 47,809 | 47,809 |

*Notes:*

1. Unless defined otherwise, capitalised terms used in these notes have the same meaning as defined in the circular of the Company dated 23 February 2013. On 31 March 2013, upon the completion of the acquisition of 50.5% of the issued share capital of Apperience Corporation, the Company

agreed to issue the new shares comprising the Tranche I Performance Shares and the Tranche II Performance Shares as partial consideration for the acquisition at the issue price of HK$0.108 per performance share, the maximum number of which shall be 1,452,342,588 subject to adjustment. Tranche I Performance Shares shall be allotted and issued during the Target Profit Period I which is a period of 12 months commencing on the first day of the calendar month immediately next following completion of acquisition of Apperience Corporation. Tranche II Performance Shares shall be allotted and issued during the Target Profit Period II which is a period of 12 months commencing on the first day of the 13th calendar month following completion of acquisition of Apperience Corporation.

On 6 June 2014, 715,522,718 Tranche I Performance Shares, credited as fully paid, were allotted and issued.

On 18 July 2014, the Company implemented the Capital Reorganisation, the total of 736,819,870 unissued Tranche I Performance Shares and Tranche II Performance Shares were adjusted to be 184,204,961 shares (subject to further adjustment).

At the close of business on 31 October 2014, the liability of performance shares represented the fair value of unissued Tranche I Performance Shares and Tranche II Performance Shares which were assumed to be allotted.

2. The other borrowings of approximately HK$11,330,000 which represented principal loan of HK$11,000,000 plus interest and other charges were guaranteed by the Company.

   At the close of business on 31 October 2014, the Target, its immediate holding company, Wafer Systems Limited and its fellow subsidiary, Wafer Systems (China) Limited, and its sole director, Mr. Chan Sek Keung, Ringo, provided cross financial guarantee to banks in respect of general banking facilities amounting to HK$17,000,000 in aggregate, of which approximately HK$4,094,000 was utilized by the Target.

3. The Target had outstanding balance with its fellow subsidiary, Wafer Systems (China) Limited, of approximately HK$8,203,000. The amount due is unsecured, interest-free and has no fixed terms of repayment.

**Pledge of assets**

At the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had pledged bank deposits of approximately US$80,000 (equivalent to approximately HK$622,000) and HK$1,004,000 which represented deposits pledged to banks to secure banking facilities to the extent of HK$1,500,000 granted to the Group. The deposits are in US$ and HK$ at fixed interest rate of 0.05% per annum and 0.7% per annum respectively.

As at 31 October 2014, the Group's another pledged bank deposits of approximately HK$805,000 in aggregate represented guaranteed funds for the Visa/MasterCard merchant account of a bank for the online shopping business. The deposit is in HK$ at fixed interest rate of 0.2% per annum.

As at 31 October 2014, listed securities held by the Group with a total carrying amount of approximately HK$46,559,000 have been charged in favour of a brokerage firm as collateral for the Group's liabilities in respect of its margin trading account. During the period from 1 January 2014 to 31 October 2014, the Group has not used the credit limit.

**Guarantee**

As mentioned in note 2 above, at the close of business on 31 October 2014, the Company had provided guarantee to an independent third party for a loan of HK$11,000,000 together with related interest liabilities of approximately HK$330,000 loaned to Perfect Growth Limited ("**Perfect Growth**"), a wholly-owned subsidiary of the Company.

As mentioned in note 2 above, at the close of business on 31 October 2014, the Target provided cross guarantee to banks together with its immediate holding company, its sole director and its fellow subsidiary in respect of general banking facilities granted to the Target and its fellow subsidiary to the extent of HK$17,000,000 of which approximately HK$2,823,000 was utilized by its fellow subsidiary.

**Contingent liabilities**

As at the close of business on 31 October 2014, the Company provided a corporate guarantee to an independent third party to secure the loan granted to Perfect Growth to the extent of HK$11,000,000. The maximum liability of the Company as at 31 October 2014 under the guarantee is the amount of the loan drawn by Perfect Growth.

At the close of business on 31 October 2014, the Target provided cross guarantee to banks together with its immediate holding company, its sole director and its fellow subsidiary in respect of general banking facilities granted to the Target and its fellow subsidiary to the extent of HK$17,000,000 of which approximately HK$2,823,000 was utilized by its fellow subsidiary. The maximum liability of the Target as at 31 October 2014 under the cross guarantee is the amount of banking facilities drawn by its fellow subsidiary.

**Disclaimer**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Enlarged Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, or other similar indebtedness, financial lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities as at the close of business on 31 October 2014.

## 3. WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

After due and careful consideration, the Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, the available credit facilities and the effect of the Acquisition, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

## 4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Looking ahead, the Enlarged Group will continue to seek out investments generating positive impacts and profit to increase its Shareholder value.

With the rapid development of technology, the computer and internet have become an important part of our daily life. It is expected that customer's appetite for performance enhancement and anti-virus software will continue to grow. The Enlarged Group will continue to develop its software business and extend its software product line. The Board believes this business has the potential to grow and will continue to contribute to the Enlarged Group's revenue.

In order to broaden income base, the Enlarged Group will consider exploring a new theory of financial intermediation by using e-finance and online trading platform for the sales of wealth management-related investment products.

In light of the potential future prospects offered by the Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisition under the SP Agreement" above, the Directors are of the view that the Acquisition will likely contribute positively to the Enlarged Group. Nevertheless, the actual effect of the Acquisition on the earnings of the Enlarged Group will depend on the future financial performance of the Target.

With careful operation of the existing businesses mentioned above, the Enlarged Group will continue to enhance the quality of its current products, diversify its businesses and look for new potential investment opportunities to bring greater returns to its Shareholders.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up).

## 6. EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities of the Enlarged Group.

Immediately after Completion, the Company will hold 100% of the issued share capital of the Target.

As at 30 June 2014, the Group's unaudited total assets were approximately HK$787.9 million and unaudited total liabilities were approximately HK$114.6 million. As at 30 June 2014, the Group had unaudited net assets of approximately HK$673.3 million and a gearing ratio (calculated as total liabilities over total assets) of 14.5%.

As set out in the "Unaudited Pro forma Financial Information of the Enlarged Group" in Appendix III to this circular, upon Completion, the Enlarged Group's (i) total assets would be increased by approximately HK$48.6 million to approximately HK$836.5 million; (ii) total liabilities would be increased by approximately HK$49.8 million to approximately HK$164.4 million; (iii) would have recorded net assets of approximately HK$672.1 million; and (iv) a gearing ratio (calculated as total liabilities over total assets) of 19.7%, assuming the Acquisition was completed on 30 June 2014.

Further details of the financial effect of the Acquisition on the assets and liabilities of the Group together with the bases in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix III to this circular.

## (1) ACCOUNTANTS' REPORT ON THE TARGET

The following is the text of a report, prepared for the purpose of incorporation into this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong:

11 December 2014

The Directors
GET Holdings Limited
(formerly known as M Dream Inworld Limited)
Room 1703, 17/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Wafer Systems (Hong Kong) Limited (the "Target Company") for each of the three years ended December 31, 2013 and the nine months ended September 30, 2014 (the "Relevant Periods") for inclusion in the circular of GET Holdings Limited (the "Company") dated 11 December 2014 in connection with the proposed acquisition of the Target Company (the "Circular").

The Target Company was incorporated in Hong Kong with limited liability under the Hong Kong Company Ordinance on September 2, 1998. The Target Company is engaged in the business of network system integration, including provision of network infrastructure solutions and network professional services.

The statutory financial statements of the Target Company for each of the three years ended December 31, 2013 included in the Relevant Periods (the "Statutory Financial Statements") were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Deloitte Touche Tohmatsu.

For the purpose of this report, the sole director of the Target Company has prepared the financial statements of the Target Company for the nine months ended September 30, 2014 included in the Relevant Periods in accordance with HKFRSs issued by the HKICPA (hereinafter together with the Statutory Financial Statements referred to as the "Underlying Financial Statements"). We have undertaken an independent audit on the financial statements for the nine months ended September 30, 2014 in accordance with Hong Kong Standards on Auditing and have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Company for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the sole director of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 to Section A below, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at December 31, 2011, 2012 and 2013 and September 30, 2014 and of the results and cash flows of the Target Company for the Relevant Periods.

The comparative statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity of the Target Company for the nine months ended September 30, 2013 together with the notes thereon have been extracted from the Target Company's unaudited financial information for the same period (the "September 2013 Financial Information") which was prepared by the sole director of the Target Company solely for the purpose of this report. We conducted our review on the September 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the September 2013 Financial Information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly we do not express an audit opinion on the September 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the September 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## A. FINANCIAL INFORMATION

### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|---|
| | | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *NOTES* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | | (Unaudited) | |
| Revenue | 6 | 40,784 | 46,328 | 38,674 | 25,186 | 61,065 |
| Changes in inventories | | 833 | (310) | 6,908 | 4,763 | (4.616) |
| Purchase of inventories and warranty licences | | (32,886) | (38,004) | (35,961) | (24,399) | (45,879) |
| Other income and other gains or losses | | 62 | 26 | (261) | (205) | 148 |
| Employee benefits costs | | (4,912) | (4,408) | (4,089) | (3,103) | (3,703) |
| Depreciation of plant and equipment | | (93) | (121) | (113) | (97) | (138) |
| Interest on bank borrowings wholly repayable within five years | | — | — | (24) | — | (61) |
| Other expenses | | (3,108) | (3,261) | (3,563) | (2,349) | (3,385) |
| Profit (loss) and total comprehensive income (expense) for the year/period | 8 | 680 | 250 | 1,571 | (204) | 3,431 |

## STATEMENTS OF FINANCIAL POSITION

| | | At December 31, | | | At September 30, |
|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 |
| | *NOTES* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| NON-CURRENT ASSET | | | | | |
| Plant and equipment | 10 | 253 | 176 | 437 | 335 |
| CURRENT ASSETS | | | | | |
| Inventories | 11 | 1,632 | 1,322 | 8,230 | 3,614 |
| Trade and other receivables | 12 | 4,983 | 4,998 | 5,928 | 16,995 |
| Amount due from ultimate holding company | 13 | 7 | — | — | — |
| Amount due from immediate holding company | 13 | 23,941 | 27,575 | 31,407 | 33,645 |
| Amounts due from fellow subsidiaries | 13 | — | — | 380 | — |
| Bank balances and cash | 14 | 2,608 | 897 | 3,934 | 4,182 |
| | | 33,171 | 34,792 | 49,879 | 58,436 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 15 | 8,776 | 9,806 | 14,096 | 49,804 |
| Amount due to a fellow subsidiary | 13 | 34,499 | 34,763 | 39,424 | 5,512 |
| Bank borrowings | 16 | — | — | 4,826 | 8,054 |
| | | 43,275 | 44,569 | 58,346 | 63,370 |
| NET CURRENT LIABILITIES | | (10,104) | (9,777) | (8,467) | (4,934) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (9,851) | (9,601) | (8,030) | (4,599) |
| CAPITAL AND DEFICIT | | | | | |
| Share capital | 17 | 10 | 10 | 10 | 10 |
| Accumulated losses | | (9,861) | (9,611) | (8,040) | (4,609) |
| DEFICIENCY OF TOTAL EQUITY | | (9,851) | (9,601) | (8,030) | (4,599) |

## STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Accumulated losses | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At January 1, 2011 | 10 | (10,541) | (10,531) |
| Profit and total comprehensive income for the year | — | 680 | 680 |
| At December 31, 2011 | 10 | (9,861) | (9,851) |
| Profit and total comprehensive income for the year | — | 250 | 250 |
| At December 31, 2012 | 10 | (9,611) | (9,601) |
| Profit and total comprehensive income for the year | — | 1,571 | 1,571 |
| At December 31, 2013 | 10 | (8,040) | (8,030) |
| Profit and total comprehensive income for the period | — | 3,431 | 3,431 |
| At September 30, 2014 | 10 | (4,609) | (4,599) |
| Unaudited | | | |
| At January 1, 2013 | 10 | (9,611) | (9,601) |
| Loss and total comprehensive expense for the period | — | (204) | (204) |
| At September 30, 2013 | 10 | (9,815) | (9,805) |

## STATEMENTS OF CASH FLOWS

| | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| OPERATING ACTIVITIES | | | | | |
| Profit (loss) for the year/period | 680 | 250 | 1,571 | (204) | 3,431 |
| Adjustments for: | | | | | |
| Depreciation of plant and equipment | 93 | 121 | 113 | 97 | 138 |
| Allowance for (reversal allowance of) inventories | 41 | 31 | 156 | 142 | (52) |
| (Reversal of impairment loss) impairment loss on trade receivables | (105) | (21) | 86 | 45 | (99) |
| Interest on bank borrowings | — | — | 24 | — | 61 |
| Operating cash flows before movements in working capital | 709 | 381 | 1,950 | 80 | 3,479 |
| (Increase) decrease in inventories | (874) | 279 | (7,064) | (4,905) | 4,668 |
| (Increase) decrease in trade and other receivables | (1,927) | 6 | (1,016) | (361) | (10,968) |
| Increase in trade and other payables | 3,135 | 1,030 | 4,290 | 3,296 | 35,708 |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | 1,043 | 1,696 | (1,840) | (1,890) | 32,887 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of plant and equipment | (152) | (44) | (374) | (5) | (36) |
| Advance to fellow subsidiaries | — | — | (3,208) | — | (2) |
| Repayment from fellow subsidiaries | — | — | 2,828 | — | 382 |
| Advance to immediate holding company | (4,284) | (4,230) | (5,021) | (3,943) | (2,732) |
| Repayment from immediate holding company | 613 | 596 | 1,189 | 1,101 | 494 |
| Advance to ultimate holding company | (7) | — | — | — | — |
| Repayment from ultimate holding company | — | 7 | — | — | — |
| NET CASH USED IN INVESTING ACTIVITIES | (3,830) | (3,671) | (4,586) | (2,847) | (1,894) |

| | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (Unaudited) | |
| FINANCING ACTIVITIES | | | | | |
| Repayments of bank borrowings | — | — | — | — | (11,248) |
| Proceeds from bank borrowings | — | — | 4,826 | — | 14,476 |
| Interest paid | — | — | (24) | — | (61) |
| Advance from a fellow subsidiary | 19,132 | 15,207 | 17,811 | 17,331 | 32,443 |
| Repayment to a fellow subsidiary | (15,211) | (14,943) | (13,150) | (12,064) | (66,355) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 3,921 | 264 | 9,463 | 5,267 | (30,745) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,134 | (1,711) | 3,037 | 530 | 248 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD | 1,474 | 2,608 | 897 | 897 | 3,934 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR/ PERIOD represented by bank balances and cash | 2,608 | 897 | 3,934 | 1,427 | 4,182 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL

The Target Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Wafer Systems Limited, a private limited company incorporated in Hong Kong. Its ultimate holding company is Fortune Grace Management Limited, a limited company which is incorporated in the British Virgin Islands and controlled by Mr. Chan Sek Keung Ringo, the sole director of the Target Company. The address of the registered office and principal place of business of the Target Company is Unit 1302, 13/ F., 101 King's Road, North Point, Hong Kong.

The Target Company is engaged in the business of network system integration, including provision of network infrastructure solutions and network professional services.

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Target Company.

On October 31, 2014, Wafer Systems Limited entered into a sale and purchase agreement with the purchaser, e-Perfect IT Limited ("e-Perfect"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of GET Holdings Limited (formerly known as M Dream Inworld Limited) ("GET Holdings"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, to sell 100% of the issued share capital of the Target Company, a wholly-owned subsidiary of Water Systems Limited, for the consideration of HK$18 million (the "Disposal Transaction"). Upon completion of the Disposal Transaction, the Target Company would become an indirect wholly-owned subsidiary of GET Holdings.

### 2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The financial statements have been prepared on a going concern basis because its immediate holding company has agreed to make available to the Target Company whatever financial support is required to enable the Target Company to meet in full its financial obligations as and when they fall due in the foreseeable future until the completion of the Disposal Transaction. Upon completion of the Disposal Transaction, GET Holdings has also agreed to provide financial support to enable the Target Company to meet in full its financial obligations as and when they fall due in the foreseeable future.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Target Company's financial period beginning on January 1, 2014 throughout the Relevant Periods.

At the date of this report, the following new and revised HKFRSs have been issued but are not yet effective. The Target Company has not early applied these standards and amendments.

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 14 | Regulatory Deferral Accounts[2] |
| HKFRS 15 | Revenue from Contracts with Customers[3] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[5] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[5] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle[6] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle[5] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[5] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[5] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after July 1, 2014
5 Effective for annual periods beginning on or after January 1, 2016
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

**HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The sole director of the Target Company considers that the application of HKFRS 9 in the future may affect the Target Company's financial assets including the impairment assessment but is unlikely to affect the Target Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Target Company's financial statements until a detailed review has been completed.

**HKFRS 15 Revenue from Contracts with Customers**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts and the related Interpretations" when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The sole director of the Target Company is in the progress of assessing the potential impacts of HKFRS 15. Hence, it is not practicable to provide a reasonable estimate of the financial effect and the relevant disclosures until a detailed review has been completed.

Except as described above, the sole director of the Target Company considers that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Target Company's financial position and performance as well as disclosure.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided and in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Target Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Target Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sales of network infrastructure solutions is recognised when the integration works have been completed and the customers have accepted the solutions.

Sales of warranty licences is recognised when the respective networking equipment have been delivered and completion of installation.

Sales of maintenance service is recognised on a straight-line basis over the duration of the service period.

Sales of installation service is recognised upon completion of installation work with client acceptance.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of revenue can be measured reliably. Interest income from bank balances is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Target Company as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

**Foreign currencies**

In preparing the Financial Information of the Target Company, transactions in currencies other than the functional currency of the Target Company (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**Retirement benefits costs**

Payments to Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the each of end of the reporting period.

Current and deferred tax is recognised in profit or loss.

**Plant and equipment**

Plant and equipment are stated in the statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Impairment of tangible assets**

At the end of each of the reporting period, the Target Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The Target Company's financial assets are classified as loans and receivables.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from ultimate holding company, immediate holding company and fellow subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial asset below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30–45 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Company are classified either financial liabilities or as equity in accordance to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities including trade payables, amount due to a fellow subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4, the sole director of the Target Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each of the reporting period:

**Allowance for inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer needs and competitors' actions. The Target Company reassesses these estimates at the end of each reporting period.

When the Target Company identifies inventories which have a market price that is lower than the carrying amounts, the Target Company accounts for the inventory loss in the statement of profit or loss and other comprehensive income as allowance for inventories. During the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 (unaudited) and 2014, included in cost of sales are an amount of approximately HK$41,000, HK$31,000, HK$156,000, HK$142,000 and HK$(52,000), respectively, in respect of write-down (reversal of) of allowance for finished goods to estimated net realisable values. As at December 31, 2011, 2012 and 2013 and September 30, 2014, the carrying amount of inventories are approximately HK$1,632,000, HK$1,322,000, HK$8,230,000 and HK$3,614,000 respectively.

**Estimated impairment of trade receivables**

When there is objective evidence of impairment loss, the Target Company takes into consideration the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). As at December 31, 2011, 2012 and 2013 and September 30, 2014, the carrying amount of trade receivables are approximately HK$4,252,000, HK$4,424,000, HK$5,372,000 and HK$16,379,000 respectively.

## 6. REVENUE AND SEGMENT INFORMATION

The Target Company operates in a single segment which including provision of network infrastructure solutions and network professional services and revenue represents the net amounts received and receivable for products and services sold/rendered by the Target Company in the normal course of business to customers for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

Information reported to the sole director of the Target Company, being the chief operating decision maker ("CODM") of the Target Company, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. The accounting policies are the same as the Target Company's accounting policies described in note 4. The CODM reviews revenue by network infrastructure solutions and network professional services and profit for the year/period as a whole and no analysis of the Target Company's assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on products and services, geographical area and major customers are presented under HKFRS 8.

**Entity-wide disclosures**

*Major products and services*

An analysis of the Target Company's revenue for the Relevant Periods is as follows:

| | **Years ended December 31,** | | | **Nine months ended September 30,** | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Network infrastructure solutions — Sales of networking equipment | 37,493 | 27,289 | 30,479 | 19,060 | 54,672 |
| Network professional services — Sale of warranty licences and maintenance services | 2,851 | 17,839 | 5,234 | 4,062 | 3,920 |
| — Installation services | 440 | 1,200 | 2,961 | 2,064 | 2,473 |
| | 40,784 | 46,328 | 38,674 | 25,186 | 61,065 |

*Geographical information*

All operating assets and operations of the Target Company during the year ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2014 were located in Hong Kong.

The Target Company's revenue from external customers by location of delivery are detailed below:

| | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Hong Kong | 40,784 | 46,328 | 38,674 | 25,186 | 42,105 |
| Macau | — | — | — | — | 18,960 |
| | 40,784 | 46,328 | 38,674 | 25,186 | 61,065 |

*Major customers*

Revenue from customers of the corresponding years individually contributing over 10% of the total revenue of the Target Company is as follows:

| | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Customer A | 7,461 | — | — | — | — |
| Customer B | 5,734 | — (note) | 4,256 | 3,507 | — (note) |
| Customer C | — | 13,621 | — | — | — |
| Customer D | — (note) | 5,797 | — (note) | — (note) | — (note) |
| Customer E | — (note) | — (note) | — (note) | 2,524 | — (note) |
| Customer F | — | — | — | — | 18,960 |
| Customer G | — | — | — | — | 7,919 |
| | 13,195 | 19,418 | 4,256 | 6,031 | 26,879 |

*Note:* The corresponding revenue does not contribute over 10% of total revenue of the Target Company.

## 7. TAXATION

The Target Company is subject to Hong Kong Profits Tax. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

No provision for Hong Kong Profits Tax has been made since the assessable profits are wholly absorbed by tax losses brought forward.

The taxation for the year/period can be reconciled to the profit (loss) for the year/period per the statement of profit or loss and other comprehensive income as follow:

| | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Profit (loss) for the year/period | 680 | 250 | 1,571 | (204) | 3,431 |
| Tax at Hong Kong Tax rate of 16.5% | 112 | 40 | 259 | (33) | 566 |
| Tax effect of deductible temporary difference not recognised | — | 15 | 6 | 16 | 6 |
| Utilisation of tax losses previously not recognised | (100) | (55) | (265) | — | (572) |
| Tax effect of tax loss not recognised | — | — | — | 17 | — |
| Others | (12) | — | — | — | — |
| Taxation for the year/period | — | — | — | — | — |

The Target Company had unused tax losses of approximately HK$9,637,000, HK$9,303,000, HK$7,701,000 and HK$4,236,000 as at December 31, 2011, 2012 and 2013 and September 30, 2014, respectively, available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

## 8. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE YEAR/ PERIOD

| | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Profit (loss) and total comprehensive income (expenses) for the year/ period has been arrived at after charging (crediting): | | | | | |
| Director's remuneration | — | — | — | — | — |
| Other staff costs | 4,718 | 4,247 | 3,926 | 2,979 | 3,556 |
| Retirement benefit scheme contributions | 194 | 161 | 163 | 124 | 147 |
| Total employee benefit costs | 4,912 | 4,408 | 4,089 | 3,103 | 3,703 |
| Auditor's remuneration | 100 | 129 | 129 | 97 | 97 |
| Allowance for (reversal allowance of) inventories | 41 | 31 | 156 | 142 | (52) |
| Depreciation of plant and equipment | 93 | 121 | 113 | 97 | 138 |
| (Reversal of impairment loss) impairment loss on trade receivables, net | (105) | (21) | 86 | 45 | (99) |
| Net foreign exchange losses (gains) | 2 | (36) | 19 | 18 | 3 |
| Operating lease rentals in respect of office premises | 502 | 509 | 486 | 369 | 309 |
| Cost of inventories recognised as expenses | 30,767 | 22,294 | 25,325 | 16,353 | 47,612 |
| Cost of warranty licences recognized as expenses | 1,286 | 16,020 | 3,728 | 3,283 | 2,883 |

## 9. DIRECTOR'S AND EMPLOYEES' REMUNERATION

The following table sets forth certain information in respect of the directors of the Target Company during the Relevant Periods:

| Name | Position | Date of joining the Target Company and appointment as director | Date of resignation |
|---|---|---|---|
| Mr. Chan Sek Keung, Ringo | Chairman and Director | November 23, 1998 | N/A |
| Mr. Wong Kai Ming | Executive Officer Director | December 30, 2009 | December 28, 2012 |

Mr. Chan Sek Keung, Ringo is the Chief Executive of the Target Company and during the Relevant Periods, no remuneration was paid to any of the directors of the Target Company or for the services rendered as the chief executives.

The Target Company and its immediate holding company have shared the key management team in the ordinary course of business. Employment and payment of their remuneration was centralised and made by its immediate holding company and are not allocated to the Target Company.

Neither the chief executive nor any of the directors of the Target Company waived any emoluments during the Relevant Periods.

**Employees' remuneration**

During the Relevant Periods, none of the 5 highest paid employees in the Target Company were directors for the years ended December 31, 2011, 2012, 2013 and the nine months ended September 30, 2013 and 2014. The remuneration of the 5 highest paid individuals for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014, were as follows:

| | **Years ended December 31,** | | | **Nine months ended September 30,** | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Salaries and allowances | 2,245 | 2,476 | 2,430 | 1,871 | 2,045 |
| Contributions to retirement benefits scheme | 59 | 68 | 74 | 55 | 57 |
| | 2,304 | 2,544 | 2,504 | 1,926 | 2,102 |

The remuneration of each of the five highest paid individuals during the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014, respectively are within the band of HK$nil to HK$1,000,000.

During the Relevant Periods, no remunerations were paid by the Target Company to the five highest paid individuals of the Target Company, as an inducement to join or upon joining the Target Company or as compensation for loss of office.

## 10. PLANT AND EQUIPMENT

| | Computer equipment<br>*HK$'000* | Furniture, fixtures and equipment<br>*HK$'000* | Motor vehicles<br>*HK$'000* | Tools<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| COST | | | | | |
| At January 1, 2011 | 2,326 | 777 | 107 | 2,404 | 5,614 |
| Additions | 13 | — | — | 139 | 152 |
| At December 31, 2011 | 2,339 | 777 | 107 | 2,543 | 5,766 |
| Additions | 15 | — | — | 29 | 44 |
| At December 31, 2012 | 2,354 | 777 | 107 | 2,572 | 5,810 |
| Additions | — | 349 | — | 25 | 374 |
| Write-off | (2,139) | (714) | (107) | (2,250) | (5,210) |
| At December 31, 2013 | 215 | 412 | — | 347 | 974 |
| Additions | — | 2 | — | 34 | 36 |
| At September 30, 2014 | 215 | 414 | — | 381 | 1,010 |
| DEPRECIATION | | | | | |
| At January 1, 2011 | 2,224 | 769 | 107 | 2,320 | 5,420 |
| Provided for the year | 18 | 5 | — | 70 | 93 |
| At December 31, 2011 | 2,242 | 774 | 107 | 2,390 | 5,513 |
| Provided for the year | 21 | 2 | — | 98 | 121 |
| At December 31, 2012 | 2,263 | 776 | 107 | 2,488 | 5,634 |
| Provided for the year | 16 | 1 | — | 96 | 113 |
| Eliminated on write-off | (2,139) | (714) | (107) | (2,250) | (5,210) |
| At December 31, 2013 | 140 | 63 | — | 334 | 537 |
| Provided for the period | 6 | 87 | — | 45 | 138 |
| At September 30, 2014 | 146 | 150 | — | 379 | 675 |
| CARRYING VALUES | | | | | |
| At December 31, 2011 | 97 | 3 | — | 153 | 253 |
| At December 31, 2012 | 91 | 1 | — | 84 | 176 |
| At December 31, 2013 | 75 | 349 | — | 13 | 437 |
| At September 30, 2014 | 69 | 264 | — | 2 | 335 |

The above items of plant and equipment are depreciated on a straight-line basis at a rate of $33^1/_3$% per annum.

## 11. INVENTORIES

| | At December 31, | | | At September 30, |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Networking equipment | 2,263 | 1,984 | 9,048 | 4,380 |
| Less: allowance of inventories recognised | (631) | (662) | (818) | (766) |
| | 1,632 | 1,322 | 8,230 | 3,614 |

The impairment of inventories charged (reversed) for each of the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2014 are approximately HK$41,000, HK$31,000, HK$156,000, and HK$(52,000), respectively.

## 12. TRADE AND OTHER RECEIVABLES

| | At December 31, | | | At September 30, |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade receivables | 4,302 | 4,453 | 5,487 | 16,395 |
| Less: Allowance for doubtful debts recognised | (50) | (29) | (115) | (16) |
| | 4,252 | 4,424 | 5,372 | 16,379 |
| Prepayments and deposits | 731 | 574 | 556 | 616 |
| | 4,983 | 4,998 | 5,928 | 16,995 |

Before accepting any new customers, the Target Company reviews the credit quality and defines credit limits by customers. Limits attributed to customers are reviewed once a year. The Target Company maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

The Target Company allows an average credit period of 30–45 days to its trade customers. The following is an aged analysis of net trade receivables based on the date when the revenue from sale of the respective products or services rendered was recognised, at the end of each reporting period:

| | At December 31, | | | At September 30, |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 0–30 days | 1,581 | 1,943 | 1,707 | 4,378 |
| 31–90 days | 1,637 | 2,001 | 3,509 | 10,484 |
| 91–180 days | 706 | 411 | 156 | 1,468 |
| 181–365 days | 328 | — | — | 14 |
| Over 365 days | — | 69 | — | 35 |
| | 4,252 | 4,424 | 5,372 | 16,379 |

Included in the Target Company's trade receivables balances are debtors with aggregate carrying amount of approximately HK$1,034,000, HK$480,000, HK$156,000 and HK$1,517,000 as at December 31, 2011, 2012 and 2013 and September 30, 2014, respectively, which are past due at the end of each of the reporting period but not considered as impaired. Majority of the trade receivables that are neither past due nor impaired have no default repayment history.

**Aging of trade receivables which are past due but not impaired**

| | At December 31, | | | At September 30, |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 91–180 days | 706 | 411 | 156 | 1,468 |
| Over 180 days | 328 | 69 | — | 49 |
| | 1,034 | 480 | 156 | 1,517 |

The sole director of the Target Company considers that there has not been a significant change in credit quality of trade debtors and there is no recent history of default, therefore the amounts are considered recoverable. The Target Company does not hold any collateral over these balance.

**Movements in the allowance for doubtful debts**

| | At December 31, | | | At September 30, |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at beginning of the year/period | 155 | 50 | 29 | 115 |
| Reversal of impairment loss recognised | (155) | (21) | — | (99) |
| Impairment loss recognised in profit or loss | 50 | — | 86 | — |
| Balance at end of year/period | 50 | 29 | 115 | 16 |

The Target Company has provided fully for receivables over 365 days without subsequent settlements, because the sole director is of opinion that these receivables are not recoverable.

## 13. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES AND AMOUNT DUE TO A FELLOW SUBSIDIARY

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

The amount due from immediate holding company and amount due to a fellow subsidiary will be fully settled prior to completion of the Disposal Transaction.

## 14. BANK BALANCES AND CASH

Bank balances and cash comprised bank deposits with maturities of less than three months accruing interest at prevailing rates of 0.01%, 0.03%, 0.005% and 0.012% as at December 31, 2011, 2012 and 2013 and September 30, 2014, respectively, per annum and cash on hand.

## 15. TRADE AND OTHER PAYABLES

| | At December 31, 2011 | At December 31, 2012 | At December 31, 2013 | At September 30, 2014 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | 3,689 | 3,566 | 5,675 | 5,226 |
| Accrued purchase cost of warranty licences | 1,272 | 1,838 | 3,245 | 6,145 |
| Accrued staff costs — sales commission | 1,813 | 2,190 | 2,571 | 3,545 |
| Accrued salaries and welfare payables | 1,628 | 1,476 | 980 | 511 |
| Deposits received from customers *(note)* | 338 | 344 | 1,625 | 34,377 |
| Others | 36 | 392 | — | — |
| | 8,776 | 9,806 | 14,096 | 49,804 |

*Note:* During the nine months ended September 30, 2014, the Target Company has entered into contracts in providing sales of networking equipment and providing network solutions in Russia with the total contract sum of approximately US$11,195,000 (equivalent to HK$92,744,000). According to the contracts, 30% to 40% of the contract sum would be received upon contracts signed and recognised as deposits received from customers as at September 30, 2014. The deposits are refundable upon termination of contracts.

The following is an aged analysis of trade payables presented, based on the invoice date, at the end of each reporting period.

| | At December 31, 2011 | At December 31, 2012 | At December 31, 2013 | At September 30, 2014 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 0–60 days | 3,088 | 2,192 | 4,472 | 3,508 |
| 61–90 days | 221 | 629 | 187 | 373 |
| 91–180 days | 318 | 209 | 715 | 670 |
| 181 days–1 year | 31 | 401 | 193 | 142 |
| Over 1 year | 31 | 135 | 108 | 533 |
| Total | 3,689 | 3,566 | 5,675 | 5,226 |

The average credit period of purchases is 30 days from the invoice date during the Relevant Periods. The Target Company has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

## 16. BANK BORROWINGS

All the bank borrowings as at December 31, 2013 and September 30, 2014 are unsecured and repayable within one year. It was mainly used to fund working capital and carried interest at a floating rate of the 4 months London Interbank Offered Rate plus 2.6% per annum. All the bank borrowings are denominated in United States dollars ("USD") and are cross guaranteed by the immediate holding company, a fellow subsidiary, sole director and the Target Company. The guarantees would be released upon completion of the Disposal Transaction.

## 17. SHARE CAPITAL

| | Number of shares | Share capital *HK$'000* |
|---|---|---|
| Ordinary shares of HK$1 each | | |
| Authorised: | | |
| At January 1, 2011, December 31, 2011, December 31, 2012 and December 31, 2013 | 10,000 | 10 |
| At September 30, 2014 | N/A *(Note)* | N/A *(Note)* |
| Issued and fully paid: | | |
| At January 1, 2011, December 31, 2011, December 31, 2012, December 31, 2013 and September 30, 2014 | 10,000 | 10 |

*Note:* Under the Hong Kong Companies Ordinance (Cap. 622) with effect from March 3, 2014, the par value concept of authorised share capital no longer valid. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholder as a result of this transaction.

## 18. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to its shareholder through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of debts, which includes amount due to a fellow subsidiary and bank borrowings as disclosed in notes 13 and note 16 respectively, net of bank balances and cash and equity attributable to owners of the Target Company, comprising issued share capital.

The Target Company is not subject to any externally imposed capital requirements.

The sole director of the Target Company reviews the capital structure on a regular basis. As part of this review, the sole director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director, the Target Company will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt. The Target Company relies on the financial supports from its immediate holding company and GET Holdings to meet in full its financial obligations and when they fall due in the foreseeable future.

## 19. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | At December 31, 2011 | At December 31, 2012 | At December 31, 2013 | At September 30, 2014 |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and cash equivalent) | 30,808 | 32,896 | 41,093 | 54,206 |
| **Financial liabilities** | | | | |
| Amortised cost | 38,188 | 38,329 | 49,925 | 52,718 |

### (b) Financial risk management objectives and policies

The Target Company's major financial instruments include trade receivables, amounts due from (to) ultimate holding company, immediate holding company and fellow subsidiaries, bank balances and cash, trade payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The Target Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The policies on how the migrate these risks are set out below. The management monitors all these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*(i) Interest rate risk*

The Target Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 14 and 16 for details). The sole director of the Target Company considers the Target Company's bank balances and bank borrowings to cash flow interest rate risk is not significant as the Target Company only has insignificant interest bearing financial assets and short maturities financial liabilities at the end of each of the reporting periods.

The Target Company currently does not have any interest rate hedging policy in relation to cash flow interest rate risk. However, management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate change should the need arise.

No sensitivity analysis is presented as the amount involved is not significant or short maturity.

*(ii) Currency risk*

The Target Company's exposure to foreign currency risk related primarily to cash and cash equivalents, trade receivables, trade payables and bank borrowings that are denominated in currencies other than the functional currency of the Target Company.

The carrying amounts of the Target Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Assets | | | | Liabilities | | | |
|---|---|---|---|---|---|---|---|---|
| | At December 31, | | | At September 30, | At December 31, | | | At September 30, |
| | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Renminbi ("RMB") | 242 | 64 | 23 | 101 | 1,013 | 1,065 | 318 | 475 |
| USD | 4,134 | 2,374 | 5,521 | 6,271 | 2,229 | 114 | 7,362 | 11,060 |

The Target Company does not enter into any derivative contracts to minimise the currency risk exposure. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

As the HK$ is pegged with the USD, the Target Company's currency risk to exposure in relation to USD monetary assets/liabilities is expected to be minimal.

No sensitivity analysis is presented as excluding USD, the remaining foreign currency denominated monetary assets and monetary liabilities are not significant.

*(iii) Credit risk*

The Target Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position. The Target Company's credit risk is primarily attributable to its trade receivables, amounts from ultimate holding company, immediate holding company and fellow subsidiaries and bank balances.

The Target Company's concentration of credit risk by geographical location is mainly in Hong Kong, which accounted for 100% of the total financial assets as at December 31, 2011, 2012 and 2013 and September 30, 2014.

In order to minimise the credit risk of trade receivables, management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Target Company considers that the Target Company's credit risk is significantly reduced. The Target Company has concentration of credit risk as 37%, 5%, 11% and 57% as at December 31, 2011, 2012 and 2013 and September 30, 2014, respectively, of the Target Company's trade receivables are due from the Target Company's five largest customers and these receivables have good repayment record and no history of default payment.

The credit risk on liquid funds is limited as amounts are deposited with several banks with good reputation.

Other than a concentration of credit risk on amount due from ultimate holding company, immediate holding company and fellow subsidiaries which the management periodically monitors to ensure that these related parties have the ability to settle their debts, the Target Company does not have any other significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Target Company is unable to meet its current obligations when they fall due. In the management of the liquidity risk, the Target Company measures and monitors its liquidity through the maintenance of adequate level of bank balances and cash to ensure the availability of sufficient cash flows to finance the Target Company's operations and migrate the effects of fluctuation of cash flows.

The Target Company has net current liabilities of approximately HK$10,104,000, HK$9,777,000, HK$8,467,000 and HK$4,934,000 as at December 31, 2011, 2012 and 2013 and September 30, 2014, respectively. The Target Company also has net liabilities of HK$9,851,000, HK$9,601,000, HK$8,030,000 and HK$4,599,000 as at December 31, 2011, 2012 and 2013 and September 30, 2014, respectively. The Target Company is exposed to liquidity risk if it is not able to raise funds to meet its financial obligations. The Target Company relies on the financial support from its immediate holding company and GET Holdings who have agreed to provide financial support to the Target Company whatever financial support is required to enable the Target Company to meet in full its financial obligations as and when they fall due in the foreseeable future.

The following tables detail the Target Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities with the earliest date on which the Target Company can been required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

| | Weighted average effective interest rate | Repayable on demand or within 30 days | 31–90 days | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At December 31, 2011** | | | | | |
| Trade payables | — | 3,689 | — | 3,689 | 3,689 |
| Amount due to a fellow subsidiary | — | 34,499 | — | 34,499 | 34,499 |
| | | 38,188 | — | 38,188 | 38,188 |

| | Weighted average effective interest rate | Repayable on demand or within 30 days | 31–90 days | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At December 31, 2012** | | | | | |
| Trade payables | — | 3,566 | — | 3,566 | 3,566 |
| Amount due to a fellow subsidiary | — | 34,763 | — | 34,763 | 34,763 |
| | | 38,329 | — | 38,329 | 38,329 |

| | Weighted average effective interest rate | Repayable on demand or within 30 days | 31–90 days | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At December 31, 2013** | | | | | |
| Trade payables | — | 5,675 | — | 5,675 | 5,675 |
| Amount due to a fellow subsidiary | — | 39,424 | — | 39,424 | 39,424 |
| Bank borrowings | 2.844 | 2,601 | 2,239 | 4,840 | 4,826 |
| | | 47,700 | 2,239 | 49,939 | 49,925 |

| | Weighted average effective interest rate | Repayable on demand or within 30 days | 31–90 days | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At September 30, 2014** | | | | | |
| Trade payables | — | 5,226 | — | 5,226 | 5,226 |
| Deposits received from customers | — | 33,926 | — | 33,926 | 33,926 |
| Amount due to a fellow subsidiary | — | 5,512 | — | 5,512 | 5,512 |
| Bank borrowings | 2.898 | 1,804 | 6,300 | 8,104 | 8,054 |
| | | 46,468 | 6,300 | 52,768 | 52,718 |

**(c) Fair value measurement of financial instruments**

This note provides information about how the Target Company determines fair values of various financial assets and financial liabilities.

***Fair Value of the Target Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis***

The sole director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values based on discounted cash flows analysis.

## 20. RETIREMENT BENEFITS PLAN

The Target Company made contributions to a Mandatory Provident Fund ("MPF") Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Target Company, in funds under the control of trustees. The Target Company contributes at the lower of HK$1,000 (HK$1,250 starting from June 1, 2012 and HK$1,500 starting from June 1, 2014) or 5% of relevant payroll costs monthly to the MPF Scheme which is matched by the employees.

The total cost charged to the statement of profit or loss and other comprehensive income of approximately HK$194,000, HK$161,000, HK$163,000, HK$124,000 (unaudited) and HK$147,000 for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014, respectively, represents contributions paid and payable to the above scheme by the Target Company. As at September 30, 2014, all contributions in respect of the reporting period had been paid to the above scheme.

## 21. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Target Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | At December 31, | | | At September 30, |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within one year | 1,566 | 1,302 | 810 | 810 |
| In the second to fifth years inclusive | 1,302 | — | 1,384 | 810 |
| | 2,868 | 1,302 | 2,194 | 1,620 |

The lease payments represent rentals payable by the Target Company for its office premises. The lease is for a term of three years and rentals are fixed over lease term.

## 22. CONTINGENT LIABILITIES

As at September 30, 2014, the Target Company provided cross guarantee to banks together with its immediate holding company, its sole director and its fellow subsidiary in respect of general banking facilities to Target Company and its fellow subsidiary amounting to a total of HK$17,000,000 and the banking facilities have not utilized by its fellow subsidiary.

In the opinion of the sole director of the Target Company, the fair values of the financial guarantees are insignificant at initial recognition and the sole director of Target Company considers that the possibility of default by a fellow subsidiary is remote and, in case of default in payments, its immediate holding company will provide financial support to enable the fellow subsidiary to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, no provision has been made in the Financial Information for these guarantees.

**23. RELATED PARTY DISCLOSURES**

(a) Apart from details of the balances with related parties disclosed in the statements of financial position and other details disclosed elsewhere in the Financial Information, during the Relevant Periods, the Target Company had entered into the following transactions with its related parties:

| | | Years ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|---|
| **Class of related party** | **Nature of transaction** | **2011** | **2012** | **2013** | **2013** | **2014** |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Immediate holding company | Management service fee | 513 | 465 | 486 | 398 | 397 |

(b) No remuneration was paid to sole director for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014 and his remuneration was borne by its immediate holding company.

(c) Operating lease rentals in respect of office premises shared equally with its immediate holding company for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014 while the tenancy agreement of office premises is signed by the Target Company.

## B. SUBSEQUENT EVENTS

On 31 October 2014, Wafer Systems Limited entered into a sale and purchase agreement with the purchaser, e-Perfect to acquire 100% of the issued share capital of the Target Company, a wholly owned subsidiary of Water Systems Limited, for the consideration of HK$18 million. Upon completion of the Disposal Transaction, the Target Company would become an indirectly wholly-owned subsidiary of GET Holdings as disclosed in note 2 to the Financial Information.

## C. DIRECTOR'S REMUNERATION

No remuneration was paid to the director of the Target Company or for the services rendered as the chief executive.

## D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statement of the Target Company has been prepared in respect of any period subsequent to September 30, 2014.

Yours faithfully
**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

## (2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

Set out below is the management discussion and analysis on the Target, which is based on the financial information of the Target as set out in Appendix II to this circular.

### Business Review

The Target was established in the Hong Kong on 2 September 1998 with limited liability.

The Target is engaged in the business of network system integration, including provision of network infrastructure solutions and network professional services in Hong Kong and the PRC.

### Revenue and gross profits

Revenue and gross profits of the Target for the three years ended 31 December 2011, 2012, 2013 and for the nine months ended 30 September 2014 were as follows:

| | Year ended 31 December | | | Nine months ended 30 September | Nine months ended 30 September |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* *(unaudited)* | *HK$'000* |
| **Revenue** | | | | | |
| Network infrastructure solutions | 37,493 | 27,289 | 30,479 | 19,060 | 54,672 |
| Network professional services | 3,291 | 19,039 | 8,195 | 6,126 | 6,393 |
| **Total** | **40,784** | **46,328** | **38,674** | **25,186** | **61,065** |
| **Gross Profits** | **8,731** | **8,014** | **9,621** | **5,550** | **10,570** |
| **Gross profits margin** | **21.4%** | **17.3%** | **24.9%** | **22.0%** | **17.3%** |

The Target's revenue is derived from two business sections of network infrastructure solutions and network professional services.

With its well-experienced and broad-view management team, clearly-defined business positioning and development strategy, the Target has successfully shifted from a traditional system integrator into a professional business solution provider. Even the overall market is still competitive, it has become more rationalized and is expected to improve gradually, and the Target has a networking engineers team with strong technical capabilities and reputation for good customer satisfaction. This will allow the Target to occupy a more competitive position in market.

The increase in revenue and decrease in gross profits margin for the year ended 31 December 2012 were mainly resulted from a sizable order for the sale of the warranty from manufacturer to customer, which was recognized as network professional services. However, no value-added service was provided by the Target for that sizable order. As a result, the gross profits margin of which was lower than normal order. The gross profits margin for the year ended 31 December 2012 was therefore lower as compared to the year ended 31 December 2011.

The lower revenue but higher gross profit margin for the year ended 31 December 2013 were resulted from the higher proportion of revenue from network professional services. The gross profits margin for network professional services is higher as compared to the gross profits margin for network infrastructure solution in general.

The increase in revenue and decrease in gross profits margin for the nine months ended 30 September 2014 was resulted from some large scale network infrastructure projects. Those large scale network infrastructure projects contributed a large amount of revenue with a lower gross profits margin.

**Other income and other gains or losses**

Other income and gains for the two years ended 31 December 2011 and 2012 and for the nine months ended 30 September 2014 were approximately HK$62,000, HK$26,000, and HK$148,000, respectively. The income and gains were mainly due to reversal allowance of inventories and reversal of impairment loss on trade receivables. On the other hand, the Target recorded other losses of approximately HK$261,000 for the year ended 31 December 2013. Such other losses were mainly allowance for inventories and impairment loss on trade receivables.

**Other expenses**

Other expenses of the Target for the three years ended 31 December 2011, 2012 and 2013 and for the nine months ended 30 September 2014 were approximately HK$3,108,000, HK$3,261,000, HK$3,563,000 and HK$3,385,000, respectively, the increase of which from 2011 to 2013 was mainly due to the effect on inflation and the growth of the Group's business in Hong Kong.

**Interest on bank borrowings wholly repayable within five years**

Interest on bank borrowings wholly repayable within five years of the Target for the year ended 31 December 2013 and for the nine months ended 30 September 2014 was approximately HK$24,000 and HK$61,000, respectively. The increase was due to banking facilities granted to the Target started in 2013. The Target did not have any interest on bank borrowing as at 31 December 2011 and 2012.

**Liquidity and Financial Resources**

The Target generally finances its operations with cash flows generated internally and its operating activities and borrowings. As at 31 December 2011, 2012 and 2013 and 30 September 2014, the Target had net current liabilities of approximately HK$10,104,000, HK$9,777,000, HK$8,467,000 and HK$4,934,000, respectively.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, cash and bank balances of the Target were approximately HK$2,608,000, HK$897,000, HK$3,934,000 and HK$4,182,000 respectively.

**Capital Structure**

As at 31 December 2013 and 30 September 2014, the Target's interest bearing bank borrowings was approximately HK$4,826,000 and HK$8,054,000, respectively. The loans bear interest at floating interest rate of the 4 months London Interbank Offered Rate plus 2.6% per annum. As at 30 September 2014, all the bank borrowings of the Target were denominated in United States dollars and repayable within one year and jointly guaranteed by its immediate holding company and its fellow subsidiary and the personal guarantee by a director of the Target. The Target did not have any bank borrowings as at 31 December 2011 and 2012.

**Gearing Ratio**

The gearing ratio of the Target, which is equal to the total liabilities over total assets as at 31 December 2011, 2012 and 2013 and 30 September 2014 was approximately 129%, 127%, 116% and 108%, respectively

**Foreign Currency Risks**

The businesses conducted by the Target during the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were denominated in HK$ and US$. Therefore, the management did not consider that the Target was exposed to any significant foreign currency exchange risks and it had not used any financial instrument for hedging purpose during the aforesaid period.

**Capital Commitment**

As at 31 December 2011, 2012 and 2013 and 30 September 2014, the Target did not have any significant capital commitment.

**Charge of Assets**

As at 31 December 2011, 2012 and 2013 and 30 September 2014, the Target did not have any material charge on assets.

**Contingent Liabilities**

As at 31 December 2013 and 30 September 2014, guarantees were given to banks in respect of banking facilities to a fellow subsidiary. The Target did not have any contingent liabilities as no utilization of the bank facilities by the fellow subsidiary as at 31 December 2013 and 30 September 2014. Such guarantees were given as reciprocal provision of corporate guarantee by a fellow subsidiary for the banking facilities of the Target. All such guarantees provided by the Target will be released before the Completion Date. The Target did not have any contingent liabilities as at 31 December 2011 and 2012.

**Material Investments, Acquisitions or Disposals**

The Target had not acquired or disposed of any subsidiary or affiliated company during the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 and it did not have any significant investments held or plan for material investments or capital assets during such periods.

**Employees and Remuneration Policy**

As at 31 December 2011, 2012, 2013 and 30 September 2014, the Target had a total of 12, 15, 13 and 14 employees respectively. Remuneration for employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employees concerned. Remuneration packages comprised salaries and defined contribution pension fund.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

## A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Statement**") has been prepared to illustrate the effect of the proposed acquisition of 100% of the issued share capital of Wafer Systems (Hong Kong) Limited ("**Wafer Systems**") (the "**Proposed Acquisition**"), assuming the transaction had been completed as at 30 June 2014, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited condensed consolidated statement of financial position of GET Holdings Limited (formerly known as M Dream Inworld Limited) and its subsidiaries (collectively referred to as the "**Group**") as at 30 June 2014 as extracted from the interim report of the Group for the six months ended 30 June 2014 and the audited statement of financial position of Wafer Systems as at 30 September 2014 as extracted from the Accountants' Report set out in Appendix II of this circular as if the Proposed Acquisition had been completed on 30 June 2014 after making certain pro forma adjustments resulting from the Proposed Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Proposed Acquisition actually occurred on 30 June 2014. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular, the financial information of Wafer Systems as set out in Appendix II of this circular and other financial information included elsewhere in this circular.

## B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2014

| | The Group | Wafer Systems | Subtotal | Pro forma adjustments | Notes | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *Notes* | *HK$'000* |
| **Non-current assets** | | | | | | |
| Fixed assets | 922 | 335 | 1,257 | | | 1,257 |
| Intangible assets | 56,211 | — | 56,211 | | | 56,211 |
| Goodwill | 508,500 | — | 508,500 | 22,599 | 1 | 531,099 |
| Available-for-sale financial assets | 59,061 | — | 59,061 | | | 59,061 |
| | 624,694 | 335 | 625,029 | | | 647,628 |
| **Current assets** | | | | | | |
| Inventories | 283 | 3,614 | 3,897 | | | 3,897 |
| Trade and other receivables | 40,379 | 16,995 | 57,374 | | | 57,374 |
| Amount due from an immediate holding company | — | 33,645 | 33,645 | (33,645) | 2 | — |
| Pledged bank deposits | 2,422 | — | 2,422 | | | 2,422 |
| Cash and cash equivalents | 78,032 | 4,182 | 82,214 | (18,000) | 1 | 83,073 |
| | | | | 33,645 | 2 | |
| | | | | (5,512) | 3 | |
| | | | | (8,054) | 4 | |
| | | | | (1,220) | 5 | |
| | 121,116 | 58,436 | 179,552 | | | 146,766 |
| Assets of a disposal subsidiary classified as held for sale | 42,122 | — | 42,122 | | | 42,122 |
| **Total current assets** | 163,238 | 58,436 | 221,674 | | | 188,888 |

| | The Group | Wafer Systems | Subtotal | Pro forma adjustments | Notes | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *Notes* | *HK$'000* |
| **Current liabilities** | | | | | | |
| Trade and other payables | 16,473 | 49,804 | 66,277 | | | 66,277 |
| Bank and other borrowings | 11,000 | 8,054 | 19,054 | (8,054) | 4 | 11,000 |
| Amount due to a fellow subsidiary | — | 5,512 | 5,512 | (5,512) | 3 | — |
| Performance shares | 27,261 | — | 27,261 | | | 27,261 |
| Current tax liabilities | 42,684 | — | 42,684 | | | 42,684 |
| | 97,418 | 63,370 | 160,788 | | | 147,222 |
| Liabilities of a disposal subsidiary classified as held for sale | 294 | — | 294 | | | 294 |
| **Total current liabilities** | 97,712 | 63,370 | 161,082 | | | 147,516 |
| **Net current assests/(liabilities)** | 65,526 | (4,934) | 60,592 | | | 41,372 |
| **Total assets less current liabilities** | 690,220 | (4,599) | 685,621 | | | 689,000 |
| **Non-current liabilities** | | | | | | |
| Deferred tax liabilities | 3,644 | — | 3,644 | | | 3,644 |
| Convertible notes | 13,275 | — | 13,275 | | | 13,275 |
| | 16,919 | — | 16,919 | | | 16,919 |
| **NET ASSETS/(LIABILITIES)** | 673,301 | (4,599) | 668,702 | | | 672,081 |

## C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations", the Group will apply the acquisition method to account for the acquisition of the 100% issued capital of Wafer Systems. In applying the acquisition method, the identifiable assets and liabilities of Wafer Systems will be recorded on the Statement at their fair values at the date of acquisition. The excess of fair value of consideration over the fair value of the identifiable assets and liabilities of Wafer Systems is accounted for as goodwill as below.

| | *HK$'000* |
|---|---|
| Fair value of identifiable net liabilities of Wafer Systems acquired | (4,599) |
| Goodwill | 22,599 |
| Cash consideration | 18,000 |

The Directors have reviewed the carrying value of goodwill arising from the acquisition of Wafer Systems in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". An impairment test involves the determination of the recoverable amount of the cash-generating unit to which the goodwill has been allocated. The recoverable amount of the cash-generating unit is determined based on a value in use calculation by reference to the report issued by Ascent Partners. The Directors concluded that there was no impairment in respect of the goodwill as at 30 September 2014.

The Directors will adopt consistent accounting policies and principal assumptions (as used in the unaudited pro forma financial information) to assess the impairment of goodwill in future.

Since the fair values of the identifiable assets and liabilities of Wafer Systems used in the preparation of this Statement may be different from their fair values on the Completion Date, the goodwill or additional intangible assets, if any, and relevant deferred tax impact to be recognised in connection with the Proposed Acquisition on the Completion Date could be different from the estimated amounts stated herein and is subject to change upon the finalisation of the valuation.

2. The adjustment represents the repayment from an immediate holding company of Wafer Systems as at 30 June 2014 as if the Proposed Acquisition had taken place on 30 June 2014. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

3. The adjustment represents the repayment of amount due to a fellow subsidiary of Wafer Systems as at 30 June 2014 as if the Proposed Acquisition had taken place on 30 June 2014. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

4. The adjustment represents the repayment of bank borrowings of Wafer Systems as at 30 June 2014 as if the Proposed Acquisition had taken place on 30 June 2014. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

5. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK$1,220,000. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

The following transactions did not reflect in the above unaudited pro forma financial information of the Enlarged Group:

6. On 5 February 2014, the Group entered into a conditional sale and purchase agreement in relation to the proposed acquisition of the entire issued share capital of a target at a consideration of HK$6,000,000 (subject to adjustment). The target is a company incorporated in Hong Kong with limited liability and is a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance ("**SFO**"), subject to conditions imposed by the Securities and Futures of Commission of Hong Kong. The target is principally engaged in the business of introducing clients to brokerage firms and securities companies in return for commission. The acquisition of the target is subject to a number of conditions precedent. As at the date of this circular, the acquisition has not yet completed. Details of the transaction were set out in the Company's announcements dated 5 February 2014 and 28 August 2014.

7. On 10 June 2014, the Group entered into a sale and purchase agreement with EPRO Systems Limited for the acquisition of 100% equity interest in e-Perfect IT Limited ("**e-Perfect**") at a consideration of HK$48,000,000 ("**Acquisition of e-Perfect**"). On 31 July 2014, pursuant to the sale and purchase agreement, the Company issued 186,046,500 consideration shares of HK$0.01 each at an issue price of approximately HK$0.258 per consideration share to its nominee, DX.com Holdings Limited, as settlement of the consideration for the acquisition. The completion of such acquisition took place on 31 July 2014. The details of the Acquisition of e-Perfect are set out in the announcement dated 10 June 2014 and 31 July 2014.

8. On 12 June 2014, the Group entered into a sale and purchase agreement with an independent third party for the disposal of 51% of the issued share capital of Dragon Oriental Investment Limited ("**Dragon Oriental**"), an indirect wholly-owned subsidiary of the Company, at a cash consideration of HK$21,700,000 and the Group has received 20% of the consideration, being HK$4,340,000 as refundable deposit upon signing of the sale and purchase agreement. The principal asset of Dragon Oriental is a property which is currently leased to an independent third party and the valuation of such property was approximately HK$43,300,000 as at 30 September 2014, which valuation was conducted by an independent professional property valuer. On 30 September 2014, the completion of such disposal has taken place and the Group received the remaining balance of consideration of HK$17,360,000. The details of such disposal were set out in the Company's announcement dated 12 June 2014 and 30 September 2014.

9. On 30 September 2014, the Company received a notice from the holder of convertible notes in the principal amount of HK$16,646,024.625 at the conversion price of HK$0.432 per conversion share. On 6 October 2014, the Company issued a total of 38,532,464 conversion shares to the noteholder. The details of the conversion are set out in the Company's announcement dated 30 September 2014.

10. On 6 October 2014, the Company and the Placing Agent entered into the Placing Agreement in relation to the placing of a maximum of 319,260,000 shares of the Company at a price of HK$0.121 per Placing Share. The completion of the placing of 319,260,000 new shares under general mandate took place on 17 October 2014. The net proceeds from the placing (after deduction of commission and other expenses of the placing) are approximately HK$37,200,000 from the placing will be used as general working capital of the Group and for financing potential investment of the Group in the future. The details of the placing were set out in the Company's announcements dated 6 October 2014 and 17 October 2014.

## D. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.*

RSM
Audit • Tax • Advisory

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

11 December 2014

The Board of Directors
GET Holdings Limited
(formerly known as M Dream Inworld Limited)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of GET Holdings Limited (formerly known as M Dream Inworld Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2014 (the "Statement") as set out in Appendix III of the circular issued by the Company (the "Circular"). The applicable criteria on the basis of which the directors have compiled the Statement are described in Appendix III on page III-1 to the Circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of 100% equity interest in Wafer Systems (Hong Kong) Limited on the Group's financial position as at 30 June 2014 as if the transaction had been taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2014, on which no audit or review report has been published.

### Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

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

The following is the text of a report, prepared for the purpose of incorporation into this circular, received from Ascent Partners Valuation Service Limited, an independent valuer in connection with its valuation of the Target as at 30 September 2014:

Date : 11 December 2014

**GET Holdings Limited**
Room 1703, 17/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong
Attn : Board of Directors

Dear Sir/Madam,

**RE: Valuation of Wafer Systems (Hong Kong) Limited**

In accordance with the instruction of **GET Holdings Limited** (hereinafter referred as the "**Company**") we have undertaken a valuation task to determine the fair value of **Wafer Systems (Hong Kong) Limited** (hereinafter referred as "**Wafer**").

As instructed by the Company the valuation date is **30 September 2014** (hereinafter referred as the "**Valuation Date**").

This report outlines the purpose and basis of valuation, scope of work, industry overview, valuation methodology, limiting conditions, basis and assumptions employed in formulating our conclusions, and our opinion of value.

**Ascent Partners Valuation Service Limited** (hereinafter referred as "**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report has been prepared independently in accordance with the International Valuation Standards. Neither Ascent Partners nor any authors of this report hold any interest in the Company, Wafer or their related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

Yours faithfully
For and on behalf of
**Ascent Partners Valuation Service Limited**

| | |
|---|---|
| **Simon PL Mak** | **Paul Wu** |
| | *Principal* |
| *CFA, CMA, MIPA* | *MSc* |

## 1. Purpose of Valuation

The purpose of this valuation is to express an independent opinion on the fair value of Wafer as at the Valuation Date. This report outlines our latest findings and valuation conclusion, which is prepared for public disclosure purpose.

## 2. Scope of Work

In conducting this valuation exercise, we have

- Gathered all relevant information, including historical and forecast financial data;
- Discussed with the management of the Company and Wafer;
- Carried out a research in the sector concerned and collected market data from reliable sources;
- Investigated into the information, and considered the basis and assumptions of our conclusion of value;
- Analysed the financial information of companies in a similar industry; and
- Designed an appropriate valuation model to analyse the market transactions and derive the estimated fair value of Wafer.

## 3. Economic and Industry Overview

Owing to the fact that Wafer generates most of its revenue from Hong Kong, this valuation would shed light on the overview of the Hong Kong and China.

### *3.1. Overview of the Global Economy*

The recent fluctuations on the global economy, including the European sovereign debt crisis, and instability in the economies of the United States and the People's Republic of China (the "PRC"), has greatly increased the risk of global economic downturn.

According to IMF World Economic Outlook April 2014, the global activity has broadly strengthened during the second half of 2013 and is expected to improve further in 2014–15. Advanced economies accounted for much of the impetus for growth, while the emerging economies were only performing modestly. The major impulse to growth came from the United States due to the strong export growth and temporary increase in inventory demand. The euro area shows signs of recovery due to its supportive monetary conditions and a stronger domestic demand as a result of recovering consumer confidence.

In the emerging market and developing economies, the cyclical momentum in comparison with that in the advanced economies reflect the opposite effects of two forces on growth. On one hand, the export growth increased as driven by the growth in the advanced economies and currency depreciation. Fiscal policies are projected to be broadly neutral. On the other hand, investment weakness continued, and external funding and domestic financial conditions increasingly tightened. However, the emerging market and developing economies continue to contribute more than two-thirds of global growth, and their growth is projected to increase from 4.7 percent from 2013 to 4.9 percent in 2014 and 5.3 percent in 2015.

*3.2. Overview of the Economy in Hong Kong*

Hong Kong is a free market economy highly dependent on international trade and finance. As a result, it is greatly affected by the global economic fluctuations. In early 2009, Hong Kong experienced a sharp drop in the nominal Gross Domestic Products ("GDP") in its exposure to the 2008's global economic recession. Since then, the economy of Hong Kong has been recovering. The GDP has increased by 5.3% from HKD 1,934,433 million in 2011 to HKD 2,037,165 million in 2012. The GDP in 2013 reached HKD 2,122,492 million, imply 4.2% growth rate from year 2012. As for the year-on-year changes, the 4th quarter nominal GDP has increased by 4.6% from HKD555,796 million in 2012 to HKD581,280 million in 2013. Economy maintained steady growth at around 3.0% throughout the four quarters in 2013, due to an improved external trading environment and a resilient Mainland economy. The growth pace, while achieving relative improvement from year 2012, is still lower than the trend in the last decade.

Figure 1 illustrates the figures of Hong Kong's nominal GDP and per capita GDP over the last few quarters and years.

**Figure 1**
**Gross Domestic Product (GDP), implicit price deflator of GDP and per capita GDP**

| | | GDP | | | | | Implicit price deflator of GDP | | Per capita GDP | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | At current market prices | | In Chained (2012) dollars | | | | | At current market prices | | In chained (2012) dollars | |
| Year | Quarter | HK$ million | Year-on-year % change | HK$ million | Year-on-year % change | Quarter-to-quarter % change in the seasonally adjusted GDP | 2012=100 | Year-on-year % change | HK$ | Year-on-year % change | HK$ | Year-on-year % change |
| 2011 | | 1,934,433 | 8.9 | 2,005,999 | 4.8 | N.A. | 96.4 | 3.9 | 273,550 | 8.2 | 283,670 | 4.1 |
| 2012 r | | 2,037,064 | 5.3 | 2,037,064 | 1.5 | N.A. | 100.0 | 3.7 | 284,721 | 4.1 | 284,721 | 0.4 |
| 2013 r | | 2,125,353 | 4.3 | 2,096,796 | 2.9 | N.A. | 101.4 | 1.4 | 295,701 | 3.9 | 291,728 | 2.5 |
| | Q1 r | 506,715 | 4.8 | 505,202 | 2.9 | 0.5 | 100.3 | 1.8 | N.A. | N.A. | N.A. | N.A. |
| | Q2 r | 490,827 | 3.6 | 498,474 | 3.0 | 0.5 | 98.5 | 0.6 | N.A. | N.A. | N.A. | N.A. |
| | Q3 r | 547,681 | 4.6 | 532,056 | 3.0 | 0.8 | 102.9 | 1.6 | N.A. | N.A. | N.A. | N.A. |
| 2013 | Q4 r | 580,130 | 4.4 | 561,064 | 2.9 | 0.9 | 103.4 | 1.5 | N.A. | N.A. | N.A. | N.A. |
| 2014 | Q1 p | 529,982 | 4.6 | 517,849 | 2.5 | 0.2 | 102.3 | 2.0 | N.A. | N.A. | N.A. | N.A. |

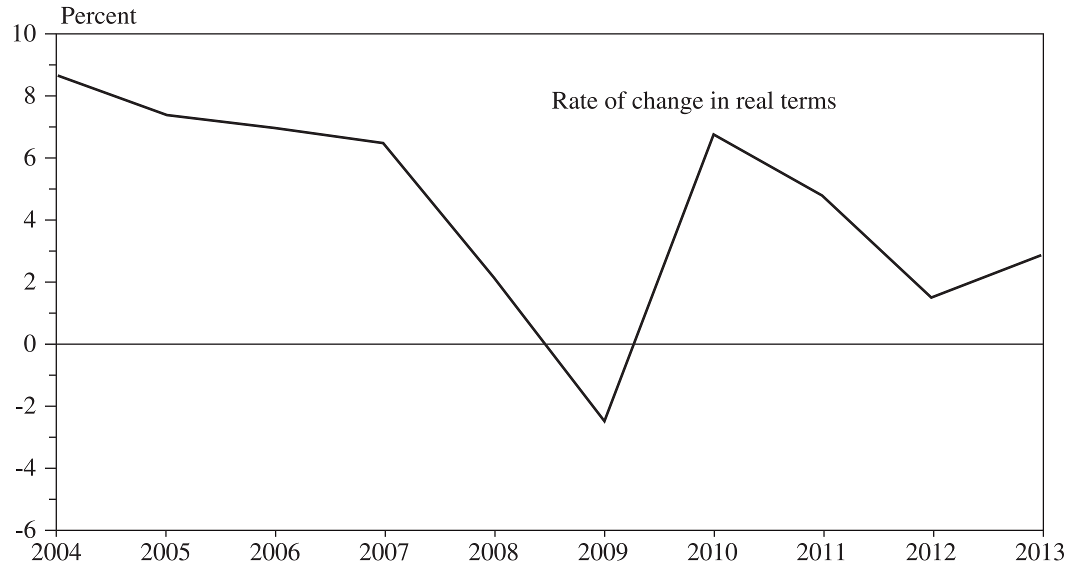
*Notes:* Figures in this table are the latest data released on 16 May 2014.

r Revised figures

p Preliminary figures.

*Source: Hong Kong Census and Statistics Department*

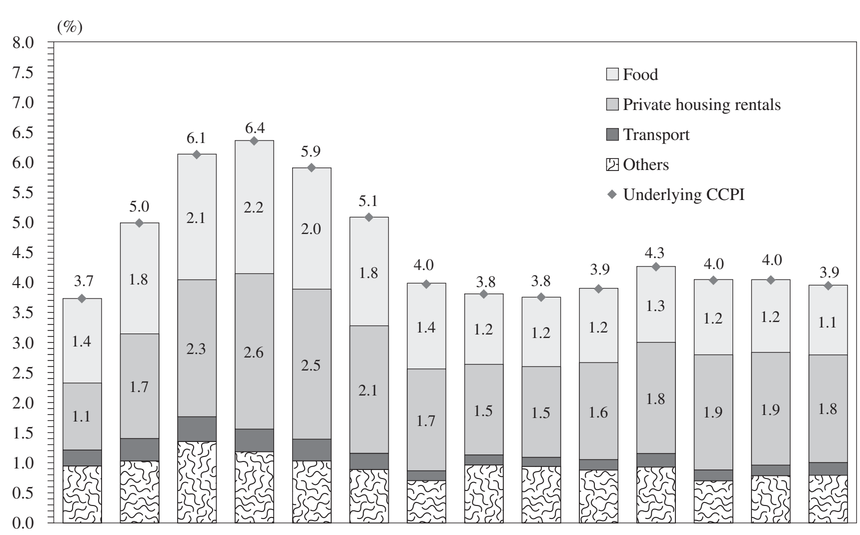
**Figure 2**
**The Hong Kong Economy picked up to moderate growth in 2013**




*3.3. Inflation in Hong Kong*

The inflation rate in Hong Kong has been fairly volatile in the past year. It drops from a peak of 6.1% in February 2012 to the trough of 1.6% in August 2012. The inflation rate was steady at round 4.0% in 2013, down from 4.7% in 2012. The following figure shows the year-on-year rate of change in inflation rate by major component from year 2011 to the end of 2013.

**Figure 3**
**Contribution to the year-on-year rate of change in the underlying Composite Consumer Price Index by major component**



## 4. Background of Wafer

Wafer is incorporated in Hong Kong. It is engaged in the business of network system integration, including provision of network infrastructure solutions and network professional services. Its major customers include CITIC Telecom International CPC Limited, Cafe De Coral Holdings Limited, Wharf T & T Limited, Telstra International Limited and Cisco System Inc.

## 5. Basis of Valuation

Our valuation was carried out on a fair value basis. HKFRS 13 Fair Value Measurement defines fair value as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date*".

## 6. Basis of Opinion

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council[1]. The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by Wafer. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinions of value included in the valuation report are impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of the subject business;
- Consideration and analysis on the micro- and macro-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

[1] The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.

## 7. Sources of Information

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and the public.

- Overview of the business nature of Wafer;
- Discussions with the management of Wafer;
- Historical financial reports of Wafer;
- Publications and private research reports regarding the related industry; and
- Bloomberg Database, Hong Kong Stock Exchange and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by Wafer.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

## 8. Valuation Approach and Methodology

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

*Income Approach*

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets. The value of the asset to be valued is developed through the application of the income approach technique known as discounted cash flow method to devolve the values of future income generated by the asset into a present market value. This approach has not been adopted because much more assumptions are involved and that uncertainties in the future performance of Wafer will have significant impacts on its value.

*Cost Approach*

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In our opinion this method is inapplicable to the current analysis as there is no convincing association of the market value of the subject asset with its cost.

*Market Approach*

The market approach to valuation uses data from comparable guideline companies to develop a measure of value for a particular subject company. Market approach is commonly adopted for business valuation and is also consist with normal market practice. There are two methods to implement the market approach.

The first method of the market approach is to use transaction data for private and public companies to compute the value. In this method, a database of bought and sold companies is used to base transaction prices and financial fundamentals on companies similar to the subject company. Assets for which there is an established market may be appraised by this approach. However, this method has not been adopted because insufficient market transaction data are available from listed companies engaged in the same business.

The second method of the market approach is to use the valuation multiples derived from the market prices and financial data of listed companies in a similar business and with a similar business model as those of the company being valued. Since there are sufficient public companies in a similar business and with a similar business model as those of the company being valued with shares being traded freely and actively on the markets, their market values are good indicators of the industry. Hence, this method has been adopted in this valuation.

## 9. Validation of Assumptions and Notes to Valuation

The assumptions considered having significant sensitivity effects in this valuation have been evaluated and validated in arriving at our assessed values.

***General Assumptions***

1. We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Wafer.

2. Based on the International Valuation Standards assumptions are suppositions taken to be true. Assumptions involve facts, conditions, or situations affecting the subject of, or approach to, a valuation but which may not be capable or worthy of verification. They are matters that, once declared, are to be accepted in understanding the valuation. All valuations are dependent to some degree on the adoption of assumptions. In particular, the definition of market value incorporates assumptions to ensure consistency of approach and the valuer may need to make further assumptions in respect of facts which cannot be known or facts which could be determined.

***Other Assumptions and Notes***

1. As at the Valuation Date, Wafer is in the position of negative equity, which reflects the effect of its losses accumulated before 2011. From the perspective of valuation, the major driver of a company's value is its business prospect, i.e. its capability of bringing in future economic benefits for its shareholders. Historical losses accumulated and carried on the book bear little relation with future profitability as the Target has been profitable since 2011. The Target's net profit for the years 2011, 2012, 2013 and 2014 (for the period January to September) are HK$680,261, HK$250,627, HK$1,570,224, and HK$3,431,090 respectively. Considering the general outlook of the Target's industry, its currently more comprehensive products, relatively low debt/equity ratio of 28.8%, and consistent profitability records in the recent three years, it is expected that the Target would be able to continue operation on a going concern basis. The financial support agreed by its holding company serves as a guarantee that it will not suffer from any liquidity issue due to its negative book value. Therefore, it is considered that no adjustment in relation to the valuation of the Target derived by comparing the valuations of the public guideline companies needs to be made.

   As there is no issue with respect to the Target's ability to operate on a going concern basis, investors and shareholders are mainly concerned about its future profitability. Therefore, it is believed to be fair and reasonable to compare the Target with the adopted guideline companies.

2. The Thomson Reuters Eikon database is exhausted for all Hong Kong listed companies in the IT Consulting & Other Services Sector (according to GICS Sub Industry Classification Benchmark) with business related to IT consultation and solution, system and network integration. A short-list consisting of 53 companies is resulted from the exhaustive search. The business model and product profiles of short-listed companies are examined in further screening, with information from the companies' web-sites and other sources, if needed. Only companies satisfying at least two of the following criteria, pertinent to the business operations of Wafer, are adopted as guideline public companies for the valuation:

   a. Significant part of revenue from, in particular network system integration, including provision of network infrastructure solutions and network professional services;

b. Revenues are mainly generated in Hong Kong;

3. Based on the methodology we described in 1. above, the following guideline companies are considered after the final screening.

*Comparable 1: Computer And Technologies Holdings Ltd (0046.HK)*

Computer And Technologies Holdings Limited is an investment holding company. The Company is engaged in the sale of computer networks and system platforms, provision of system and network integration, information technology (IT) solutions development and implementation, and related maintenance services; provision of enterprise software applications and related operation outsourcing, business process outsourcing and e-business, and related maintenance services, and property and treasury investments. It operates in three segments: the integration and solutions services segment, engaged in the sales of computer networks and system platforms, and related maintenance services; the application services segment, engaged in the provision of enterprise software applications and related operation outsourcing, and e-business, and the investments segment, engaged in various types of investing activities, including inter alia, property investment for rental income and treasury investment.

*Comparable 2: Automated Systems Holdings Ltd (0771.HK)*

Automated Systems Holdings Limited is an investment holding company engaged in providing corporate management services. The Company operates in two divisions: Information Technology Products (IT Products) and Information Technology Services (IT services). The Company is engaged in supplying information technology and associated products. It is engaged in providing systems integration, software and consulting services, engineering support for products and solutions and managed services. As of December 31, 2011, the Company's subsidiaries included Automated Systems (H.K.) Limited, ELM Computer Technologies Limited, CSA Automated (Macau) Limited, ASL Automated (Thailand) Limited, Guangzhou Automated Systems Limited, Taiwan Automated Systems Limited, Express Success Limited and Express Returns Limited, among others. In March 2011, the Company completed the acquisition of I-Sprint Innovations Pte Ltd. On February 12, 2014, i-Sprint had ceased to be a subsidiary of the Company.

*Comparable 3: Capinfo Co Ltd (1075.HK)*

Capinfo Company Limited is an information technology (IT) and services supplier. The Company's businesses include system integration, software development, IT planning and consultancy, IT operation and maintenance. The Company participates in the construction, operation and maintenance of information application projects in Beijing and other regions across the country. The Company's associates are engaged in provision of services related to digital certificates, e-Commerce application and network developments, provision of credit rating and reporting and risk assessment related information and consultancy services, manufacture and sale of smart integrated circuit (IC) cards, provision of related system integration services, and provision of security information application services and related businesses. On December 21, 2011, the Company disposed of 42% interest in a subsidiary, Capinfo Soft Co., Ltd.

*Comparable 4: SUNeVision Holdings Ltd (8008.HK)*

SUNeVision Holdings Ltd. is an investment holding company. The Company has three segments: Data centre and information technology (IT) facilities cover the provision of data centre, facilities management, Web applications and value added Services; satellite master antenna television (SMATV), communal aerial broadcast distribution (CABD), structural cabling and security systems comprise installation and maintenance services for the respective systems, and Properties holding refers to the Company's interests in investment properties which generate rental and other related income. The Company's subsidiaries include iAdvantage Limited, SUNeVision Super e-Technology Services Limited, Riderstrack Development Limited, Splendid Sharp Limited, SUNeVision Super e-Network Limited and others.

*Comparable 5: Jiangsu Nandasoft Technology Co Ltd (8045.HK)*

Jiangsu NandaSoft Technology Company Limited is a Hong Kong-based company. The Company is engaged in the sale of computer hardware and equipment, the development, manufacture and marketing of network security software, Internet application software, education software and business application software. It also provides integration services, including information technology consulting. It has four segments: the computer hardware and software products segments, which is engaged in the sale of components mainly for use in the information technology (IT) products; the system integration service segment, which is engaged in the rendering of the IT consulting services; trading of IT related products and equipment, and mobile phone segment, which is engaged in the trading of components of IT related products and mobile phones, and the training services segment, which is engaged in the provision of IT training services.

*Comparable 6: GET Holdings Limited (8100.HK)*

GET Holdings Limited is a Hong Kong-based investment holding company, which operates its business through two divisions. The Company, along with its subsidiaries, is engaged in the sale of optical display equipment, components and related technology, as well as Website development and the provision of electronic learning products and services. As of December 31, 2011, the Company's subsidiaries included Elite Ford Limited, Elipva International Limited and Elipva (Greater China) Holdings Limited, among others. On July 25, 2011, the Company disposed of its entire equity interest in Billion Harvest Development Limited.

The major risk associated with the Target and the guideline companies is business risk, which is industry-specific and bears little relation to whether the companies are listed on the main board or GEM. Furthermore, our study of the market capitalization, earnings, P/E multiple and P/B multiple of the guideline companies reveals no observable relation to the market (i.e. whether main board or GEM) on which the companies are listed. Therefore, it is considered fair and reasonable to adopt main board companies and GEM companies as guideline companies indiscriminately.

4. In this valuation task following ratios have been considered:

- Price to Earnings

- Enterprise Value to EBIT

5. Price/Book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price to book ratio of larger than 1), should have its own competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price to book ratio and so it is not a good measurement of the market value of a company. As per Pablo Fernandez, PricewaterhouseCoopers Professor of Corporate Finance, IESE Business School, book value bears little relationship to market value, only if the company adds no value.

6. The Price/Revenue ratio is considered not appropriate since revenue does not consider the cost structure and hence profitability of a company, which affects its value.

7. We have also considered that Price/EBIT and Price/EBITDA ratio not appropriate for this valuation since these ratios are less commonly used and that they are not capital structure neutral.

8. The valuation multiples considered appropriate and adopted in this valuation are:

- Price/Normalized Earnings — This is one the most commonly employed valuation multiples. It relates the market value of a company's equity to its normalized earnings, an important driver of shareholder value. This multiple is derived by dividing the market capitalization of the underlying company as of the valuation date to its 2 years average historical earnings of financial year 2013 and 2014 (annualized).

- EV/Normalized EBIT — This is the ratio of the enterprise value of the underlying company as of the Valuation Date to its 2 years average historical EBIT (earnings before interest, and taxes) of financial year 2013 and 2014 (annualized). Enterprise value is calculated by the following formula: EV = Market Capitalization + Total Debt + Minority Interests + Preferred Shares – Cash and Equivalents.

9. We have computed the mean and standard derivation of the comparable companies. We further defined one standard deviation below and above the mean to be the lower bound and upper bound of the adopted valuation multiples in order that extreme ratios, which may distort the assessment of the equity interest of Wafer, can be excluded. We consider this to be a reasonable and scientific approach to exclude the extreme ratios. The calculation of the valuation multiples, lower bound and upper bound are as follows:

| Guideline Company | Price/Earnings | EV/EBIT |
|---|---|---|
| 0046.HK | 12.96 | 9.59 |
| 0771.HK | 11.28 | 6.33 |
| 1075.HK | 22.35 | 23.44 |
| 8008.HK | 11.94 | 13.28 |
| 8045.HK | 21.49 | 11.49 |
| 8100.HK | -1.76 | 4.52 |

| | Price/Earnings | EV/EBIT |
|---|---|---|
| Mean, $\mu$ | 13.04 | 11.44 |
| Standard Deviation, $\sigma$ | 8.73 | 6.70 |
| Upper bound, $\mu+\sigma$ | 21.78 | 18.14 |
| Lower bound, $\mu-\sigma$ | 4.31 | 4.73 |
| **Implied Multiple:** | **12.45** | **10.54** |

Those multiples below the lower bound and above the upper bound are considered as outliers and excluded in the calculation of the applied multiples. The valuation multiples of Capinfo Company Limited and GET Holdings Limited are considered as outliers and therefore excluded.

10. The median of the valuation multiples of guideline companies are then applied to the 2 years average historical financial results (unaudited) of Wafer to derive the value of its 100% equity interest.

11. In the calculation of annualized earnings of Wafer for year-ended 30 September 2014, the total value is estimated as the annualized earnings for the period Jan to Sept 2014. Annualized EBIT is also calculated in the exact same manner. Applying the median of the valuation multiples is a generally accepted valuation practice.

12. The average of the equity values derived by the Price/Normalized Earnings ratio and EV/Normalized EBIT ratio is considered as good assessment of the fair value of 100% equity interest in Wafer. The equity value as derived from Price/Normalized Earnings ratio is found to be HKD28,007,078, while the equity value derived from the EV/Normalized EBIT ratio is HKD19,965,750.

13. A 25% control premium, according to the paper "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin & Alan C. Shapiro, and a 30% non-marketability discount, according to the paper "Marketability and Value: Measuring the Illiquidity Discount" by Aswath Damodaran, are applied to account for the additional prerogatives of control of the major shareholder, and the lack of marketability of the Target's shares in deriving the fair value of the Target's equity interest.

The financial ratios and valuation multiples of the adopted guideline public companies and the financial ratios of the target company, as at the Valuation Date, are highlighted below:

| Giudeline Company | Company Name | Price/Earnings | EV/EBIT |
|---|---|---|---|
| 0046.HK | Computer and Technologies Holdings Ltd | 12.96 | 9.59 |
| 0771.HK | Automated Systems Holdings Ltd | 11.28 | 6.33 |
| 8008.HK | SUNeVision Holdings Ltd | 11.94 | 13.28 |
| 8045.HK | Jiangsu Nandasoft Technology Co Ltd | 21.49 | 11.49 |

## 10. Valuation Comments

As part of our analysis, we have reviewed the financial and business information and other pertinent data concerning Wafer as has been made available to us. Such information has been provided by Wafer. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, Wafer, and Ascent Partners.

## 11. Risk Factors

*a. Economic, political and social considerations*

The financial crisis in 2008 in the United States and the Eurozone crisis have caused big impacts to the global economy. While the economies are slowly recovering, there are still many economic and political uncertainties. There is no guarantee that the expected financial performance of Wafer will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of Wafer. None of these changes can be foreseen with certainty.

*b. Technological changes*

Any change in the technological developments and advancements may render technologies provided by Wafer to be obsolete, and may have significant impacts on the business performance of Wafer. To remain competitive in the industry, Wafer may be required to make substantial capital expenditures to keep up with technological changes.

*c. Inflation*

The concurrent loosening of monetary policies by the central banks in many developed and developing countries poses a significant risk of inflation, which will erode the profitability of Wafer.

*d. Company specific risk*

Wafer generates profit from the provision of the information-technology service, office automation service and information-technology facilities installation and management. Wafer is heavily dependent on specific projects in serving its customers' needs. It is difficult for Wafer to maintain its customer base and there is no guarantee that the customers would remain in favour of services provided by Wafer in the near future.

Similar to most other companies, the future performance of the Target could be affected by some external factors which are out of its control. If any of the risk factors materialized, depending on the severity, there might be negative impacts on the Target's profitability and there will be a risk that the goodwill will be impaired. For example, a financial crisis might affect the Target's revenue, making it difficult to achieve its sales targets. Higher inflation increases the Target's operating costs and hence reduces its profits. Besides, the emergence of competitive technologies might also exert pressure on revenue.

## 12. Opinion of Value

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the fair value as at the prescribed Valuation Date, free from any encumbrances, of Wafer is as below:

As of **30 September 2014**, the fair value of Company is **HKD23,986,000 (HONG KONG DOLLAR TWENTY THREE MILLION NINE HUNDRED AND EIGHTY SIX THOUSAND ONLY)**.

Yours faithfully
For and on behalf of
**Ascent Partners Valuation Service Limited**

| | |
|---|---|
| **Simon PL Mak** | **Paul Wu** |
| | *Principal* |
| *CFA, CMA, MIPA* | *MSc* |

*Notes:*

1. Mr Mak is the chartered holder of Chartered Financial Analyst (CFA), member of the certified management accountant (CMA) and member of the Institution of Public Accountant (MIPA). He has more than 10 year experience in the valuation industry and performed valuation service for more than 150 public-listed companies. Mr. Mak is also a part-time professor of College of Economics and Finance in Huaquiao University.

2. Mr Paul Wu, holder of Master degree of Science, had worked as a senior management in world class technology companies. He has extensive experience in corporate valuation and advisory, as well as financial and statistical analysis and solutions.

3. This valuation report is co-authored by Mr Matthew Leung and Mr Jasper Chan.

**Appendix — Limiting Conditions**

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

6. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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 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

### (i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors were as follows:

*Long position in the Shares and underlying Shares*

| Name of Director | Capacity | Number of Shares and underlying Shares held | Approximate percentage of the total issued share capital of the Company *(Note 1)* |
|---|---|---|---|
| Xue Qiushi (“**Mr. Xue**”) | Interest in a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO | 254,817,389 *(Note 2)* | 13.03% |

*Notes:*

1. The total number of the 1,954,124,877 Shares in issue as at the Latest Practicable Date have been used for the calculation of the approximate percentage.

2. Ace Source International Limited (“**Ace Source**”) (being one of the substantial shareholders of the Company whose interests are set out in the section headed “Disclosure of Interests — (ii) Interests of substantial Shareholders” in this appendix) is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the Shares/underlying Shares held by Ace Source pursuant to Part XV of the SFO. Based on the Director’s/Chief Executive’s Notice —

Interests in Shares of Listed Corporation filed by Mr. Xue dated 10 November 2014, among these 254,817,389 Shares/underlying Shares, 184,204,969 of which were underlying Shares with an exercise period from 31 March 2013 to 31 March 2017 and can be exercised at the exercise price of HK$0.432 per Share.

*Aggregate long positions in shares and underlying shares of associated corporation of the Company*

| **Name of Director** | **Name of the associated corporation** | **Capacity in which the shares are held** | **Number of shares** | **Approximate percentage of the associated corporation's issued share capital** |
|---|---|---|---|---|
| Mr. Xue | Apperience Corporation ("**Apperience**") | Interest in a controlled corporation *(Note)* | 3,882,391 | 18.79% |

*Note:* Ace Source is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the shares held by Ace Source in Apperience (being an associated corporation of the Company) pursuant to Part XV of the SFO.

*Aggregate long position in debentures of the Company*

| **Name of Director** | **Amount of the debentures** |
|---|---|
| Mr. Xue | HK$16,646,025 *(Note)* |

*Note:* According to the Director's/Chief Executive's Notice Interests in Debentures of Listed Corporation filed by Mr. Xue dated 27 December 2013, Ace Source was interested in the Company's debenture of HK$16,646,025. Ace Source is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the debentures held by Ace Source pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

### (ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executive of the Company, had or were deemed or taken to have interests or short positions 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 or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name | Capacity | Number of Shares and underlying Shares held | Approximate percentage of the total issued share capital of the Company | *Notes* |
|---|---|---|---|---|
| DX.com Holdings Limited | Beneficial owner | 186,046,500 | 9.52% | |
| Wise Action Limited ("**Wise Action**") | Beneficial owner | 102,401,978 | 5.24% | *(1)* |
| Rosy Lane Investments Limited ("**Rosy Lane**") | Interest of a controlled corporation | 102,401,978 | 5.24% | *(1)* |
| Hong Kong Education (Int'l) Investments Limited ("**HK EDU INTL**") | Interest of a controlled corporation | 102,401,978 | 5.24% | *(1)* |
| Access Magic Limited ("**Access Magic**") | Beneficial owner and interests deemed under section 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(2)* |
| Dong Yuguo ("**Mr. Dong**") | Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(2)* *(3)* |
| Ace Source International Limited ("**Ace Source**") | Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO | 254,817,389 | 13.03% | *(4)* |
| Mr. Xue | Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO | 254,817,389 | 13.03% | *(4)* |

| Name | Capacity | Number of Shares and underlying Shares held | Approximate percentage of the total issued share capital of the Company | *Notes* |
|---|---|---|---|---|
| Wealthy Hope Limited (“**Wealthy Hope**”) | Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(5)* |
| Chen Liang (“**Mr. Chen**”) | Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(5)* *(6)* |
| Well Peace Global Limited (“**Well Peace**”) | Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(7)* |
| Lian Ming (“**Mr. Lian**”) | Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(7)* *(8)* |
| IDG-Accel China Growth Fund II L.P. (“**IDG-Accel**”) | Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(9)* |
| IDG-Accel China Investors II L.P. (“**IDG-Accel Investors**”) | Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO | 260,130,873 | 13.31% | *(10)* |
| IDG-Accel China Growth Fund II Associates L.P. (“**IDG-Accel II Associates**”) | Interest of a controlled corporation | 260,130,873 | 13.31% | *(9)* *(10)* *(11)* |
| IDG-Accel China Growth Fund GP II Associates Ltd. (“**IDG-Accel GP II**”) | Interest of a controlled corporation | 260,130,873 | 13.31% | *(9)* *(10)* *(11)* |

| **Name** | **Capacity** | **Number of Shares and underlying Shares held** | **Approximate percentage of the total issued share capital of the Company** | *Notes* |
|---|---|---|---|---|
| Zhou Quan ("**Mr. Zhou**") | Interest of a controlled corporation | 260,130,873 | 13.31% | *(9)* *(10)* *(11)* |
| Ho Chi Sing ("**Mr. Ho**") | Interest of a controlled corporation | 260,130,873 | 13.31% | *(9)* *(10)* *(11)* |
| THL A1 Limited ("**THL**") | Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO | 252,537,388 | 12.92% | *(12)* |
| Tencent Holdings Limited ("**Tencent**") | Interest of a controlled corporation | 252,537,388 | 12.92% | *(12)* |
| MIH TC Holdings Limited ("**MIH TC Holdings**") | Interest of a controlled corporation | 252,537,388 | 12.92% | *(12)* *(13)* |
| MIH (Mauritius) Limited ("**MIH Mauritius**") | Interest of a controlled corporation | 252,537,388 | 12.92% | *(12)* *(13)* *(14)* |
| MIH Ming He Holdings Limited ("**MIH Ming He**") | Interest of a controlled corporation | 252,537,388 | 12.92% | *(12)* *(13)* *(14)* |
| MIH Holdings Proprietary Limited ("**MIH Proprietary**") | Interest of a controlled corporation | 252,537,388 | 12.92% | *(12)* *(13)* *(14)* |
| Naspers Limited ("**Naspers**") | Interest of a controlled corporation | 252,537,388 | 12.92% | *(12)* *(13)* *(14)* |

*Notes:*

1. Wise Action is wholly and beneficially owned by Rosy Lane. Rosy Lane is wholly owned by HK EDU INTL. Each of HK EDU INTL and Rosy Lane was deemed to be interested in all the 102,401,978 Shares held by Wise Action pursuant to Part XV of the SFO.

2. Access Magic was interested in 36,349,166 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 223,781,707 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 260,130,873 Shares/underlying Shares, 184,204,969 of which were underlying Shares.

3. Access Magic is wholly and beneficially owned by Mr. Dong. As such, Mr. Dong is deemed to be interested in all the Shares/underlying Shares held by Access Magic pursuant to Part XV of the SFO.

4. Ace Source was interested in 51,496,340 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 203,321,049 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 254,817,389 Shares/underlying Shares, 184,204,969 of which were underlying Shares. Ace Source is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the Shares/underlying Shares held by Ace Source. Mr. Xue is a director of Ace Source.

5. Wealthy Hope was interested in 9,086,831 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 251,044,042 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 260,130,873 Shares/underlying Shares, 184,204,969 of which were underlying Shares.

6. Wealthy Hope is wholly and beneficially owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in all the Shares/underlying Shares held by Wealthy Hope pursuant to Part XV of the SFO.

7. Well Peace was interested in 9,086,831 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 251,044,042 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 260,130,873 Shares/underlying Shares, 184,204,969 of which were underlying Shares.

8. Well Peace is wholly and beneficially owned by Mr. Lian. As such, Mr. Lian is deemed to be interested in all the Shares/underlying Shares held by Well Peace pursuant to Part XV of the SFO.

9. IDG-Accel was interested in 128,212,804 Shares/underlying Shares as the beneficial owner and was deemed to be interested in 131,918,069 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 260,130,873 Shares/underlying Shares, 184,204,969 of which were underlying Shares.

10. IDG-Accel Investors was interested in 10,485,913 Shares/underlying Shares as the beneficial owner and was deemed to be interested in 249,644,960 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 260,130,873 Shares/underlying Shares, 184,204,969 of which were underlying Shares.

11. IDG-Accel GP II owns the entire equity interest in each of IDG-Accel II Associates and IDG-Accel Investors. IDG-Accel GP II is 50% owned by Mr. Ho and 50% owned by Mr. Zhou. As such, each of Mr. Ho, Mr. Zhou and IDG-Accel GP II was deemed to be interested in all the Shares/underlying Shares held by IDG-Accel II Associates and IDG-Accel Investors.

    IDG-Accel is wholly-owned by IDG-Accel II Associates. As such, IDG-Accel II Associates was deemed to be interested in all the Shares/underlying Shares held by IDG-Accel pursuant to Part XV of the SFO.

12. Based on the corporate substantial shareholder notice filed by Tencent on 30 October 2014, THL is wholly owned by Tencent and as such, Tencent is deemed to be interested in all 252,537,388 Shares/underlying Shares held by its controlled corporation THL pursuant to Part XV of the SFO. THL was interested in 7,819,500 Shares/underlying Shares in the capacity of beneficial owner and 244,717,888 Shares/underlying Shares in other capacities. Among these 252,537,388 Shares/underlying Shares, 184,204,968 of which were underlying Shares.

13. Based on the corporate substantial shareholder notice filed by MIH TC Holdings on 4 November 2014, THL is wholly owned by Tencent and Tencent is 33.64% owned by MIH TC Holdings. As such, MIH TC Holdings is deemed to be interested in all the 252,537,388 Shares/underling Shares held by its controlled corporations THL and Tencent pursuant to Part XV of the SFO.

14. Based on the corporate substantial shareholder notice filed by Naspers on 4 November 2014, THL is wholly owned by Tencent, Tencent is 33.64% owned by MIH TC Holdings, which is in turn 90% owned by MIH Mauritius. MIH Mauritius is wholly owned by MIH Ming He, which is in turn wholly owned by MIH Proprietary. MIH Proprietary is wholly owned by Naspers. Based on the above relationship, each of MIH Mauritius, MIH Ming He, MIH Proprietary and Naspers is deemed to be interested in all the 252,537,388 Shares/underlying Shares held by their controlled corporations pursuant to Part XV of the SFO.

15. The total number of the 1,954,124,877 Shares in issue as at Latest Practicable Date have been used for the calculation of the approximate percentage.

Save as disclosed above, the Directors were not aware of any other person who, as at the Latest Practicable Date, had or was deemed to have interests or short positions 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 or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, save for Mr. Xue who is the director of Ace Source, none of the Directors is a director of a company which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

## 3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the agreement dated 11 December 2012 supplemental to the conditional sale and purchase agreement dated 15 November 2012 in relation to the acquisition of 50.5% of the issued share capital of Apperience at a maximum aggregate consideration of HK$548,985,500 (subject to adjustment) ("**Apperience SP Agreement**") entered into by and among the Company as purchaser, Access Magic, Ace Source, Well Peace, Wealthy Hope, IDG-Accel, IDG-Accel Investors and THL as vendors and Mr. Dong, Mr. Xue, Mr. Lian and Mr. Chen as warrantors amending certain terms of the Apperience SP Agreement;

(b) the copyright licence agreement dated 18 February 2013 entered into between Apperience as licensee and 成都奧畢信息技術有限公司 (Chengdu AOBI Information Technology Co., Ltd.) ("**PRC Company**") as licensor in relation to the granting of licence to use the copyright of "Advanced SystemCare" registered in the name of the PRC Company in the PRC ("**Copyright Licence Agreement**") at nil consideration for a period from the date of the Copyright Licence Agreement to (i) the date on which the relevant copyright is transferred from the PRC Company and registered in the name of Apperience in the PRC; or (ii) the date on which the copyright of "Advanced SystemCare" has been registered in the name of Apperience in the United States (whichever is the earlier);

(c) the placing letter dated 21 March 2013 and signed between Perfect Growth Limited ("**Perfect Growth**") (an indirect wholly-owned subsidiary of the Company) as subscriber and Trinity Finance Investment Limited as sub-placing agent in relation to the subscription of the 2014 due 10% coupon convertible bonds in the principal amount of HK$3,500,000 issued by Capital VC Limited (a company listed on the Main Board of the Stock Exchange);

(d) the agreement dated 15 May 2013 entered into between Lucky Famous Limited ("**Lucky Famous**") (a wholly-owned subsidiary of the Company) as purchaser and Town Health Asset Management Limited as vendor in relation to the sale and purchase of the entire issued share capital of Dragon Oriental Investment Limited at a consideration of HK$42,000,000;

(e) the agreement ("**Five Stars SP Agreement**") dated 6 June 2013 entered into between Mason Capital Limited (民信融資有限公司) as purchaser and Refine Skill Limited as vendor in relation to the sale and purchase of the entire issued share capital of Five Stars Development Limited ("**Five Stars**") and the entire amount of the shareholder's loan owing by Five Stars to Refine Skill Limited on the date of completion of the Five Stars SP Agreement at an aggregate consideration of HK$13,000,000;

(f) the agreement dated 13 June 2013 entered into by and among Perfect Growth as purchaser and Town Health Corporate Advisory and Investments Limited and Lime Development Limited as vendors in relation to the sale and purchase of 248,976,000 shares of EPRO Limited at an aggregate consideration of HK$79,921,296;

(g) the agreement dated 20 June 2013 entered into between Brilliant Path Limited as purchaser and the Company as vendor in relation to the sale and purchase of the entire issued share capital of Refine Skill Limited at a consideration of HK$8,000,000;

(h) the cooperation framework agreement dated 18 December 2013 entered into between Supreme Right Development Limited (an indirect wholly-owned subsidiary of the Company) and Grandeur Industries Limited to set out the preliminary cooperation intentions of parties to invest a total maximum amount of HK$10,000,000 to develop the e-commerce business;

(i) the instrument of transfer dated 27 December 2013 signed by Perfect Growth as vendor and an Independent Third Party as purchaser in relation to the sale and purchase of the 2014 due 10% coupon convertible bonds issued by Capital VC Limited in the principal amount of HK$3,500,000 at a consideration of HK$3,764,657;

(j) the agreement dated 5 February 2014 entered into between Fast Yield Holdings Limited ("**Fast Yield**") (a direct wholly-owned subsidiary of the Company) as purchaser and Ms. Li Chui Ling ("**Ms. Li**") as vendor in relation to the sale and purchase of the entire issued share capital of a company incorporated in Hong Kong which is a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the SFO (subject to conditions imposed by the SFC) ("**Securities Company Acquisition Agreement**") at a consideration of HK$6,000,000 (subject to adjustment);

(k) the agreement dated 12 March 2014 entered into between Supreme Right Development Limited (an indirect wholly-owned subsidiary of the Company) as service provider and Grandeur Industries Limited ("**Grandeur**") in relation to the provision of the services including, among others, (i) developing the online platform for Grandeur for its B2C (business-to-customer) electronic commerce business of selling the soft bedding products; and (ii) arranging for operating and maintaining the online platform for a service term of one year from the date of the agreement at an aggregate fee of (a) a lump sum of HK$500,000 and (b) a sum which shall be equal to 5% of the proceeds of sales generated on the online platform for each calendar month;

(l) the memorandum of understanding dated 28 March 2014 entered into between Fast Yield as purchaser and an Independent Third Party as vendor in relation to the acquisition of the entire issued share capital of a company incorporated in Hong Kong ("**PIBA Company**") which is a member of the Professional Insurance Brokers Association at the initial consideration of HK$868,000 (subject to adjustment);

(m) the subscription agreement dated 8 April 2014 entered into by and among Lucky Famous and the existing shareholders, Mr. Mok Kwan Yat and Mr. Cheng Wai Cheung, Herman and Lujolujo Asia Limited in relation to the subscription of approximately 77% of the issued share capital of the Lujolujo Asia Limited at an aggregate consideration of HK$14,000,000;

(n) the agreement dated 10 June 2014 entered into between Mission Win International Limited (a direct wholly-owned subsidiary of the Company) as the purchaser and EPRO Systems Limited as vendor in relation to the sale and purchase of the entire issued share capital of e-Perfect IT Limited at the consideration of HK$48,000,000 to be settled by the allotment and issue of 186,046,500 Shares by the Company;

(o) the agreement dated 12 June 2014 entered into between Lucky Famous as vendor and Talent Gain International Limited as purchaser in relation to the sale and purchase of the 51% of the issued share capital of Dragon Oriental Investment Limited at the consideration of HK$21,700,000;

(p) the agreement ("**Termination Agreement**") dated as of 1 July 2014 entered into between Apperience and the PRC Company in relation to the termination of the Copyright Licence Agreement with effect from the date of the Termination Agreement;

(q) the agreement dated as of 1 July 2014 entered into among the PRC Company as licensor, Apperience and Both Talent International Limited ("**Both Talent**") (an indirect subsidiary of the Company) as licensee in relation to the granting of licence to use the copyright of "Advanced SystemCare" ("**Copyright**") registered in the name of the PRC Company in the PRC ("**New Copyright Licence Agreement**") for a period from the date of the New Copyright Licence Agreement to the later of (i) the completion of registration of the assignment of the Copyright to Both Talent in the PRC; or (ii) the completion of registration of the copyright for "Advanced SystemCare" in the name of Both Talent in the United States;

(r) the agreement dated 7 July 2014 entered into between the PIBA Company and Prosperous Glory Asia Limited ("**Prosperous Glory**") in relation to the subscription by Prosperous Glory of new shares, representing approximately 49% of the enlarged share capital of the PIBA Company after the completion of the subscription, at a consideration of HK$2,001,789.76;

(s) the memorandum of understanding dated 6 August 2014 entered into between the Company and a company incorporated in Hong Kong which is an Independent Third Party in relation to the investment of a total maximum amount of HK$10,000,000 to develop a mobile phone application and the sale and marketing network for insurance investment linked products using the said mobile phone application. The memorandum of understanding has been terminated according to its terms on 31 October 2014;

(t) the letter agreement dated 28 August 2014 entered into between Fast Yield and Ms. Li to extend the long stop date of the Securities Company Acquisition Agreement from 31 August 2014 (or such other date as Fast Yield and Ms. Li may agree in writing) to 31 December 2014 (or such other date as Fast Yield and Ms. Li may agree in writing);

(u) the placing agreement dated 6 October 2014 entered into between the Company as issuer and SBI China Capital Financial Services Limited as the placing agent in relation to the placing of a maximum of 319,260,000 Shares of the Company ("**Placing Shares**") at a price of HK$0.121 per Placing Share; and

(v) the SP Agreement.

## 4. 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 (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letter or advice contained in this circular:

| Name | Qualification |
|---|---|
| RSM Nelson Wheeler | Certified Public Accountants, being the reporting accountant for the unaudited pro forma financial information of the Enlarged Group |
| Deloitte Touche Tohmatsu | Certified Public Accountants, being the reporting accountant for the financial information of the Target |
| Ascent Partners Valuation Service Limited | Independent professional valuer |

Each of RSM Nelson Wheeler, Deloitte Touche Tohmatsu and Ascent Partners Valuation Service Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of RSM Nelson Wheeler, Deloitte Touche Tohmatsu and Ascent Partners Valuation Service Limited was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any members of the Enlarged Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 6. LITIGATION

On 19 June 2014, the Company announced that Apperience and BlueSprig, Inc. (collectively, the "**Defendants**"), both being indirect non-wholly owned subsidiaries of the Company, have been named as defendants in a litigation ("**Litigation**") filed in the United States District Court for the Northern District of California ("**US Court**"). The Litigation was pleaded as a class action by an individual as plaintiff ("**Plaintiff**") (on his own behalf and on behalf of other purchasers of Advanced SystemCare PRO product ("**ASC**")) against the Defendants in respect of ASC, one of the principal products marketed by Apperience to combat malware and improve computer performance.

In the Litigation, the Plaintiff alleged, among other things, that ASC did not deliver the marketing promises as advertised and that the free trial version of ASC induced consumers to purchase the full version of ASC by providing misleading diagnostic scans. The Plaintiff sought damages of US$5,000,000 as well as relevant legal fees.

The Group instructed its legal counsel in the United States ("**US Legal Counsel**") to defend against the Litigation and to deal with all legal matters in relation thereof. The US Legal Counsel filed a motion to dismiss the Plaintiff's claims in their entirety on 25 July 2014 on the ground that the Plaintiff's claims failed to state claims cognizable under US law.

On 31 October 2014 (Pacific Time Zone), the US Court dismissed all of the Plaintiff's claims asserted against the Defendants on the ground that the Plaintiff had failed to state the claims upon which relief can be granted. The US Court concluded that the Plaintiff had not adequately stated his claims because he failed to allege the problems on his own computer which the software failed to cure or how Defendants' alleged marketing statements were false. The US Court also found that the Plaintiff had failed to provide a notice of breach to the Defendants within a reasonable time after discovering the breach as required by the California Commercial Code. The US Court permitted the Plaintiff to move to amend his complaint on or before 14 November 2014 (Pacific Time Zone).

The Plaintiff did not move to amend his complaint on or before 14 November 2014. On 17 November 2014, the US Court entered a final judgment in favour of the Defendants and against the Plaintiff (the "**Judgment**"). If the Plaintiff chooses to appeal against the Judgment, the Plaintiff has to file a notice of appeal on or before 17 December 2014. Further details in relation to the Litigation are disclosed in the Company's announcements dated 19 June 2014, 3 November 2014, 17 November 2014 and 19 November 2014 and the third quarterly report of the Company for the nine months ended 30 September 2014.

Save for the Litigation as disclosed above, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

## 7. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules, as if the Directors were controlling Shareholders.

## 8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

The PRC Company as licensor, Apperience and Both Talent as licensee, entered into the New Copyright Licence Agreement as of 1 July 2014. Details of the New Copyright Licence Agreement are disclosed in the paragraph headed "Material Contracts" above. Since the PRC Company is owned as to 35% by Mr. Xue, an executive Director, Mr. Xue is interested in the New Copyright Licence Agreement through his shareholding in the PRC Company.

Save for the New Copyright Licence Agreement, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 1703, 17/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Lau Siu Cheong, who is a member of a CPA Australia.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The Company's compliance officer is Mr. Kuang Hao Kun Giovanni, who obtained a Bachelor's Degree of Economics from La Trobe University in Australia and is a member of CPA Australia.

(f) The English text of this circular shall prevail over the Chinese text.

## 10. AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee members as at the date of this circular are Mr. Yip Chi Fai Stevens, Mr. Lam Kit Sun and Ms. Xiao Yiming. They are the independent non-executive Directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

Biographical information of each member of the Audit Committee is set out below:

**Mr. Yip Chi Fai Stevens** ("**Mr. Yip**"), aged 45, has been appointed as an independent non-executive Director since January 2014. He obtained the degree of Master of Business Administration from The Bernard M. Baruch College of The City University of New York in 1995 and a degree of Bachelor of Science with highest honours from The College of Staten Island of The City University of New York in 1992. Mr. Yip is proficient in investments in information technology and software related industries and has extensive experience in corporate finance, specialising in capital strategy planning. In 2007, Mr. Yip founded an investment company which is principally engaged in the investments in both listed and non-listed companies in the Asia-Pacific region. Mr. Yip is also the director and a shareholder of a private company principally engaged in trading of electronic components and products. Mr. Yip has been a committee member of the 6th Committee of Meizhou City of Guangdong Province of The Chinese People's Political Consultative Conference since his appointment in January 2012 and is the vice chairman of the 2nd Session of Board of Wanchai and Central &

Western District Industries and Commerce Association. Mr. Yip is also a director of Phoenix Charitable Foundation Limited and the adviser to the North District, New Territories East Region of the Auxiliary Medical Service, Hong Kong Special Administrative Region Government of the People's Republic of China.

**Mr. Lam Kit Sun** ("**Mr. Lam**"), aged 37, has been appointed as an independent non-executive Director since October 2013. He graduated from The Hong Kong University of Science and Technology with a bachelor's degree in Business Administration in Accounting. Mr. Lam has over 10 years' experience in the field of financial reporting, financial management and audit experience in China and Hong Kong. Mr. Lam is a fellow and practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and a non-practicing member of the Chinese Institute of Certified Public Accountants.

Mr. Lam was an executive director of Kiu Hung Energy Holdings Limited ("**Kiu Hung**") (stock code: 381), a company whose shares are listed on the Main Board of the Stock Exchange, from October 2009 to July 2013 and he was re-designated as a non-executive director of Kiu Hung on 1 August 2013. Currently, Mr. Lam is an executive director, company secretary and chief financial officer of Universe International Holdings Limited (stock code: 1046), a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam is an independent non-executive director of DX.com Holdings Limited ("**DX.com**") (stock code: 8086), a company whose shares are listed on GEM of the Stock Exchange. Mr. Lam is also the chief financial officer and company secretary of Finsoft Corporation (stock code: 8018), a company whose shares are listed on GEM of the Stock Exchange. As at the Latest Practicable Date, the Company held 273,873,600 shares of DX.com, representing approximately 4.89% of the total issued share capital of DX.com. As at the Latest Practicable Date, DX.com held 186,046,500 Shares, representing approximately 9.52% of the total issued share capital of the Company.

**Ms. Xiao Yiming** ("**Ms. Xiao**"), aged 34, has been appointed as an independent non-executive Director since January 2014. She graduated from the Harbin Institute of Technology with a bachelor's degree in Business Administration in Management. Ms. Xiao has over 10 years' experience in the field of public relations. Ms. Xiao was a senior manager of investor relations of a hotel chain in China. She is currently a consultant of corporate communications and investor relations of a subsidiary ("**PR Company**") of a company whose shares are listed on the GEM and whose subsidiaries are principally engaged in, among others, the provision of advertising and public relations services. Ms. Xiao is also the chief representative of the Beijing Representative Office of the PR Company and is responsible for offering consulting services in corporate communications and investor relations to companies listed in Hong Kong as well as to clients in initial public offering projects. The PR Company has been providing consulting services in corporate communications and investor relations to the Group since 2012. Nevertheless, Ms. Xiao is not a director, partner or principal of the PR Company and Ms. Xiao is not or has not been involved in providing such consulting services to the Group.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the office of Messrs. Leung & Lau at Units 7208–10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of continuance and the bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 and the interim report of the Company for the six months ended 30 June 2014;

(c) the accountants' report on the Target issued by Deloitte Touche Tohmatsu as set out in Appendix II to this circular;

(d) the unaudited pro forma financial information of the Enlarged Group issued by RSM Nelson Wheeler as set out in Appendix III to this circular;

(e) the report on business valuation of the Target as at 30 September 2014 prepared by Ascent Partners Valuation Service Limited as set out in Appendix IV to this circular;

(f) the written consents referred to in the section headed "Experts and Consents" in this appendix; and

(g) the material contracts referred to in the section headed "Material Contracts" in this appendix.

# GET HOLDINGS LIMITED
# 智易控股有限公司*

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock code: 8100)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting of GET Holdings Limited ("**Company**") will be held at 10:30 a.m. on Tuesday, 30 December 2014 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong to consider and, if thought fit, approve the following resolution as an ordinary resolution:

**ORDINARY RESOLUTION**

"**THAT:**

(a) the sale and purchase agreement dated 31 October 2014 entered into between e-Perfect IT Limited as purchaser, Wafer Systems Limited as vendor and Mr. Chan Sek Keung, Ringo as guarantor in respect of the Acquisition (as defined in the circular of the Company dated 11 December 2014 ("**Circular**"), a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) ("**SP Agreement**") (a copy of the SP Agreement is marked "B" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and

(b) any one of the directors ("**Directors**") of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the SP Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such

* *For identification purposes only*

documents or any terms thereof, which are not fundamentally different from those as provided in the SP Agreement) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole"

On behalf of the Board
**GET Holdings Limited**
**Kuang Hao Kun Giovanni**
*Chairman*

Hong Kong, 11 December 2014

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head Office and Principal Place of Business in Hong Kong:*
Room 1703, 17/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

*Notes:*

1. The resolution to be proposed at the SGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") and the results of the poll will be published on the websites of GEM and the Company in accordance with the GEM Listing Rules.

2. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM. A proxy needs not be a member of the Company. On a poll, votes may be given either personally or by proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. To be valid, the instrument appointing a proxy and (if required by the board ("**Board**") of directors of the Company ("**Directors**") the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

5. Where there are joint holders of any shares, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

*As at the date of this notice, the Board consists of two executive Directors, namely Mr. Kuang Hao Kun Giovanni and Mr. Xue Qiushi, and three independent non-executive Directors, namely Mr. Lam Kit Sun, Mr. Yip Chi Fai Stevens and Ms. Xiao Yiming.*

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

*This notice will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.geth.com.hk.*