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## **KING FORCE SECURITY HOLDINGS LIMITED**

### **冠輝保安控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08315)**

#### **ANNOUNCEMENT IN RELATION TO THE SUPPLEMENTAL AGREEMENT TO THE EQUITY TRANSFER AGREEMENT AND DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 25% EQUITY INTEREST IN MAGN INVESTMENT LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

##### **BACKGROUND**

Reference is made to the Announcement in relation to, among others, the Equity Transfer Agreement entered into between the Company and the Vendor on 19 October 2015 and the acquisition of 80% equity interest in the Target Company by the Company at the then consideration of HK\$92,000,000 by way of issue of Consideration Shares.

Subsequent to the signing of the Equity Transfer Agreement, the Company and the Vendor had further negotiated and considered, among others, the potential risks laid in the VIE Contracts and agreed to decrease the equity interest to be acquired by the Company in order to minimize such risks.

##### **THE SUPPLEMENTAL AGREEMENT**

On 24 November 2015 (after trading hours), the Company and the Vendor further entered into the Supplemental Agreement, pursuant to which the parties agreed to, inter alia, (i) amend the equity interest of the Target Company to be acquired by the Company from 80% to 25%; (ii) adjust the Consideration from HK\$92,000,000 to approximately HK\$28,750,000; (iii) adjust the maximum number of Consideration Shares to be issued from 351,145,039 Shares to 109,730,000 Shares; and (iv) make consequential amendments to other terms and conditions to the Equity Transfer Agreement in respect of the aforesaid amendments.

##### **GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules exceed(s) 5% but less than 25%, the Acquisition (aggregate with the subscription of 20% enlarged equity interest in the Target Company as disclosed in the announcement of the Company dated 16 April 2015) contemplated under the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) no longer constitutes a major transaction but a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and announcement requirement but exempt from the Shareholders' approval requirement.

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The principal terms of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) are set out as follows:

Parties:           the Company (as purchaser);  
                      the Vendor (as vendor)

### **Subject matter:**

As amended by the Supplemental Agreement, the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell 25% equity interest in the Target Company, subject to the terms and conditions therein.

### **Consideration:**

As amended by the Supplemental Agreement, the maximum Consideration is approximately HK\$28,750,000 (subject to downward adjustment), which shall be settled by way of issue of the Consideration Shares at the Issue Price of HK\$0.262 each in accordance with the following manner:

- (i) 33,760,000 Consideration Shares (the “**Tranche A Consideration Shares**”) (or the adjusted number of the Consideration Shares in the event that the 2016 Guaranteed Profit (as defined below) is not satisfied) shall be released to the Vendor within 30 calendar days after the issue of the audited consolidated accounts of the Target Group for the six (6) month period ending 31 March 2016; and

- (ii) 75,970,000 Consideration Shares (the “**Tranche B Consideration Shares**”) (or the adjusted number of the Consideration Shares in the event that the 2017 Guaranteed Profit (as defined below) is not satisfied) shall be released to the Vendor within 30 calendar days after the issue of the audited consolidated accounts of the Target Group for the financial year ending 31 March 2017.

### **Consideration Shares:**

The Consideration Shares shall be allotted and issued pursuant to the General Mandate, and shall rank pari passu with the Shares in issue on the date of allotment and issue including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue. The Consideration Shares are subject to a lock-up period of 3 months after issuance.

The General Mandate has not been utilized since the date of grant on 1 September 2015 up to the date of this announcement.

Shareholders’ approval will not be required for the allotment and issue of the Consideration Shares as the Consideration Shares will be issued under the General Mandate.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK\$0.262 per Consideration Share represents:

- (i) equivalent to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days up to and including the date of the Equity Transfer Agreement, i.e. 19 October 2015, of HK\$0.262 per Share;
- (ii) a discount of approximately 14.098% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on 24 November 2015, being the date of the Supplemental Agreement; and
- (iii) a discount of approximately 16.561% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days prior to the date of the Supplemental Agreement of HK\$0.314 per Share.

Assuming that no downward adjustment is made to the Consideration, the Consideration Shares represent (i) approximately 1.715% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.686% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

## **Adjustment to Consideration:**

### *Guaranteed Profits*

The Vendor guaranteed to the Company that the audited consolidated net profit after tax of the Target Company for the six (6) month period ending 31 March 2016 (the “**2016 Actual Profit**”) and the financial year ending 31 March 2017 (the “**2017 Actual Profit**”) shall be not less than HK\$20,000,000 (the “**2016 Guaranteed Profit**”) and HK\$45,000,000 (the “**2017 Guaranteed Profit**”) respectively (collectively, the “**Guaranteed Profits**”).

### *Adjustment to Consideration for 2016*

In the event that the 2016 Actual Profit fails to meet the 2016 Guaranteed Profit, the Vendor shall indemnify the Company the amount of the 2016 Compensated Amount (as defined below) by deducting the 2016 Compensated Amount from the aggregate consideration of the Tranche A Consideration Shares and the Company shall issue the adjusted number of the Tranche A Consideration Shares to the Vendor.

As amended by the Supplemental Agreement, the 2016 Compensated Amount shall be determined in accordance with the formula below:

the “**2016 Compensated Amount**” = (2016 Profit Guarantee-2016 Actual Profit) x 0.4425

### *Adjustment to Consideration for 2017*

In the event that the 2017 Actual Profit fails to meet the 2017 Guaranteed Profit, the Vendor shall indemnify the Company the amount of the 2017 Compensated Amount (as defined below) by deducting the 2017 Compensated Amount from the aggregate consideration of the Tranche B Consideration Shares and the Company will issue the adjusted number of the Tranche B Consideration Shares to the Vendor.

As amended by the Supplemental Agreement, the 2017 Compensated Amount shall be determined in accordance with the formula below:

the “**2017 Compensated Amount**” = (2017 Profit Guarantee-2017 Actual Profit) x 0.4425

The 2016 Actual Profit and/or 2017 Actual Profit should be treated as zero if the Target Company recorded a net loss after taxation for the relevant financial period.

If the net profit for the relevant financial period exceeds the Guaranteed Profits, the balance of the Consideration shall not be adjusted.

**Basis of Consideration:**

The Consideration was determined among the parties to the Acquisition based on arm's length negotiations after taking into account, among others, (i) the future prospects of the Target Group; (ii) the Guaranteed Profits provided by the Vendor for each of the six (6) month period ending 31 March 2016 and the financial year ending 31 March 2017 as described in the subsection headed "Adjustment to Consideration" above; (iii) the downward adjustments mechanism to the Consideration to protect the Group's interests as described in the subsection headed "Adjustment to Consideration" above; (iv) the price to earning ratios (range from 8 to 62 based on market price as at 24 November 2015) of the seven companies listed on the Stock Exchange engaging in similar businesses (i.e. mobile game business) of the Target Group; and (v) the benefits to be derived by the Group from the Acquisition as described herein below. The consideration of 80% equity interest in the Target Company as disclosed in the Announcement represents an approximately 4% discount to 80% of the valuation as referred to in the Announcement, which is in the interest of the Company.

**Conditions Precedent:**

Completion of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) is conditional upon the fulfilment or waiver (as the case may be save for condition (iii) below) of, among others, the following conditions:

- (i) the Company, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of each of the Target Group companies;
- (ii) the Company having obtained a legal opinion, on among others, each of the Target Group companies, the legality and enforceability of the VIE Contracts, and the transactions contemplated under the transaction documents in relation to the Equity Transfer Agreement, issued by a PRC law firm authorized by the Company, in form and substance satisfactory to the Company in its absolute discretion;
- (iii) the Company having obtained all necessary consents and approvals from the relevant authorities (including but not limited to the Stock Exchange) and the Shareholders of the Company in relation to the Equity Transfer Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Consideration Shares to the Vendor); and
- (iv) no material adverse change in the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions the Target Group companies has occurred since the date of the Equity Transfer Agreement to the completion date of the Acquisition.

## **Repurchase Obligation**

In the event that any term or condition of the VIE Contracts becomes illegal or unenforceable due to any change or implementation of PRC law, rule, regulation or governmental policy, the Vendor is obliged to repurchase the VIE Group by cash at the consideration equivalent to the higher of the then valuation of the VIE Group to be prepared by an independent valuer to be agreed by the parties or the then latest audited net asset value of the VIE Group within 15 business days upon receiving written notice from the Company.

The repurchase obligation is part of the arrangement under the Equity Transfer Agreement governed by Hong Kong law and shall remain enforceable in the event that the VIE contracts become unenforceable due to change in the PRC laws and regulations.

Such repurchase obligation shall remain in full force and effect after completion or termination of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement). The Vendor and its ultimate beneficial owner has agreed to provide personal guarantee for its fulfillment of the repurchase obligation. As a result, the Company is of the view that risk exposure of the Company is limited in case the Vendor failed to fulfil the repurchase obligation.

## **Non-competition**

The Vendor and the PRC Equity Owners agree that for a period of two (2) years starting from the date of completion, any of them shall not, and shall ensure that none of their related parties shall, engage or hold any interest in any business or activity (including research, developing, marketing and/or promotion of mobile gaming) in Hong Kong or the PRC, either directly or indirectly, solely or jointly with others, or through the establishment of any business entity directly or indirectly, solely or jointly with others save for the 55% equity interest in the Target Company.

## **Completion**

Completion shall take place upon all conditions precedent have been fulfilled or waived (save for condition (iii) which cannot be waived) or such other date as the parties hereto may mutually agree in writing.

Upon completion of the Acquisition, the Company will hold 45% equity interest in the Target Company and the Target Company will become an associate of the Company.

Assuming no downward adjustment is made to the Consideration and 109,730,000 Consideration Shares are issued to the Vendor, no change of control of the Company will be resulted.

## **EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) upon the issue of the maximum number of Consideration Shares, assuming there is no other change in the shareholding structure of the Company since the date of this announcement.

Shareholders	As at the Latest Practicable Date		Upon issue of the maximum number of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate % of the interest held</i>	<i>Number of Shares</i>	<i>Approximate % of the interest held</i>
Optimistic King Limited <sup>(1)</sup>	3,480,000,000	54.375%	3,480,000,000	53.458%
Vendor	—	—	109,730,000	1.686%
Public	<u>2,920,000,000</u>	<u>45.625%</u>	<u>2,920,000,000</u>	<u>44.856%</u>
Total	<u><u>6,400,000,000</u></u>	<u><u>100%</u></u>	<u><u>6,509,730,000</u></u>	<u><u>100%</u></u>

*Note:*

1. The entire issued share capital of Optimistic King Limited is owned by Mr. Fu Yik Lung, an executive Director. Accordingly, Mr. Fu Yik Lung and his spouse, Ms. Liu Lai Ying, are deemed or taken to be interested in all of the Shares held by Optimistic King Limited. Mr. Fu Yik Lung is also one of the directors of Optimistic King Limited.

As at the date of this announcement, the Company has an authorized share capital of HK\$20,000,000, which is divided into 20,000,000,000 ordinary shares of HK\$0.001 each.

## FUND RAISING DURING THE PAST TWELVE MONTHS

The Company does not have any equity fund raising activity of during the past 12 months immediately preceding the date of this announcement.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the view that intelligence building automation system is a growing trend in Hong Kong and more and more software and information technology system are required to be utilized when providing security guarding services to the clients. Therefore it is essential for the Company to have support from a strong team of programmers in order to further grow our business. The Directors believe that forming a joint venture with a software company is the quickest and most cost-efficient way to achieve this. To cope with it, the Group has entered in the subscription agreement with the Target Company on 16 April 2015, pursuant to which the Group conditionally agreed to subscribe 20% of the enlarged issued shares of the Target Company, and entered into a joint venture agreement with Shenzhen Weiyouhui on 30 September 2015 in relation to the formation of a joint venture to research and develop security system software for intelligence building automation system. The Board are of the view that the further acquisition of equity interest in the Target Company, where the Group will hold 45% equity interest in the Target Company upon completion of the Acquisition, can better utilize or grant the Group with flexibility in managing our relevant man power, such as programmers, and other resources, such as



developed intellectual assets, in the course of developing our intelligence building automation system business. In addition, the Board considers that the acquisition of the mobile game business will diversify the Group's businesses and broaden its revenue base.

The Directors are of the view that the terms of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability. It is an investment holding company which holds the entire equity interest of MAGN Media (China), which in turn holds the entire equity interest in Shenzhen Weiyohui and the entire share capital of MAGN Classic Technology which will enjoy the entire economic interests and benefits of the VIE Group through the VIE Contracts.

The Target Group is principally engaged in (i) the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE Contracts, operation of gaming products.

## Financial Information

Set out below is the financial information of the Target Group based on the unaudited consolidated management accounts of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 December 2014 and the eight months ended 31 August 2015:

	For the year ended 31 December 2013 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i>
Loss before income tax from continuing operations	<u>(188)</u>	<u>(7,245)</u>	<u>(14,146)</u>
Loss for the year/period from continuing operations	<u>(188)</u>	<u>(7,245)</u>	<u>(14,146)</u>

The unaudited consolidated net assets of the Target Group as at 31 August 2015 amount to approximately RMB855,000.

The revenue of the Target Group is solely generated from the VIE Group.



On 20 August 2015, Timing Advertisement entered into a sale and purchase agreement to dispose of the advertising business (the “**Advertising Business**”) operated by MAGN Advertisement to 深圳市新動世紀廣告有限公司 (Shenzhen MAGN Century Advertisement Co., Limited\*, “**MAGN Century Advertisement**”) at a consideration of RMB1.00, which was mutually agreed by Timing Advertisement and MAGN Century Advertisement. The disposal was completed on 20 August 2015. Accordingly, the results of the Advertising Business for the relevant year/period have been separately presented as “discontinued operations” in the consolidated management accounts of the Target Group.

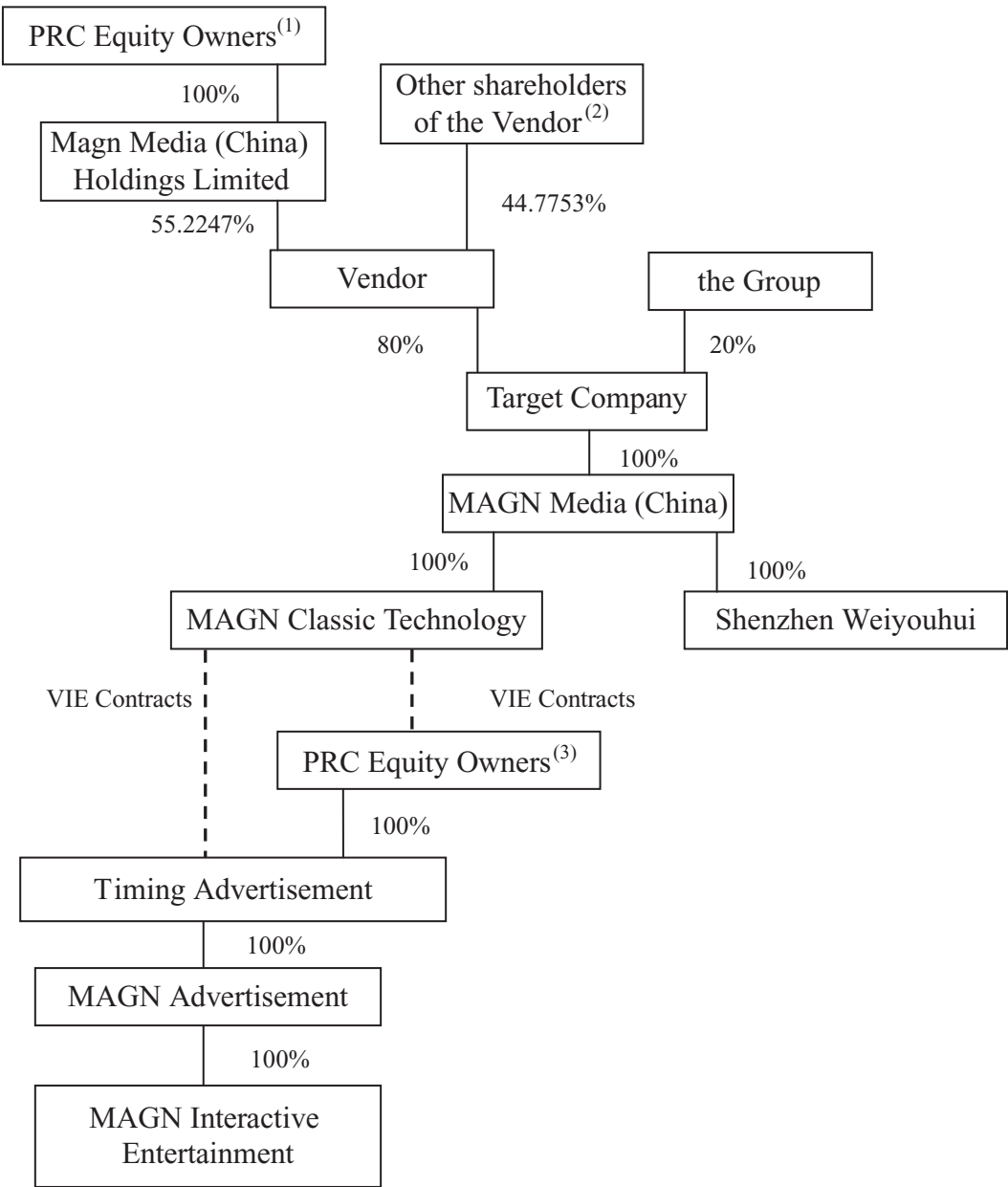
The Target Group currently operates in one business segment, i.e. the mobile game business and security software. The loss making of the Target Group is mainly due to its traditional advertisement business which was disposed in August 2015, and the business activity remaining in the Target Group is mobile games which is profit making in the Board’s expectation. As for the going concerns, Mr. Chen Yunchuo, the controlling shareholder of the vendor and the VIE Group, confirmed that he will continue to provide the Target Group with necessary financial support to meet the Target Group’s liabilities and commitments as and when they fall due.

Further, as disclosed in the announcements of the Company dated 16 April 2015 and 30 September 2015, Shenzhen Weiyouthui entered into a joint venture agreement with Shenzhen Jiahonglitian on 30 September 2015, pursuant to which Shenzhen Weiyouthui and Shenzhen Jiahonglitian established a joint venture owned as to 50% by each of them which engages in research and development of software for intelligent building, which is important for the enhancement of the current security guard business of the Company. For further details of the joint venture, please refer to the said announcements.

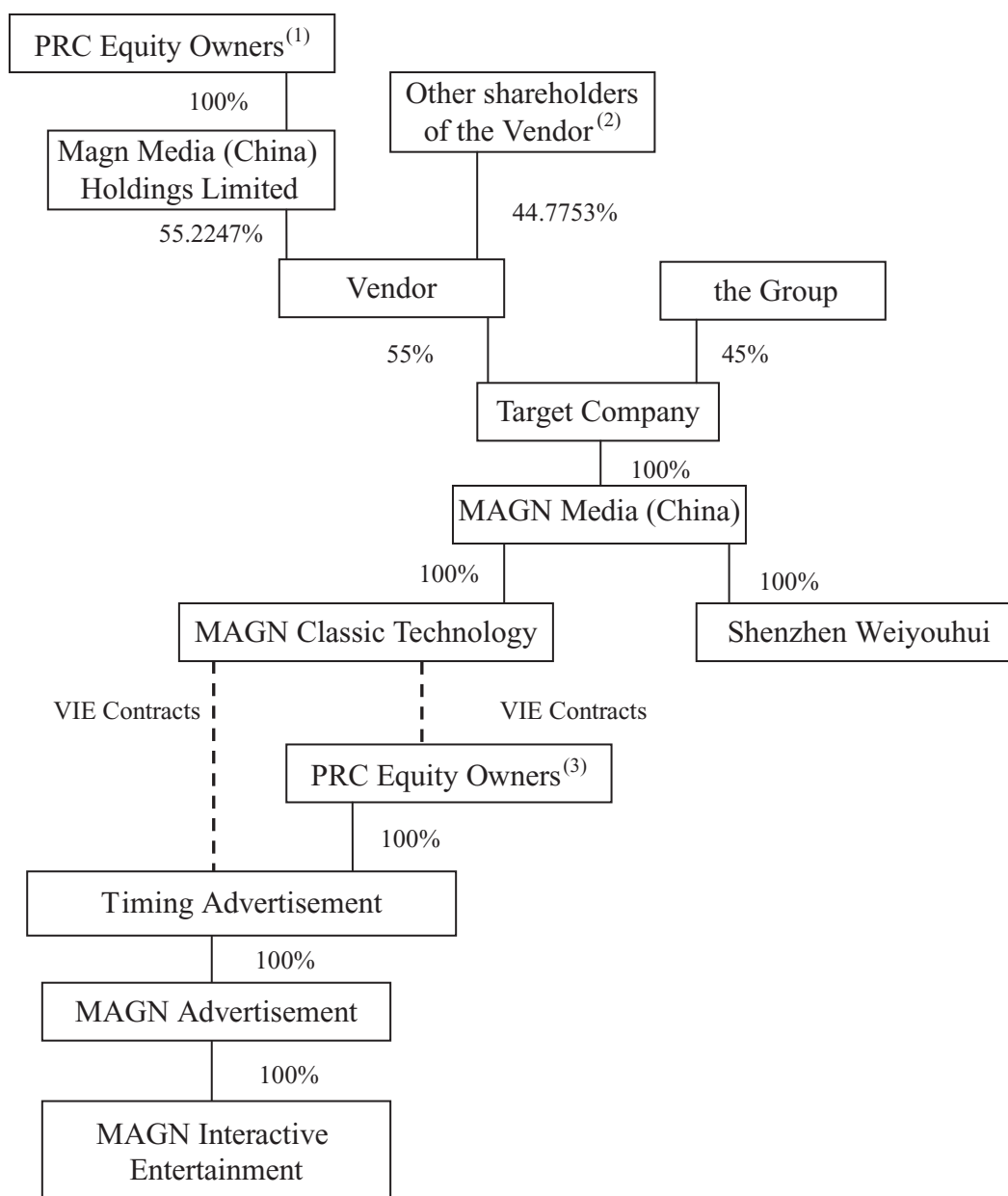
Shareholding Structure

Set out below is the shareholding structure of the Target Group as at the date of this announcement and upon completion of the Acquisition:

As at the date of this announcement



## Upon completion of the Acquisition



### Notes:

1. Chen Yunchuo, Chen Ming, Ru Yi, He Huren and Guo Changhe hold approximately 96.1856%, 2.5429%, 0.5086%, 0.3814% and 0.3814% in Magn Media China Holdings Limited respectively.
2. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the other shareholders of the Vendor is an Independent Third Party.
3. Chen Yunchuo, Chen Ming, Ru Yi, He Huren and Guo Changhe hold approximately 73.8674%, 17.4217%, 3.4843%, 2.6133% and 2.6133% in Timing Advertisement respectively.

Pursuant to the VIE Contracts, MAGN Classic Technology is able to control the finance and operation of the VIE Group so as to obtain the economic interest and benefits from their business activities despite the lack of registered equity ownership.

## **Business Operation**

Each of MAGN Media (China) and Timing Advertisement is an investment holding company. Each of MAGN Classic Technology and MAGN Interactive Entertainment is a dormant company. Shenzhen Weiyouthui commenced its business in April 2014 and is principally engaged in (i) providing and developing online games platform; and (ii) research and development of security system software. MAGN Advertisement commenced business in October 2007 and was principally engaged in the advertising business (the “Advertising Business”). The Advertising Business was disposed of in August 2015. In December 2014, it commenced the mobile game business.

Shenzhen Weiyouthui is in the stage of research and development of web-based platform and security system software and does not generate any income. As at the date of this announcement, Shenzhen Weiyouthui has two senior management, which has over 5 years of experience in online game platform industry or security system software industry. One senior management is mainly responsible for research and development of web-based platform and the other is mainly responsible for research and development of security system software. The operation of Shenzhen Weiyouthui does not require any licenses or permit.

MAGN Advertisement signs exclusive publishing and operating contract with the game developer to obtain the exclusive publishing and operating rights of the games to provide online game services in the PRC. MAGN Advertisement then launch the mobile games through platforms operated by platform providers. Revenue of MAGN Advertisement generates from sales of in-game virtual items through provision of online game services. As at the date of this announcement, MAGN Advertisement has five senior management, which has over 5 years of experience in mobile game industry. They are mainly responsible for the operation and publication of mobile games and management of MAGN Advertisement.

The mobile games released by MAGN Advertisement are mainly: 神秘力量 (Mysterious Force\*) released in April 2015 and 競技吧英雄 (On the hero\*) released in November 2015. MAGN Advertisement expects to release 海神之路II (Pirate empire II\*) around December 2015 and 鬼吹燈 (Ghost blows\*) around January 2016. MAGN Advertisement holds 增值電信業務經營許可證 (Value-added Telecommunications Business License\*) and 網路文化經營許可證 (Internet Culture Operation License\*) for conducting its business.

## VIE Group and the PRC Equity Owners

The VIE Group is principally engaged in the research, development and operation of gaming products and security software.

The registered equity owners of Timing Advertisement and their respective shareholdings in Timing Advertisement are as follows:

	Approximate % of interest held
Chen Yunchuo (陳運連)	73.8674%
Chen Ming (陳銘)	17.4217%
Ru Yi (汝毅)	3.4843%
He Huren (何虎仁)	2.6133%
Guo Changhe (郭長河)	2.6133%
Total	<u>100%</u>

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the above equity owners is a resident in the PRC and an Independent Third Party.

## INFORMATION OF THE VIE CONTRACTS

### Reasons for use of the VIE Contracts

The VIE Group is principally engaged in the operation of mobile games and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. In addition, the VIE Group holds certain licenses and permits that are essential to the operation of the mobile game business, such as ICP Licenses and the Network Cultural Business Permit.

Investment activities in the PRC by foreign investors are primarily regulated by the Guidance Catalogue of Industries for Foreign Investment (the “**Catalogue**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Catalogue divides industries into four categories in terms of foreign investment, including “encourage”, “restricted” and “prohibited”, and all industries not listed under any of these categories are deemed to be “permitted”. Pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision) (《外商投資產業指導目錄(2015年修訂)》), the mobile game business that the VIE Group currently operates falls into the value-added telecommunications services and the internet cultural business, which are considered “restricted” and “prohibited”, respectively. Therefore, foreign investors are prohibited from holding equity interest in an entity conducting mobile game business and are restricted to conduct value-added telecommunications services. In light of the above, as MAGN Classic Technology is a foreign-owned company, it is not allowed to hold any equity interests of the VIE Group under the PRC laws.

Therefore, MAGN Classic Technology, Timing Advertisement and the PRC Equity Owners have entered into the VIE Contracts on 4 August 2015 to enable the financial results, the entire economic benefits and the risks of the businesses of the VIE Group to flow into MAGN Classic Technology and to enable MAGN Classic Technology to gain control over the VIE Group.

## **VIE Contracts**

Principal terms of each of the VIE Contracts are set out as follows:

### *(i) Exclusive Consulting Service Agreement*

Parties:	MAGN Classic Technology; and Timing Advertisement
Term:	<p>the Exclusive Consulting Service Agreement shall take effect from the date of its execution until any of the following circumstances occur:</p> <ul style="list-style-type: none"><li>(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;</li><li>(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement has no right to request for termination unilaterally); and</li><li>(iii) termination is required under applicable PRC laws and regulations.</li></ul>
Services:	<p>the services includes but not limited to:</p> <ul style="list-style-type: none"><li>(i) allow Timing Advertisement to use its software;</li><li>(ii) provide corporate management and consultation services, and information technology consultation services;</li><li>(iii) provide training to the staff of Timing Advertisement;</li><li>(iv) assist Timing Advertisement in the collection and research of media information, and the development and application of media management software; and</li><li>(v) provide other technical and consultation services to Timing Advertisement upon its request from time to time (as permissible under the PRC laws).</li></ul>
Exclusiveness:	MAGN Classic Technology is appointed as the exclusive service provider of Timing Advertisement. Timing Advertisement shall not appoint any other third party providing similar services

Fees:

The amount and calculation method of the fee payable shall be determined by MAGN Classic Technology under the principle of profit maximization and after having considered the business condition of Timing Advertisement. Such fees will be payable annually within 3 months from the end of each calendar year by way of bank transfer. MAGN Classic Technology has the rights to adjust the payment period, payment proportion and/or actual amount of fees without restriction.

According to the Exclusive Consulting Service Agreement, Timing Advertisement shall pay service fees to MAGN Classic Technology, and the amount and calculation method of the fee payable shall be determined by MAGN Classic Technology under the principle of profit maximization and after having considered the business condition of Timing Advertisement. The principle of profit maximization shall mean that Timing Advertisement shall pay to MAGN Classic Technology a service fee that equals to the profit before taxation of Timing Advertisement, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement in any given year, and MAGN Classic Technology shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Timing Advertisement.

The exact amount of service fee payable by Timing Advertisement to MAGN Classic Technology in a given period will be determined by MAGN Classic Technology according to the operation and financial results of Timing Advertisement, which generally equals to the profit before taxation of Timing Advertisement, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement in any given year. The profit retained in the Timing Advertisement will be determined according to the necessary operating costs, expenses and taxes required for the continuation of the operation of the Timing Advertisement and hence, the VIE Group as a whole.

The VIE Contracts shall ensure that all the profits generated from Timing Advertisement and hence VIE Group as a whole will be transferred to MAGN Classic Technology, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement in any given year. Therefore, no profits will be retained in Timing Advertisement and the VIE Group, except for those amounts required for offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement and the VIE Group.



In line with the method generally used in the VIE structure, the business condition needs to be considered in determining the service fee payable by Timing Advertisement to MAGN Classic Technology in a given period may include without limitation to: (i) the profits generated from the VIE Group; (ii) the prior-year loss (if any), working capital requirements, expenses and tax of the VIE Group; (iii) the scope of the service provided by the MAGN Classic Technology to the VIE Group; (iv) the staff members employed by MAGN Classic Technology to provide management, market promotion, technical support, research and development and other relevant services as required to be provided to the VIE Group and the costs for providing such service; and (v) other costs and expenses incurred by MAGN Classic Technology in performing the obligations under the Exclusive Consulting Service Agreement.

According to the Exclusive Consulting Service Agreement, MAGN Classic Technology, rather than Timing Advertisement, has the rights to adjust the payment period, payment proportion and/or actual amount of fees without restriction, and determine how much of all profits generated from the VIE Group are transferred to MAGN Classic Technology, therefore the Board believes that the MAGN Classic Technology can gain control over the financing and business operation of Timing Advertisement.

*(ii) Exclusive Call Option Agreement*

Parties:	MAGN Classic Technology; Timing Advertisement; and PRC Equity Owners
Term:	<p>the Exclusive Call Option Agreement shall take effect from the date of its execution until any of the following circumstances occur:</p> <ul style="list-style-type: none"><li>(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;</li><li>(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement and the PRC Equity Owners have no right to request for termination unilaterally); and</li><li>(iii) termination is required under applicable PRC laws and regulations.</li></ul>
Subject:	<i>Call Option of Equity Interest</i>

The PRC Equity Owners irrevocably and unconditionally agreed to grant an exclusive call option to MAGN Classic Technology, pursuant to which MAGN Classic Technology may require the PRC Equity Owners to transfer their equity interests in Timing Advertisement to MAGN Classic Technology or its nominee insofar as permitted under applicable PRC laws and regulations.

MAGN Classic Technology may exercise the call option at any time, any manner, any number of times it wishes and at the lowest price insofar as permitted under applicable PRC laws and regulations.

*Call Option of Assets*

Timing Advertisement irrevocably and unconditionally agreed to grant an exclusive call option to MAGN Classic Technology, pursuant to which MAGN Classic Technology may require the Timing Advertisement to transfer its assets to MAGN Classic Technology or its nominee insofar as permitted under applicable PRC laws and regulations.

MAGN Classic Technology or its nominee may exercise the call option at any time for all or part of Timing Advertisement's asset as it wishes at the lowest price insofar as permitted under applicable PRC laws and regulations.

Undertakings:

*PRC Equity Owners*

Each of the PRC Equity Owners agreed to undertake, amongst others:

- (i) he will not transfer or in any way dispose or create any security or third party's right on the equity interest of Timing Advertisement;
- (ii) he will not alter the registered capital of Timing Advertisement, or authorize any merger, acquisition or investment by Timing Advertisement;
- (iii) he will not dispose or procure the disposal of any substantial assets of Timing Advertisement;
- (iv) he will not sign or terminate or procure the signing or termination of any agreement in conflict with the Exclusive Call Option Agreement (except for the other VIE Contracts);
- (v) he will not procure the declaration or actual distribution of any profits, bonus or dividend by Timing Advertisement; and

- (vi) he will not procure Timing Advertisement to engage in any transactions or activities which will impact the assets, rights, obligations or operation of Timing Advertisement.

#### *Timing Advertisement*

Timing Advertisement agreed to undertake, amongst others:

- (i) without prior written consent of MAGN Classic Technology, it will not assist or allow the PRC Equity Owner to transfer or in any way dispose or create any security or third party's right on its equity interest; and
- (ii) without prior written consent of MAGN Classic Technology, it will not transfer or in any way dispose or create any security or third party's right on its assets in a substantial aspect, or engage in any transaction or activity which will impact its assets, rights, obligations or operation.

Pursuant to the Exclusive Call Option Agreement, the PRC Equity Owners agreed to repay Magn Classic Technology the full amount of consideration for exercising the call option within 10 business days from the exercise day.

The Company undertakes that as soon as the relevant PRC laws allows the business of the VIE Group to be operated without the VIE Contracts, the Company will arrange Magn Classic Technology to unwind the VIE Contracts.

#### *(iii) Shareholders' Voting Right Entrustment Agreement*

- |          |  |
|----------|--|
| Parties: | MAGN Classic Technology; Timing Advertisement; and PRC Equity Owners   |
| Term:    | the Shareholders' Voting Right Entrustment Agreement shall take effect from the date of its execution until any of the following circumstances occur: <ul style="list-style-type: none"><li>(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;</li><li>(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement and the PRC Equity Owners have no right to request for termination unilaterally); and</li><li>(iii) termination is required under applicable PRC laws and regulations.</li></ul> |

Subject: The PRC Equity Owners irrevocably and unconditionally agreed to entrust to the director(s), successor(s) or receiver(s) of MAGN Classic Technology all their voting rights in Timing Advertisement, which include but not limited to the followings:

- (i) as the agent of the PRC Equity Owners, to convene and attend the shareholders' meetings of Timing Advertisement;
- (ii) to represent the PRC Equity Owners and discuss, approve and exercise the voting rights at the shareholders' meetings of Timing Advertisement;
- (iii) any other voting rights as authorized under the articles of association of Timing Advertisement (as amended from time to time); and
- (iv) to receive any general meeting notice, execute any meeting minutes or resolutions, and submit or file the relevant documents with the relevant PRC authorities on behalf of the PRC Equity Owners.

The PRC Equity Owners confirmed that no prior consent from them is required for exercising the aforesaid voting rights.

*(iv) Equity Pledge Agreement*

Parties: MAGN Classic Technology; Timing Advertisement; and PRC Equity Owners

Term: the Equity Pledge Agreement shall take effect from the date of its execution until any of the following circumstances occur:

- (i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;
- (ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement and the PRC Equity Owners have no right to request for termination unilaterally); and
- (iii) termination is required under applicable PRC laws and regulations.

Subject: The PRC Equity Owner agreed to pledge their equity interest in Timing Advertisement to MAGN Classic Technology as security. MAGN Classic Technology shall have the rights to dispose the pledged equity interest upon occurrence of any event of default, which includes: (i) any breach of terms or conditions, or any substantial incorrectness or misrepresentation in the representations and warranties of the Exclusive Call Option Agreement, the Shareholders' Voting Right Entrustment Agreement or the Equity Pledge Agreement by the PRC Equity Owners; and (ii) any breach of terms or conditions, or any substantial incorrectness or misrepresentation in the representations and warranties of the Exclusive Consulting Service Agreement, the Exclusive Call Option Agreement, the Shareholders' Voting Right Entrustment Agreement or the Equity Pledge Agreement by Timing Advertisement.

The PRC Equity Owners shall register the equity pledge within 10 business days from the date of Equity Pledge Agreement, and provide the documentary proof of successful registration to MAGN Classic Technology within 60 business days from the date of the Equity Pledge Agreement.

#### *Dispute Resolutions*

Each of the VIE Contracts contains a dispute resolution clause to the effect that, amongst others, in the event any dispute arises under the relevant VIE Contracts cannot be resolved among the parties within 30 days, such dispute shall provide for arbitration by the South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) (the “**Arbitration Commission**”) in accordance with the then arbitration rules. The place of arbitration shall be in Shenzhen and the language of arbitration shall be Chinese. The decision of the arbitration shall be final, conclusive and binding on the parties. Further, the arbitrators may award remedies over the shares or assets of Timing Advertisement or provide mandatory remedies to MAGN Classic Technology (such as mandatory transfer of asset). Parties to the VIE contracts have entered into supplemental agreements to the effect that in support of the execution of the arbitration, before the application for an arbitration or the formation of the arbitration tribunal, the relevant parties may apply for interim remedies in the courts of the places of incorporation of Magn Classic Technology or Timing Advertisement, or the places where the principal assets of Magn Classic Technology or Timing Advertisement located. However, as advised by our PRC Legal Advisor, according to the PRC laws and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as VIE Group under the PRC laws and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws and regulations. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in China.

According to the VIE Contracts, in support of the execution of the arbitration, before the application for an arbitration or the formation of the arbitration tribunal, parties to the relevant VIE Contracts may apply for interim remedies in the courts of courts of Hong Kong, the courts in the places of incorporation

of the Company or Timing Advertisement, or the places where the principal assets of the Company or Timing Advertisement are located, which has provided sufficient flexibility for the Company to seek interim remedies in different jurisdictions. Therefore, in the event that any dispute is arose out of the VIE Contracts and the interim remedies granted by overseas courts are not enforceable in the PRC, and given the facts that most of the operating assets of the VIE Group are located in the PRC and the equity interest of the PRC Equity Owners have been pledged to the Company for the benefit of the Company in case of any breach of the VIE Contracts by the PRC Equity Owners and the VIE Group, the Company may seek similar interim remedies from the courts in the PRC before the application for an arbitration or the formation of the arbitration tribunal.

According to the Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), (i) in case of emergencies in which the evidence may be lost or difficult to be obtained afterwards, the interested party may, before applying for an arbitration, apply to the competent courts for preservation of evidence subject to the relevant procedural requirements being satisfied; and (ii) in case of urgent situations in which the lawful rights and interests of any interested party may suffer irretrievable damage without immediate application for preservation measures, such interested party may, before applying for an arbitration, apply to the competent courts for the adoption of preservation measures, including the preservation of properties, subject to the relevant procedural requirements being satisfied. Therefore, even though the interim remedies granted by overseas courts may not be enforceable in the PRC, the Company may still have options to seek similar interim remedies in the courts of the PRC according to the above applicable laws.

### *Succession*

The provisions set out in the VIE Contracts are also binding on the successors of the PRC Equity Owners, as if the successor was a signing party to the VIE Contracts. Although the VIE Contracts do not specify the identity of successors to such PRC Equity Owners, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Contracts.

### *Liquidation*

Pursuant to the Exclusive Call Option Agreement, in the event of liquidation or winding up of Timing Advertisement pursuant to the applicable PRC laws, the PRC Equity Owners shall sell all of its residual assets through a non-reciprocal transfer to the extent permitted by the PRC laws to MAGN Classic Technology or another qualifying entity designated by MAGN Classic Technology at the lowest transfer price permitted by applicable PRC laws. Any proceeds from such transaction shall be paid back to MAGN Classic Technology or the qualifying entity designated by MAGN Classic Technology within ten business days after the PRC Equity Owners receive such proceeds. Accordingly, in a liquidation or winding up of Timing Advertisement, a liquidator may seize the assets of Timing Advertisement through MAGN Classic Technology based on the VIE Contracts for the benefit of the Company's creditors/ shareholders assuming the completion of the Acquisition.



## *Death, Bankruptcy or Divorce*

Each of the PRC Equity Owners has already provided undertakings to the effect that the current arrangements and the interest of Magn Classic Technology under the VIE Contracts will not be affected in the event of his/her death, bankruptcy or divorce.

## *Legality of the VIE Contracts*

The Company's PRC legal adviser is of the opinion that the Contractual Arrangement would not be deemed as void under PRC Contract Law (中華人民共和國合同法) (the "**Contract Law**") as they do not fall within any of the five circumstances under Section 52 of the Contract Law. Pursuant to Section 52 of the PRC Contract Law, a contract is void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and therefore damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) an illegitimate purpose is concealed under the guise of legitimate acts; (iv) the contract damages the public interest; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. The VIE Contracts do not fall within circumstance (i) or (ii) under Section 52 of the Contract Law, because the Contractual Arrangement were freely negotiated and entered into by the parties thereto and no apparent interest of the State was damaged by the VIE Contracts and there was no malicious collusion or apparent damage to the interest of the State, a collective unit, a third party. The purpose for entering into the VIE Contracts is to ensure that the Company can acquire the economic interest of and control over the VIE Group through the acquisition of the Target Company and via the VIE Contracts of the Target Group upon the closing of the Acquisition. The purpose of the Acquisition is for the normal development of the Company which is not an illegitimate purpose, and therefore, the VIE Contracts do not fall within circumstance (iii) under Section 52 of the Contract Law. The VIE Contracts and the Acquisition do not violate or conflict with any mandatory provisions of the laws and administrative regulations of the PRC or damage any public interest, therefore, the VIE Contracts do not fall within circumstance (iv) or (v) under Section 52 of the Contract Law. In conclusion, the VIE Contracts does not fall within any of the five circumstances set forth in Section 52 of the PRC Contract Law. In particular, VIE Contracts would not be deemed as "an illegitimate purpose is concealed under the guise of legitimate acts" such that they also do not fall within circumstance (iv) under the Section 52 of the Contract Law.

Therefore, the Company's PRC legal adviser is of the opinion that each of the VIE Contracts is duly executed and does not violate any mandatory provisions of laws and regulation of validity nature or any of provision of the articles of association of the parties signing the VIE Contracts, which constitute legal, valid and binding obligations of the parties thereto. The execution and effectiveness of the VIE Contracts do not require any approvals, registration or filing from the PRC governmental authorities.

Pursuant to the Notice regarding the Consistent Implementation of the "Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and Further Strengthening the Administration of the Pre-examination and approval of Internet Games and Examination and Approval of Imported Online Games"(Xin Chu Lian [2009] No. 13) (關於貫徹落實國務院<"三定"規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》(新出聯[2009]13號)) (the "**Notice**") jointly issued by the General Administration of Press and



Publication (新聞出版總署, the “GAPP”), the National Copyright Administration (國家版權局) and the Office of the National Work Group for “Combating Pornography and Illegal Publications” (國家掃黃打非辦公室), foreign investors are prohibited from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. However, details of the implementation and the scope for mandatory execution are not yet issued by the relevant authorities as at the date of this announcement.

Based on the confirmation made by the relevant competent departments in the interview with the same, the Company’s PRC legal adviser are of the view that the VIE Contracts would not constitute a breach or violation of the Notice for the following reasons:

- (i) according to the relevant provisions of the Regulations on the Main Functions, Internal Organization and Staffing of GAPP (Guo Ban Fa [2008] No.90) (《國家新聞出版總署 (國家版權局) 主要職責內設機構和人員編制規定》 (國辦發[2008]90號, the “**Three Provisions**”) issued by the General Office of the State Council on 11 July 2008, the GAPP is authorized to approve publication of online games before their launch on the Internet, while the Ministry of Culture (the “**MOC**”) is authorized to administer and regulate the overall online game industry;
- (ii) according to the Interpretations on Certain Clauses Concerning the Comic and Animation, Online Games and Comprehensive Law Enforcement of Culture Market in the Three Provisions of MOC, State Administration of Radio, Film and Television (廣電總局) and GAPP by the State Commission Office (State Commission Office [2009]No.35) (中央編辦對文化部、廣電總局、新聞出版總署<“三定”規定>中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》 (中央編辦發[2009]35號, the “**Three Provisions Interpretations**”), under the general leadership of MOC, GAPP is responsible for pre-approval for publication of online games before their launch on the Internet, while, once the online game products are pre-approved to be published online, it is the MOC that will regulate the market of the online games, and GAPP will not regulate any operation of the online games that have been pre-approved by the GAPP for publication;
- (iii) as at the date of this announcement, neither GAPP nor any other departments has promulgated any implementation rules or interpretations regarding the Notice, and MOC or its local hands, being the competent departments for regulating the online games operation market, is not a formulator or promulgator of the Notice, therefore, the Notice issued by GAPP may not regulate MOC or its local hands, as MOC has different governmental functions with GAPP. In this regard, as the competent departments for regulating the online games operation market, MOC does not promulgated any provisions to the effect that foreign investors are prohibited from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements;
- (iv) according to the Three Provision Interpretations, under the general leadership of MOC, GAPP is responsible for pre-approval for publication of online games before their launch on the Internet. “Publication of online games” means that the publication of the online games products, and “pre-

approval” means the pre-approval by the GAPP of the online games products prior to connecting to the internet and providing service to online users. Once the online game products are pre-approved to be published online, it is the MOC that shall regulate the market of the online games. Therefore, the function of GAPP is to regulate the pre-approval for publication of online games and its function as set out in the Notice shall be interpreted accordingly, which means that it shall not regulate the operation of the online games which has been pre-approved for publication online. As the business of the VIE Group only involves the operation of the online games which has been pre-approved for publication online that does not fall into the regulation of GAPP, therefore, the Notice does not apply to the business of the VIE Group;

- (v) as at the date of this announcement, to the knowledge of the Company’s PRC legal adviser, neither the Administration of Press, Publication, Radio, Film and Television of Guangdong Province (廣東省新聞出版廣電局), as the competent department for the regulation of pre-approval of publication of online games in Guangdong Province as the VIE Group is incorporated therein, nor the Department of Culture of Guangdong Province (廣東省文化廳), as the competent department for the operation of the online games in Guangdong Province, does not invalidate any VIE contracts pursuant to the Notice;
- (vi) on 26 October 2015, the Company’s PRC legal adviser made phone calls with the Administration of Press, Publication, Radio, Film and Television of Guangdong Province and were advised that, according to the different functions of Administration of Press, Publication, Radio, Film and Television of Guangdong Province and the Department of Culture of Guangdong Province, it is the Department of Culture of Guangdong Province that will regulate the operation of online games business;
- (vii) on 2 November 2015, the Company’s PRC legal adviser has conducted an interview with Department of Culture of Guangdong Province and during the interview it confirmed that as long as the equity interest in an online game enterprise is not directly held by a foreign investor, the Department of Culture of Guangdong Province has no dispute on other foreign investment arrangements (including the VIE Contracts) of such online game enterprise; and
- (viii) according to the Contract Law, a contract is void if it violates the mandatory provisions of the laws and administrative regulations. According to the Legislative Law of the PRC (中華人民共和國立法法) promulgated by the National People’s Congress and effective as of 15 March 2015, “laws” shall refer to the legislative regulations formulated by the National People’s Congress and its Standing Committee which exercise the legislative power of the state, while “administrative regulations” shall refer to the legislative regulations formulated by the State Council in accordance with the Constitution and the law of the state. As the Notice does not fall into the definitions of laws or administrative regulations in the Contract Law, therefore the Notice shall not be used to determine the validity of the VIE Contracts.

As advised by the Company's PRC legal adviser, according to the information promulgated by the Culture of Guangdong Province at its official website (<http://www.gdwht.gov.cn/plus/view.php?aid=472>), the Departments Culture of Guangdong Province is authorized to administer and regulate the overall online game industry within Guangdong Province.

In addition, the VIE Group is incorporated in Guangdong Province and holds a Network Culture Business Permit which is issued by the Departments Culture of Guangdong Province. Therefore, the Departments Culture of Guangdong Province is the competent administrative authority responsible for regulating the online game market in Guangdong Province and competent authority to give the above confirmation.

## **INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP**

The VIE Contracts contained certain provisions in order to exercise effective control over and to safeguard the assets of Timing Advertisement.

In addition to the internal control measures as provided in the VIE Contracts, it is the intention of the Company, following completion of the Subscription Agreement, to implement, through MAGN Classic Technology, additional internal control measures against Timing Advertisement as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

### **Management controls**

- i. The Group will appoint a board representative (the “**Representative**”) to the board of Timing Advertisement. The Representative is required to conduct weekly reviews on the operations of Timing Advertisement and shall submit the weekly reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of Timing Advertisement;
- ii. The Representative shall establish a team to be funded by the Group who shall station at Timing Advertisement and shall be actively involved in various aspects of the daily managerial and operational activities of Timing Advertisement;
- iii. Upon receiving notification of any major events of Timing Advertisement by the Representative, the registered shareholders of Timing Advertisement must report to the company secretary of the Company (the “**Company Secretary**”), who must in turn report to the Board;
- iv. The Company Secretary shall conduct regular site visits to Timing Advertisement and conduct personnel interviews quarterly and submit reports to the Board; and
- v. All seals, chops, incorporation documents and all other legal documents of Timing Advertisement must be kept at the office of MAGN Classic Technology.

## **Financial controls**

- i. The financial controller of the Company (the “FC”) shall collect monthly management accounts, bank statements and cash balances and major operational data of Timing Advertisement for review. Upon discovery of any suspicious matters, the FC must report to the Company Secretary, who shall in turn report to the Board;
- ii. If the payment of the service fees from Timing Advertisement to MAGN Classic Technology is delayed, the FC must meet with Timing Advertisement’s Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of Timing Advertisement will be removed and replaced;
- iii. Timing Advertisement must submit copies of latest bank statements for every bank accounts of Timing Advertisement within 15 days after each month end; and
- iv. Timing Advertisement must assist and facilitate the Company to conduct quarterly on-site internal audit on Timing Advertisement.

## **Board’s view on the VIE Contracts**

Based on the above, the Board is of the view that the VIE Contracts are narrowly tailored to achieve the VIE Group’s business purpose and to minimize the potential conflict with and are enforceable under the relevant PRC laws and regulations. The VIE Contracts enable MAGN Classic Technology to gain control over the financing and business operations of the VIE Group, and is entitled to the economic interest and benefits of VIE Group. The VIE Contracts also provide that MAGN Classic Technology may unwind the VIE Contracts as soon as relevant PRC rules and regulations governing foreign investment in the operation of mobile games business are issued which allow MAGN Classic Technology to register itself as the shareholder of Timing Advertisement. Magn Classic Technology is not required by the VIE Contracts to provide financial support to the VIE Group in the event it is running a loss. The Board also is not aware of any circumstances which may require Magn Classic Technology to provide financial support to the VIE Group or expose Magn Classic Technology to losses.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, MAGN Classic Technology and the VIE Group have not encountered any interference or encumbrance from any governing bodies in operating its business through the contractual arrangements under the VIE Contracts.

## RISK FACTORS IN RELATION TO THE VIE CONTRACTS

*The PRC government may determine that the VIE Contracts do not comply with the applicable laws and regulations*

There can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

*The VIE Contracts may not be as effective as direct ownership in providing control over Timing Advertisement*

The Group relies on contractual arrangements under the VIE Contracts with Timing Advertisement to operate the mobile game business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over Timing Advertisement as direct ownership.

*The PRC Equity Owners may potentially have a conflict of interests with the Group*

The Group's control over Timing Advertisement is based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company. Pursuant to the Shareholders' Voting Right Entrustment Agreement, the PRC Equity Owners will irrevocably authorize MAGN Classic Technology (or its director or successor or receiver) as their representative to exercise the voting rights of the shareholders of Timing Advertisement. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the PRC Equity Owners. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the PRC Equity Owners.

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

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Timing Advertisement, and this could further result in late payment fees and other penalties to Timing Advertisement for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

*Certain terms of the VIE Contracts may not be enforceable under PRC laws*

The VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. The VIE Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of Timing Advertisement or provide mandatory remedies to MAGN Classic Technology (such as mandatory transfer of asset). In addition, the parties to the VIE Contracts may also by itself/himself or through the Arbitration Commission to apply for interim remedies in the place of incorporation of MAGN Classic Technology in appropriate cases. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the VIE Group in case of disputes. Therefore, such remedies may not be available, notwithstanding the relevant contractual provisions contained in the VIE Contracts.

*A substantial amount of costs and time may be involved in transferring the ownership of the VIE Group to the Group under the Exclusive Call Option Agreement*

The Exclusive Call Option Agreement grants MAGN Classic Technology a right to acquire part or all of the equity interest in the registered capital or part or all of the assets of the Timing Advertisement at the lowest price permitted by PRC law, under which MAGN Classic Technology or its designee is entitled to acquire all or part of the equity interest of Timing Advertisement from the PRC Equity Owners and the assets of Timing Advertisement from of Timing Advertisement. Nevertheless, such rights can only be exercised by MAGN Classic Technology as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitations on foreign ownership in PRC companies that provide value-added telecommunications, Internet cultural business. In addition, a substantial amount of costs and time may be involved in transferring the ownership or assets of the VIE Group to MAGN Classic Technology if it chooses to exercise the exclusive right to acquire all or part of the equity interest and assets in the VIE Group under the Exclusive Call Option Agreement, which may have a material adverse impact on our Group's business, prospects and results of operation.

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

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Timing Advertisement, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.



## Development in the Legislation on Foreign Investment in the PRC

### *Draft new Foreign Investment Law of the PRC*

On 19 January 2015, MOFCOM published the new draft of the Foreign Investment Law (中華人民共和國外國投資法) (the “**Draft New Law**”) for public comment. The new Foreign Investment Law (the “**New Foreign Investment Law**”), if finally adopted, may have significant impact on the foreign investment regime of the PRC.

The Draft New Law proposes to standardize the market entry requirements and procedures for foreign and PRC investors, replacing the existing requirements for approval of all foreign investments by the competent foreign investment authority, and aims to consolidate and simplify the various regulatory requirements on foreign investment. Specifically, among others, the Draft New Law introduces a new standard in defining the terms of “foreign investor(s)” and “PRC investor(s)”. Under such new standard, only investment made by a foreign investor will be treated as foreign investment and the enterprise thus established will be treated as a foreign-invested enterprise, while a domestic enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such domestic enterprise’s ultimate control person(s) is/are solely PRC investors, upon the competent authorities’ approval. “Ultimate control person” refers to natural persons or enterprises that control, directly or indirectly, foreign investors or foreign-invested enterprises. In addition, foreign investment under the Draft New Law includes, among others, (i) acquiring any share, equity, unit, voting right or other similar equities in a domestic; and (ii) controlling the domestic enterprise or acquiring any interest in the domestic enterprise by means of contracts, trust or otherwise.

Under the Draft New Law, “foreign investors” refer to the following persons: (i) natural persons without Chinese nationality; (ii) enterprises established in accordance with the laws of other nations or districts; (iii) government and its affiliated departments or offices of other nations or districts; (iv) international organizations. Furthermore, any domestic enterprise controlled by any of the above person will be deemed as a foreign investor.

Under the Draft New Law, “PRC investors” refer to the following persons: (i) natural persons with Chinese nationality; (ii) the PRC government and its affiliated departments or offices; and (iii) domestic enterprises controlled by any of the aforesaid two bodies.

According to the Draft New Law, with respect to an enterprise, the terms “control”, “controlled” or “controlling” shall mean that any of the following:

1. holding, directly or indirectly, more than 50% of shares, equity, share of property, voting right or other similar equities in the enterprise;
2. holding, directly or indirectly, less than 50% of shares, equity, share of property, voting right or other similar equities in the enterprise, but are under any of the following circumstances: (i) being entitled to, directly or indirectly, more than half of the members of the enterprise’s board of director or the similar decision-making body; (ii) being capable of ensuring that its nominated personnel can



occupy more than 50% of seats of the enterprise' board of directors or the similar decision-making body; and (iii) the voting right it holds is sufficient to have significant impact on the resolutions of the board of shareholders, general assembly of shareholders, board of directors or other decision-making body;

3. exerting decisive impact on the enterprise's management, finance, human resources or technologies by contracts, trust or other ways.

Based on the facts that (i) Mr. Fu Yik Lung, a Hong Kong citizen, is the ultimate controlling shareholder of the Company under the GEM Listing Rules, and indirectly holds approximately 54.375% of the issued share capital of our Company before the closing of the Acquisition, and approximately 53.458% of the issued share capital of our Company upon the issue of the maximum number of Consideration Shares assuming there is no change in the shareholding structure of the Company since the date of this announcement, and (ii) the Group will own 45% of the issued share capital of the Target Company and hence through the Target Company will own 45% of the interest in the VIE Group via the VIE Contracts upon the closing of the Acquisition, the Company's PRC legal adviser advises that Mr. Fu Yik Lung is likely to be deemed as "ultimate control person" as defined under the Draft New Law by MOFCOM and in this regard, the investment made by the Company or its controlled entities in a domestic enterprise will be deemed as foreign investment under the Draft New Law, which will be subject to the market entry requirements and procedures under the Draft New Law. Nevertheless, whether Mr. Fu Yik Lung will finally be identified as the "ultimate control person" who acquires interest of the VIE Group via the VIE Contracts upon the closing of the Acquisition is subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future.

Under the Draft New Law, a negative list (the "**Negative List**") will be formulated and promulgated by the State Council, which will classify the foreign investment industries into the restricted list and prohibited list. For the industries not listed in the Negative List, foreign investors are allowed to make the investment without approval, and only subject to post investment information reporting. For the industries listed in the restricted list of the Negative List, foreign investors need to obtain approval from competent departments before it is allowed to make the investment. For the industries listed in the prohibited list of the Negative List, foreign investors are prohibited from making any investment. As the Draft New Law is not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft New Law, therefore, there is uncertainty as to whether the business of the VIE Group (including the operation of the mobile game business) will fall into the restricted list or prohibited list of the Negative List.

The Draft New Law was accompanied by the MOFCOM's notes (the "**Notes**") on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement, or "**VIE structure**", which has established before the Draft New Law taking effect. In terms of the VIE structure such as used by the Target Group, MOFCOM proposed three possible ways to deal with the existing VIE structure, if the business in which the company is involved still belongs to restricted or prohibited list, namely the prohibited industry and the restricted industry for foreign investment to be formulated and promulgated by the State Council, and both PRC investors and foreign investors ultimately controlling the existing

VIE structures shall comply with the corresponding procedures as to be finally adopted in the formally promulgated and implemented New Foreign Investment Law: (i) reporting: if the reporting regime is finally adopted, the existing VIE structure being permitted to continue following reporting to MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft New Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime; (ii) verification: if the verification regime is finally adopted, the existing VIE structure being permitted to continue following verification, on the application of the investor, by MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft New Law and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the verification regime; and (iii) approval: if the approval regime is finally adopted, the existing VIE structure being permitted to continue following approval by MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person.

There is no definitive timeline for the New Foreign Investment Law to come into effect. The consultation stage for public comment of the Draft New Law ended in February 2015. Before formal promulgation and implementation, the following legislative stages have to be undergone: (i) the State Council submits the Draft New Law to the Standing Committee of the National People's Congress after discussion and amendments by various departments of the State Council; (ii) the Standing Committee of the National People's Congress may publish draft legislation for public consultation and put forward the draft legislation for approval after review in usually three rounds of meetings of the Standing Committee of the National People's Congress; and (iii) the Standing Committee of the National People's Congress approves the draft legislation by resolution and the Chairman of the PRC signs the same for formal adoption.

Since a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, the Directors are given no reasonably sufficient evidence to believe that the New Foreign Investment Law will be adopted immediately and/or the New Foreign Investment Law will be in the same content or form with the Draft New Law and the Notes.

As provided in the VIE Contracts, the contractual arrangement under the VIE Contracts will be terminated as soon as the relevant PRC laws and regulations including without limitation the New Foreign Investment Law and relevant industry policies and regulations and practice of industry competent authorities allow the business to be conducted and operated by owned subsidiaries of our Company without VIE Contracts in place.

### ***Impact on the VIE Contracts and the Business of the Timing Advertisement***

As mentioned above, under the Draft New Law, a negative list will be formulated and promulgated by the State Council, which will classify the foreign investment industries into the restricted list and prohibited list. As the Draft New Law is not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft New Law, therefore, there is uncertainty as to

whether the business of the VIE Group (including the operation of the mobile game business) will fall into the restricted list or prohibited list of the Negative List. According to current contents of the Draft New Law and the Notes, with respect to investment arrangement through VIE structure before the Draft New Law taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment, as mentioned above, it will be subject to (i) reporting; (ii) verification; or (iii) approval requirement.

There is uncertainty as to which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law and the Notes, a VIE structure which is ultimately controlled by a PRC investor may be permitted to continue following reporting to, verification or approval by MOFCOM, while a VIE structure which is ultimately controlled by a foreign investor may be permitted to continue following approval by MOFCOM after taking into account a number of consideration including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person. Considering the abovementioned analysis and based on the facts that the VIE Group is currently participating in restricted and prohibited industries for foreign investment and Mr. Fu Yik Lung, ultimate controlling person who acquires interest of the VIE Group upon closing of the Acquisition, is foreign investor as defined under the Draft New Law, subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, provided that the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the continuance of the VIE structure under the VIE Contracts of the Target Group may be likely subject to approval by the MOFCOM.

In the event that the business of the VIE Group (including the operation of the mobile game business) falls into the restricted list or prohibited list of the Negative List and the continuance of the contractual arrangement under the VIE Contracts of the Target Group is subject to the approval by the MOFCOM but is not approved by the MOFCOM after application, and the New Foreign Investment Law and relevant interpretations and regulations are formally promulgated and implemented by MOFCOM in the future taking effect in its current form and content, which renders any term or condition of the VIE Contracts becomes illegal or unenforceable, the repurchase obligation under the Equity Transfer Agreement will be triggered and the Vendor shall be obliged to repurchase itself or through its designated third party the VIE Group by cash at the consideration equivalent to the higher of the then valuation of the VIE Group to be prepared by an independent valuer to be agreed by the parties or the then latest audited net asset value of the VIE Group within 15 business days upon receiving written notice from the Company.

Taking into account the facts that the consultation stage for public comment of the Draft New Law ended in February 2015 and a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, and the analysis of the Company PRC legal adviser with regard to the Draft New Law and the Notes as mentioned above, as well as the repurchase obligation undertaken by the Vendor, the Directors consider that proper arrangement has been made at this stage to mitigate against the risk to the minimal extent that, following the closing of the Acquisition, the business under the VIE Contracts may become non-compliant with the Draft New Law.

### ***Three Option Proposed for the Treatment of the Existing VIE Structure under the Notes and the Application of Such Option to Our Company***

As mentioned above, with respect to investment arrangement through VIE structure before the Draft New Law taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment as and when the Draft New Law taking effect, it will be subject to (i) reporting; (ii) verification; or (iii) approval requirement.

Based on the Draft New Law and the Notes, a VIE structure which is ultimately controlled by a PRC investor may be permitted to continue following reporting to, verification or approval by MOFCOM, while a VIE structure which is ultimately controlled by a foreign investor may be permitted to continue following approval by MOFCOM after taking into account a number of consideration including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person.

Given the facts that the VIE Group is currently participating in restricted and prohibited industries for foreign investment and Mr. Fu Yik Lung, the ultimate controlling shareholder of the Company which would have acquired interest of the VIE Group upon closing of the Acquisition, is foreign investor as defined under the Draft New Law, the approval requirement among the three options may be likely applied to deal with the VIE structure under the VIE Contracts of the Target Group, and therefore the continuance of the VIE structure under the VIE Contracts of the Target Group may be likely subject to approval by the MOFCOM.

The Company will comply with the disclosure requirements under paragraph 20 of Guidance Letter 77-14 issued by the Stock Exchange to keep Shareholders informed of the VIE Group's business in the Company's annual reports.

### **INFORMATION OF THE PARTIES TO THE ACQUISITION**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange since 2014. The Group is principally engaged in the provision of manned security guarding services in Hong Kong.

The Vendor is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. The ultimate beneficial owners of the Vendor are the PRC Equity Owners, which are also the holders of the equity interests of Timing Advertisement.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners are Independent Third Parties.

## GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules exceed(s) 5% but less than 25%, the Acquisition (aggregate with the subscription of 20% enlarged equity interest in the Target Company as disclosed in the announcement of the Company dated 16 April 2015) contemplated under the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) no longer constitutes a major transaction but a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and announcement requirement but exempt from the Shareholders' approval requirement.

## DEFINITIONS

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

“Acquisition”	the acquisition by the Company of 25% equity interest in the Target Company from the Vendor, pursuant to the terms and conditions of the Equity Transfer Agreement
“Announcement”	the announcement of the Company dated 19 October 2015 in relation to, among others, the Equity Transfer Agreement entered into between the Company and the Vendor on 19 October 2015 and the acquisition of 80% equity interest in the Target Company by the Company at the then consideration of HK\$92,000,000 by way of issue of Consideration Shares
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
“BVI”	British Virgin Islands
“Company”	King Force Security Holdings Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the GEM
“Consideration”	the consideration of approximately HK\$28,750,000 for the Acquisition which is subject to downward adjustment pursuant to the terms and conditions of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement)

“Consideration Share(s)”	the new Shares to be issued to the Sellers at an issue price of HK\$0.262 each as the Consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 19 October 2015 entered into between the Company and the Vendor in relation to the Acquisition, as amended and supplemented by the Supplemental Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on the GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company to allot, issue and deal with up to 1,280,000,000 new Shares, being 20% of the shares then in issue of the capital of the Company as at the date of the annual general meeting on 1 September 2015 and adjusted by the share subdivision of the Company completed on 17 August 2015
“Golden Cross”	Golden Cross Trading Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any member of the Company, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates (as defined in the GEM Listing Rules)
“Issue Price”	issue price of HK\$0.262 per Consideration Share
“MAGN Advertisement”	深圳市新動廣告有限公司 (Shenzhen MAGN Advertisement Co., Limited*), a company established in the PRC in May 2006 with limited liability which is a wholly-owned subsidiary of Timing Advertisement



“MAGN Classic Technology”	深圳市新動經典科技有限公司 (Shenzhen MAGN Classic Technology Co., Limited*), a company established in the PRC in August 2015 with limited liability, a wholly-owned subsidiary of MAGN China (WOFE)
“MAGN Interactive Entertainment”	深圳市新動互娛文化傳播有限公司 (Shenzhen MAGN Interactive Entertainment Cultural Media Co., Limited*), a company established in the PRC in February 2015 with limited liability which is a wholly-owned subsidiary of MAGN Advertisement
“MAGN Media (China) (WOFE)”	新動傳媒 (中國) 有限公司 (MAGN Media (China) Co., Limited*), a wholly foreign owned enterprise established in the PRC in May 2008 with limited liability and a wholly-owned subsidiary of the Target Company
“MOFCOM”	Ministry of Commerce of the PRC
“NDRC”	National Development and Reform Commission of the PRC
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“PRC Equity Owners”	holders of the equity interests of Timing Advertisement, namely 陳運遑 (Chen Yunchuo*), 陳銘 (Chen Ming*), 汝毅 (Ru Yi*), 何虎仁 (He Huren*) and 郭長河 (Guo Changhe*)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Weiyouhui”	深圳市微游匯信息科技有限公司 (Shenzhen Weiyouhui Information Technology Co., Limited*), a company established in the PRC in April 2014 with limited liability, which equity interest is indirectly held as to 80% by the Vendor via MAGN Media (China) (WOFE) and 20% by Golden Cross, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Supplemental Agreement”	the supplemental agreement to the Equity Transfer Agreement dated 24 November 2015 entered into between the Company and the Vendor in respect of the Acquisition
“Target Company”	Magn Investment Limited, a company incorporated in Hong Kong
“Target Group”	the Target Company and its subsidiaries, namely MAGN Media (China) (WOFE), Shenzhen Weiyohui, Magn Classic Technology and the VIE Group to be controlled through the VIE Contracts
“Timing Advertisement”	深圳市題名廣告有限公司 (Shenzhen Timing Advertisement Co., Limited*), a company established in the PRC in April 2004 with limited liability, which equity interest is held by the PRC Equity Owners
“Vendor”	Magn Group Limited, a company incorporated in the Cayman Islands with limited liability
“VIE(s)”	variable interest entities controlled by MAGN Classic Technology through the VIE Contracts
“VIE Contracts”	the Exclusive Consulting Service Agreement, Exclusive Call Option Agreement, Shareholders’ Voting Right Entrustment Agreement and Equity Pledge Agreement (as defined and set out under the section headed “Information of the VIE Contracts” in this announcement) entered into among MAGN Classic Technology, Timing Advertisement and the PRC Equity Owner on 4 August 2015
“VIE Group”	Timing Advertisement, MAGN Advertisement and MAGN Interactive Entertainment
“%”	per cent

By order of the Board  
**King Force Security Holdings Limited**  
**Fu Yik Lung**  
*Chairman*

Hong Kong, 24 November 2015

*As at the date of this announcement, the executive Directors are Mr. Fu Yik Lung, Ms. Liu Lai Ying, Ms. Chung Pui Yee Shirley, Mr. Zhang Chengzhou, Mr. Li Mingming and Ms. Chen Xiaoting; and the independent non-executive Directors are Ms. Au Man Yi, Professor Lam Sing Kwong, Simon and Mr. Ong Chi King.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at [www.kingforce.com.hk](http://www.kingforce.com.hk).*

*\* For identification purpose only*